

CERTIFICATION OF ENROLLMENT

SUBSTITUTE HOUSE BILL 3158

Chapter 8, Laws of 2004

58th Legislature
2004 Regular Session

TAX EXEMPTION--COMPUTER EQUIPMENT

EFFECTIVE DATE: 6/10/04

Passed by the House February 16, 2004
Yeas 96 Nays 1

FRANK CHOPP

Speaker of the House of Representatives

Passed by the Senate March 2, 2004
Yeas 48 Nays 0

BRAD OWEN

President of the Senate

Approved March 11, 2004.

GARY F. LOCKE

Governor of the State of Washington

CERTIFICATE

I, Richard Nafziger, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **SUBSTITUTE HOUSE BILL 3158** as passed by the House of Representatives and the Senate on the dates hereon set forth.

RICHARD NAFZIGER

Chief Clerk

FILED

March 11, 2004 - 4:19 p.m.

**Secretary of State
State of Washington**

SUBSTITUTE HOUSE BILL 3158

Passed Legislature - 2004 Regular Session

State of Washington 58th Legislature 2004 Regular Session

By House Committee on Finance (originally sponsored by
Representatives McIntire, Kessler and Edwards)

READ FIRST TIME 02/10/04.

1 AN ACT Relating to exempting from sales and use tax computer
2 equipment used primarily in printing or publishing; adding a new
3 section to chapter 82.08 RCW; adding a new section to chapter 82.12
4 RCW; and creating a new section.

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

6 NEW SECTION. **Sec. 1.** (1) The legislature finds that the
7 manufacturer's machinery and equipment sales and use tax exemption is
8 vital to the continued development of economic opportunity in this
9 state, including the development of new businesses and the expansion or
10 modernization of existing businesses.

11 (2) The legislature finds that the printing and publishing
12 industries have not been able to realize the benefits of the
13 manufacturer's machinery and equipment sales and use tax exemption to
14 the same extent as other manufacturing industries due to dramatic
15 changes in business methods caused by computer technology not
16 contemplated when the manufacturer's machinery and equipment sales and
17 use tax exemption was adopted. As a result of these changes in
18 business methods, a substantial amount of computer equipment used by

1 printers and publishers is not eligible for the manufacturer's
2 machinery and equipment sales and use tax exemption because the
3 computer equipment is not used within the manufacturing site.

4 (3) The legislature further finds that additional incentives for
5 printers and publishers need to be adopted to provide these industries
6 with similar benefits as the manufacturer's machinery and equipment
7 sales and use tax exemption provides for other manufacturing
8 industries, and in recognition of the rapid rate of technological
9 advancement in business methods undergone by the printing and
10 publishing industries. The legislature intends to accomplish this by
11 providing a sales and use tax exemption to printers and publishers for
12 computer equipment, not otherwise eligible for the manufacturer's
13 machinery and equipment sales and use tax exemption, used primarily in
14 the printing or publishing of printed material, and for labor and
15 services rendered in respect to installing, repairing, cleaning,
16 altering, or improving such computer equipment.

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

19 (1) The tax levied by RCW 82.08.020 shall not apply to sales, to a
20 printer or publisher, of computer equipment, including repair parts and
21 replacement parts for such equipment, when the computer equipment is
22 used primarily in the printing or publishing of any printed material,
23 or to sales of or charges made for labor and services rendered in
24 respect to installing, repairing, cleaning, altering, or improving the
25 computer equipment. This exemption applies only to computer equipment
26 not otherwise exempt under RCW 82.08.02565.

27 (2) A person taking the exemption under this section must keep
28 records necessary for the department to verify eligibility under this
29 section. This exemption is available only when the purchaser provides
30 the seller with an exemption certificate in a form and manner
31 prescribed by the department. The seller shall retain a copy of the
32 certificate for the seller's files.

33 (3) The definitions in this subsection (3) apply throughout this
34 section, unless the context clearly requires otherwise.

35 (a) "Computer" has the same meaning as in RCW 82.04.215.

36 (b) "Computer equipment" means a computer and the associated
37 physical components that constitute a computer system, including

1 monitors, keyboards, printers, modems, scanners, pointing devices, and
2 other computer peripheral equipment, cables, servers, and routers.
3 "Computer equipment" also includes digital cameras and computer
4 software.

5 (c) "Computer software" has the same meaning as in RCW 82.04.215.

6 (d) "Primarily" means greater than fifty percent as measured by
7 time.

8 (e) "Printer or publisher" means a person, as defined in RCW
9 82.04.030, who is subject to tax under RCW 82.04.280(1).

10 (4) "Computer equipment" does not include computer equipment that
11 is used primarily for administrative purposes including but not limited
12 to payroll processing, accounting, customer service, telemarketing, and
13 collection. If computer equipment is used simultaneously for
14 administrative and nonadministrative purposes, the administrative use
15 shall be disregarded during the period of simultaneous use for purposes
16 of determining whether the computer equipment is used primarily for
17 administrative purposes.

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

20 (1) The provisions of this chapter do not apply in respect to the
21 use, by a printer or publisher, of computer equipment, including repair
22 parts and replacement parts for such equipment, when the computer
23 equipment is used primarily in the printing or publishing of any
24 printed material, or to labor and services rendered in respect to
25 installing, repairing, cleaning, altering, or improving the computer
26 equipment. This exemption applies only to computer equipment not
27 otherwise exempt under RCW 82.12.02565.

28 (2) For the purposes of this section, the definitions in section 2
29 of this act apply.

Passed by the House February 16, 2004.

Passed by the Senate March 2, 2004.

Approved by the Governor March 11, 2004.

Filed in Office of Secretary of State March 11, 2004.