
HOUSE BILL 2315

State of Washington

59th Legislature

2005 Regular Session

By Representatives Hasegawa, Simpson, Moeller, Chase, Appleton, Flannigan, Conway, Morrell and P. Sullivan

Read first time 04/12/2005. Referred to Committee on Finance.

1 AN ACT Relating to business and occupation taxation of investment
2 income received by corporations; amending RCW 82.04.4281; providing an
3 effective date; and declaring an emergency.

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

5 **Sec. 1.** RCW 82.04.4281 and 2002 c 150 s 2 are each amended to read
6 as follows:

7 (1) In computing tax there may be deducted from the measure of
8 tax((÷

9 (a)) amounts derived from investments((÷

10 ~~(b) Amounts derived as dividends or distributions from [the]~~
11 ~~capital account by a parent from its subsidiary entities; and~~

12 ~~(c) Amounts derived from interest on loans between subsidiary~~
13 ~~entities and a parent entity or between subsidiaries of a common parent~~
14 ~~entity, but only if the total investment and loan income is less than~~
15 ~~five percent of gross receipts of the business annually)).~~

16 (2) The following are not deductible under subsection (1)((~~a~~)) of
17 this section:

18 (a) Amounts received from loans((~~, except as provided in subsection~~
19 ~~(1)(c) of this section,~~)) or the extension of credit to another,

1 revolving credit arrangements, installment sales, the acceptance of
2 payment over time for goods or services, or any of the foregoing that
3 have been transferred by the originator of the same to an affiliate of
4 the transferor; ((~~or~~))

5 (b) Amounts received by a banking, lending, or security business;
6 or

7 (c) Amounts received by a corporation.

8 (3) The definitions in this subsection apply only to this section.

9 (a) "Banking business" means a person engaging in business as a
10 national or state-chartered bank, a mutual savings bank, a savings and
11 loan association, a trust company, an alien bank, a foreign bank, a
12 credit union, a stock savings bank, or a similar entity that is
13 chartered under Title 30, 31, 32, or 33 RCW, or organized under Title
14 12 U.S.C.

15 (b) "Lending business" means a person engaged in the business of
16 making secured or unsecured loans of money, or extending credit, and
17 (i) more than one-half of the person's gross income is earned from such
18 activities and (ii) more than one-half of the person's total
19 expenditures are incurred in support of such activities.

20 (c) The terms "loan" and "extension of credit" do not include
21 ownership of or trading in publicly traded debt instruments, or
22 substantially equivalent instruments offered in a private placement.

23 (d) "Security business" means a person, other than an issuer, who
24 is engaged in the business of effecting transactions in securities as
25 a broker, dealer, or broker-dealer, as those terms are defined in the
26 securities act of Washington, chapter 21.20 RCW, or the federal
27 securities act of 1933. "Security business" does not include any
28 company excluded from the definition of broker or dealer under the
29 federal investment company act of 1940 or any entity that is not an
30 investment company by reason of sections 3(c)(1) and 3(c)(3) through
31 3(c)(14) thereof.

32 NEW SECTION. **Sec. 2.** This act is necessary for the immediate
33 preservation of the public peace, health, or safety, or support of the
34 state government and its existing public institutions, and takes effect
35 July 1, 2005.

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