
SENATE BILL 5464

State of Washington 58th Legislature 2003 Regular Session

By Senators Finkbeiner, Fairley, Esser, Reardon, Schmidt, Doumit, West, Rossi and T. Sheldon

Read first time 01/27/2003. Referred to Committee on Technology & Communications.

1 AN ACT Relating to local government business and occupation tax on
2 intellectual property; and adding a new section to chapter 35.21 RCW.

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

4 NEW SECTION. **Sec. 1.** A new section is added to chapter 35.21 RCW
5 to read as follows:

6 (1) Cities, code cities, and towns may not impose a business and
7 occupation tax measured by "gross proceeds of sales," "gross income of
8 the business," or "value proceeding or accruing," as those terms are
9 used in chapter 82.04 RCW, on the activity of creating intellectual
10 property unless the city, code city, or town imposed such a tax on
11 January 1, 2002. Effective January 1, 2004, all cities, code cities,
12 and towns are prohibited from imposing a tax measured by "gross
13 proceeds of sales," "gross income of the business," or "value
14 proceeding or accruing," as those terms are used in chapter 82.04 RCW,
15 upon any intellectual property creating activity as a taxable incident.

16 (2) It is the intent of the legislature in enacting this section to
17 distinguish between nontaxable activity undertaken by a business for
18 which the business receives no gross income in the form of payments,
19 contract amounts, fees, or other income, and taxable activity for which

1 the business receives gross income from goods or services that it has
2 sold or receives royalty income which may be taxed only in the city,
3 code city, or town in which the business is domiciled.

4 (3) For the purposes of this section, the following definitions
5 apply:

6 (a) "Domicile" means the principal place from which the trade or
7 business of the taxpayer is directed or managed;

8 (b) "Intellectual property creating activity" means research,
9 development, authorship, creation, or general or specific inventive
10 activity without regard to whether the intellectual property creating
11 activity actually results in the creation of patents, trademarks, trade
12 secrets, subject matter subject to copyright, or other intellectual
13 property.

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