
HOUSE BILL 3260

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By Representatives Grant, Santos, Eddy, Springer, Goodman, Warnick, Hinkle, Armstrong, Orcutt, Kelley, McIntire, and Ross; by request of Governor Gregoire

Read first time 01/28/08. Referred to Committee on Finance.

1 AN ACT Relating to providing partial state sales and use tax
2 exemptions in respect to the purchase or use of server equipment
3 comprising only the server chassis and all computer hardware and
4 software contained within the server chassis, where the server
5 equipment replaces existing server equipment in certain buildings
6 constructed or refurbished to house servers and located in a rural
7 county as defined in RCW 82.14.370(5); amending RCW 81.104.170; adding
8 a new section to chapter 82.08 RCW; adding a new section to chapter
9 82.12 RCW; adding a new section to chapter 82.14 RCW; and providing an
10 effective date.

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

12 NEW SECTION. **Sec. 1.** A new section is added to chapter 82.08 RCW
13 to read as follows:

14 (1) A partial exemption from the tax imposed by RCW 82.08.020 in
15 the form of a remittance is provided for sales to qualifying businesses
16 of replacement server equipment to be installed, without intervening
17 use, in an eligible computer data center, and to charges made for labor
18 and services rendered in respect to installing such replacement server

1 equipment. The exemption provided in this section applies only to the
2 state portion of the sales tax.

3 (2)(a) A qualifying business claiming an exemption under this
4 section must first pay the tax imposed by RCW 82.08.020 on sales
5 eligible for exemption under this section and may then apply to the
6 department for remittance of fifty percent of the tax paid.

7 (b) A qualifying business claiming the exemption must submit an
8 application for remittance to the department, not more often than once
9 per calendar quarter, in a form and manner as required by the
10 department. The application must include the amount of exemption
11 claimed, the purchases for which the exemption is claimed, and such
12 other information that the department determines is necessary to
13 determine eligibility for the exemption. A qualifying business
14 claiming the exemption under this section must keep and preserve
15 adequate records establishing the qualifying business's eligibility for
16 the exemption. Pending or approved applications are subject to audit
17 verification by the department.

18 (c) The department must, on a quarterly basis, remit exempted
19 amounts to qualifying businesses that submitted applications during the
20 previous quarter that were approved, in whole or part, by the
21 department.

22 (3) For purposes of this section:

23 (a) "Computer data center" means a facility comprised of one or
24 more buildings constructed or refurbished specifically, and used
25 primarily, to house servers, where the facility has the following
26 characteristics: (i) Uninterruptible power supplies, generator backup
27 power, or both; (ii) sophisticated fire suppression and prevention
28 systems; and (iii) enhanced physical security, such as: (A) Restricted
29 access to the facility to selected personnel; (B) permanent security
30 guards; video camera surveillance; or an electronic system requiring
31 passcodes, keycards, or biometric scans, such as hand scans and retinal
32 or fingerprint recognition; or (C) security features similar to those
33 in (a)(iii)(A) and (B) of this subsection (3).

34 (b) "Electronic data storage and data management services" include,
35 but are not limited to: Providing data storage and backup services,
36 providing computer processing power, and hosting enterprise software
37 applications. The term also includes hosting web sites that provide

1 free or subscription services such as e-mail, web browsing and
2 searching, media applications, and other related online services.

3 (c) "Eligible computer data center" means a computer data center
4 with at least twenty thousand square feet of floor space dedicated to
5 housing working servers and located in a rural county as defined in RCW
6 82.14.370(5).

7 (d) "Qualifying business" means a business entity that exists for
8 the primary purpose of engaging in commercial activity for profit.

9 For purposes of this definition, "business entity" means a
10 corporation, other than a municipal, quasi-municipal, and public or
11 other corporation created by the state or federal government, tribal
12 government, municipality, or political subdivision of the state;
13 association; limited liability company; partnership, including general
14 partnership, limited partnership, and limited liability partnership; or
15 other legal entity. Consistent with this definition, "business entity"
16 does not include the state or federal government or any of their
17 departments, agencies, and institutions; tribal governments; and
18 political subdivisions of this state.

