
ENGROSSED THIRD SUBSTITUTE SENATE BILL 5319

State of Washington

58th Legislature

2004 Regular Session

By Senate Committee on Ways & Means (originally sponsored by Senators T. Sheldon, Hale and Esser)

READ FIRST TIME 02/26/04.

1 AN ACT Relating to tax incentives for call centers in rural areas
2 of the state; adding a new section to chapter 82.08 RCW; adding a new
3 section to chapter 82.12 RCW; creating new sections; and providing an
4 effective date.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 NEW SECTION. **Sec. 1.** The legislature finds that there are areas
7 of the state that still have very high levels of unemployment. The
8 legislature also finds that additional incentives are needed to promote
9 economic stimulation and new employment opportunities in these
10 distressed areas, and that these incentives are essential to increase
11 economic growth in these areas. The legislature intends to accomplish
12 this by providing tax incentives for call centers, toll services, or
13 network telephone services located in distressed areas of the state.

14 NEW SECTION. **Sec. 2.** A new section is added to chapter 82.08 RCW
15 to read as follows:

16 (1) The tax levied by RCW 82.08.020 does not apply to sales of
17 machinery and equipment used by a person who operates a call center
18 located in an eligible area, or to sale of or charges made for labor

1 and service rendered in respect to installing the machinery and
2 equipment. The exemption for labor and services provided by this
3 subsection does not apply to sale of or charges made for labor and
4 services for repairing, replacing, cleaning, altering, or improving the
5 machinery and equipment. The purchaser must provide the seller with an
6 exemption certificate in a form and manner prescribed by the
7 department. The seller must retain a copy of the certificate as part
8 of its permanent records for a period of at least five years.

9 (2) The tax levied by RCW 82.08.020 does not apply to sale of or
10 charges made for labor and services rendered in respect to constructing
11 or improving buildings used as a call center located in an eligible
12 area, or to sales of tangible personal property that becomes an
13 ingredient or component of such building during the course of
14 constructing or improving the buildings. The purchaser must provide
15 the seller with an exemption certificate in a form and manner
16 prescribed by the department. The seller must retain a copy of the
17 certificate as part of its permanent records for a period of at least
18 five years.

19 (3) The tax levied by RCW 82.08.020 does not apply to sales of or
20 charges to a person who operates a call center for rental of tangible
21 personal property along with an operator if such activity is used in
22 constructing or improving a building used as a call center located in
23 an eligible area or in regards to eligible machinery and equipment.
24 The purchaser must provide the seller with an exemption certificate in
25 a form and manner prescribed by the department. The seller must retain
26 a copy of the certificate as part of its permanent records for a period
27 of at least five years.

28 (4) The tax levied by RCW 82.08.020 does not apply to sale of toll
29 services, as defined in RCW 82.08.0289, to a person who operates a call
30 center located in an eligible area. This exemption applies to the
31 calendar year in which a call center's operations commence and the
32 immediately subsequent three calendar years. This exemption does not
33 apply to any other network telephone services of the call center. The
34 purchaser must provide the seller with an exemption certificate in a
35 form and manner prescribed by the department. The seller must retain
36 a copy of the certificate as part of its permanent records for a period
37 of at least five years.

1 (5)(a) To qualify for the exemptions provided in this section, a
2 call center must employ twenty-five or more employees who provide
3 customer service and support by responding to inbound telephone calls
4 and electronic contacts, using computer-automated equipment, an
5 electronic medium, or the telephone, within one year of commencing call
6 center operations. Office support, management, and other employees who
7 do not primarily perform customer service and support are not included
8 in determining if the operation meets the threshold for the number of
9 employees. In addition, if, at any time after the threshold is
10 satisfied, employment at the call center falls below the twenty-five or
11 more employees, the exemptions under this section are not available on
12 or after that date, until such time as employment levels meet the
13 threshold.

14 (b) If a person discontinues the operation of a call center located
15 in an eligible area, the amount of taxes for which the exemption has
16 been claimed for the current calendar year and the preceding three
17 calendar years is immediately due. The department shall assess
18 interest, but not penalties, on the taxes for which the person is not
19 eligible. The interest shall be assessed at the rate provided for
20 delinquent excise taxes under chapter 82.32 RCW, shall be assessed
21 retroactively to the date the tax exemption was taken, and shall accrue
22 until the taxes for which the exemption has been taken are repaid.

23 (6) A person taking the exemptions under this section must apply to
24 the department for a call center exemption certificate. The
25 application must be in a form and manner as prescribed by the
26 department. The department shall rule on the application within sixty
27 days of receipt. The department shall issue an exemption certificate
28 to those persons that qualify as a call center located in an eligible
29 area. The exemption certificate is valid for a one-year period. Call
30 centers taking the exemptions provided by this section must reapply
31 each year to maintain eligibility.