19 (e) "Replacement server equipment" means server equipment that
20 replaces existing server equipment located at the eligible data center
21 in which the replacement server equipment will be installed.

22 (f)(i) "Server" includes blade or rack-mount servers and means a
23 computer that is used in a computer data center solely to provide
24 electronic data storage and data management services for internal use
25 by the owner or lessee of the computer data center, for clients of the
26 owner or lessee of the computer data center, or both.

27 (ii) "Server" does not include personal computers.

28 (g) "Server equipment" means the server chassis and all computer
29 hardware and software contained within the server chassis. Consistent
30 with this definition, "server equipment" does not include the racks
31 upon which the server chassis is installed, cables, and computer
32 peripherals such as keyboards, monitors, printers, mice, and other
33 devices that work outside of the computer.

34 NEW SECTION. **Sec. 2.** A new section is added to chapter 82.12 RCW
35 to read as follows:

36 (1) A partial exemption from the tax imposed by RCW 82.12.020 in
37 the form of a remittance is provided for the use by qualifying

1 businesses of replacement server equipment to be installed, without
2 intervening use, in an eligible computer data center, and to the use of
3 labor and services rendered in respect to installing such replacement
4 server equipment. The exemption provided in this section applies only
5 to the state portion of the use tax.

6 (2)(a) A qualifying business claiming an exemption under this
7 section must first pay the tax imposed by RCW 82.12.020 on the use of
8 property and services eligible for exemption under this section and may
9 then apply to the department for remittance of fifty percent of the tax
10 paid.

11 (b) A qualifying business claiming the exemption must submit an
12 application for remittance to the department, not more often than once
13 per calendar quarter, in a form and manner as required by the
14 department. The application must include the amount of exemption
15 claimed, the acquisitions for which the exemption is claimed, and such
16 other information that the department determines is necessary to
17 determine eligibility for the exemption. A qualifying business
18 claiming the exemption under this section must keep and preserve
19 adequate records establishing the qualifying business's eligibility for
20 the exemption. Pending or approved applications are subject to audit
21 verification by the department.

22 (c) The department must, on a quarterly basis, remit exempted
23 amounts to qualifying businesses that submitted applications during the
24 previous quarter that were approved, in whole or part, by the
25 department.

26 (3) The definitions in section 1 of this act apply to this section.

27 NEW SECTION. **Sec. 3.** A new section is added to chapter 82.14 RCW
28 to read as follows:

29 The exemptions in sections 1 and 2 of this act are for the state
30 portion of the sales and use tax only and do not extend to the taxes
31 authorized in this chapter.

32 **Sec. 4.** RCW 81.104.170 and 1997 c 450 s 5 are each amended to read
33 as follows:

34 Cities that operate transit systems, county transportation
35 authorities, metropolitan municipal corporations, public transportation
36 benefit areas, and regional transit authorities may submit an

1 authorizing proposition to the voters and, if approved by a majority of
2 persons voting, fix and impose a sales and use tax in accordance with
3 the terms of this chapter, solely for the purpose of providing high
4 capacity transportation service.

5 The tax authorized pursuant to this section shall be in addition to
6 the tax authorized by RCW 82.14.030 and shall be collected from those
7 persons who are taxable by the state pursuant to chapters 82.08 and
8 82.12 RCW upon the occurrence of any taxable event within the taxing
9 district. The maximum rate of such tax shall be approved by the voters
10 and shall not exceed one percent of the selling price (in the case of
11 a sales tax) or value of the article used (in the case of a use tax).
12 The maximum rate of such tax that may be imposed shall not exceed
13 nine-tenths of one percent in any county that imposes a tax under RCW
14 82.14.340, or within a regional transit authority if any county within
15 the authority imposes a tax under RCW 82.14.340. The exemptions in RCW
16 82.08.820 (~~and~~), 82.12.820, and sections 1 and 2 of this act are for
17 the state portion of the sales and use tax and do not extend to the tax
18 authorized in this section.

19 NEW SECTION. **Sec. 5.** This act takes effect July 1, 2008.

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