32 (7) A person who takes an exemption under this section shall make
33 an annual report to the department. The report must be filed by
34 January 30th following any year in which an exemption under this
35 section was taken. The report shall be in letter form and shall
36 include the following information: Taxpayer name and registration
37 number, confirmation that the person is operating a call center,
38 location of the call center, how long the call center has been in that

1 location, the amount of each exemption taken under this section, and
2 the average number of employees providing customer service and support.
3 Failure to file a report will not result in the loss of eligibility
4 under this section. However, the department shall contact the
5 taxpayers who have not filed the report and obtain the data from the
6 taxpayer or assist the taxpayer in the filing of the report, so that
7 the data and information necessary to measure the program's
8 effectiveness is collected.

9 (8) The definitions in this subsection apply throughout this
10 section unless the context clearly requires otherwise:

11 (a) "Buildings" means those structures used in a call center
12 located in an eligible area. If a building is used partly for a call
13 center located in an eligible area and partly for other purposes, the
14 applicable tax exemption shall be determined by apportioning the costs
15 of the construction. Such apportionment shall be based on square
16 footage and determined according to the ratio of the square footage of
17 that portion of the building or buildings used as a call center bears
18 to the square footage of the total building. The term "buildings" also
19 includes utility systems for heating, ventilation, air conditioning,
20 plumbing, electrical, or similar systems used in the call center
21 operation.

22 (b) "Call center located in an eligible area" means a business
23 operation:

24 (i) Employing twenty-five or more employees who provide customer
25 service and support by responding to inbound telephone calls and
26 electronic contacts, using computer-automated equipment, an electronic
27 medium, or the telephone; and

28 (ii) Commencing the operation of a call center, after July 1, 2004,
29 in one of the following eligible areas:

30 (A) A community empowerment zone, as defined in chapter 43.31C RCW;

31 (B) A county with fewer than one hundred persons per square mile,
32 as determined annually by the office of financial management and
33 published by the department, effective for the period July 1st through
34 June 30th; or

35 (C) A county smaller than two hundred twenty-five square miles, as
36 determined annually by the office of financial management and published
37 by the department, effective for the period July 1st through June 30th.

38 (c) "Call center located in an eligible area" does not include:

1 (i) A call center that relocates any portion of a call center from
2 within the state to an eligible area under this section;

3 (ii) A business operation engaged in the activity of telemarketing
4 or the solicitation of sales; or

5 (iii) A business that merely incorporates, reincorporates, merges,
6 or otherwise changes or reforms its identity in an attempt to qualify
7 as a call center located in an eligible area.

8 (d)(i) "Machinery and equipment" means commercial fixtures and
9 devices, such as electronic communications equipment, communications
10 systems infrastructure components, computer software, computer
11 hardware, office furniture, and any other fixture and device necessary
12 for the communications operations of a call center located in an
13 eligible area. "Machinery and equipment" includes tangible personal
14 property that becomes an ingredient or component of the fixture or
15 device.

16 (ii) "Machinery and equipment" does not include:

17 (A) Hand-powered tools, such as hammer and wrenches;

18 (B) Property with a useful life of less than one year; or

19 (C) Repair and replacement parts for otherwise eligible machinery
20 and equipment.

21 NEW SECTION. **Sec. 3.** A new section is added to chapter 82.12 RCW
22 to read as follows:

23 (1) The provisions of this chapter do not apply to the use by a
24 person who operates a call center located in an eligible area of:

25 (a) Machinery and equipment used in a call center located in an
26 eligible area;

27 (b) Labor and services rendered in respect to installing the
28 machinery and equipment in a call center located in an eligible area;
29 and

30 (c) Tangible personal property that becomes an ingredient or
31 component of buildings used in a call center located in an eligible
32 area.

33 (2) "Building," "call center located in an eligible area," and
34 "machinery and equipment" have the same meanings given in section 2 of
35 this act.

1 NEW SECTION. **Sec. 4.** The office of financial management shall
2 develop a report on the prevalence by which the state of Washington,
3 from fiscal year 2001 through fiscal year 2004, contracted with
4 out-of-state employers, other business entities, or other state
5 governments for the provision of goods or services in this state or to
6 the residents of this state. The report shall include an accounting of
7 the total amount of funds expended and the number of contracts
8 executed between state agencies and businesses where the services or
9 goods contracted for were performed or provided by employees or
10 contractors working outside of the state of Washington. In addition,
11 for each contract, the report shall include a description of the
12 services performed, the agency participating in the contract, the funds
13 expended for each contract, the location where the services were
14 performed, an analysis of whether adequate services were available
15 within the state of Washington to provide the same or similar goods or
16 services, and the degree to which utilization of services within the
17 state would have affected the cost of the contract. The office of
18 financial management shall submit its report to the senate committee on
19 commerce and trade and the house committee on commerce and labor by
20 July 31, 2004.

21 NEW SECTION. **Sec. 5.** This act takes effect July 1, 2004.

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