

---

**SUBSTITUTE SENATE BILL 5325**

---

**State of Washington**

**66th Legislature**

**2019 Regular Session**

**By** Senate Financial Institutions, Economic Development & Trade  
(originally sponsored by Senators Lias, Braun, Mullet, Palumbo,  
Brown, Rivers, and Warnick)

READ FIRST TIME 02/01/19.

1 AN ACT Relating to exempting certain standard financial  
2 information purchased by investment management companies from sales  
3 and use tax in order to improve industry competitiveness; amending  
4 RCW 82.08.207 and 82.12.207; creating new sections; and providing  
5 expiration dates.

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

7 NEW SECTION. **Sec. 1.** (1) The legislature finds that a strong  
8 financial cluster is critical to the economic health of Washington  
9 state. The legislature further finds that anchor institutions are key  
10 to growing a strong financial cluster, including international  
11 investment management firms. Therefore, the legislature finds that  
12 maintaining a competitive tax policy in Washington state enables the  
13 state to maintain its anchor investment management firms.

14 (2) The legislature finds that standard financial information has  
15 not historically been subject to sales tax. In 2007 the legislature  
16 clarified that sales tax does not apply to electronically delivered  
17 standard financial information purchased by investment management  
18 companies or financial institutions. In 2013, the legislature  
19 provided clarification by passing a sales and use tax exemption for  
20 standard financial information purchased by investment management  
21 companies.

1 (3) The legislature further finds that taxation of such standard  
2 financial information would be uncompetitive and inconsistent with  
3 the fundamental structure of sales tax as a tax on retail  
4 transactions. Therefore, it is the legislature's intent to conform  
5 with a previously determined policy objective of exempting certain  
6 standard financial information purchased by investment management  
7 companies from sales and use tax in order to improve industry  
8 competitiveness.

9 NEW SECTION. **Sec. 2.** (1) This section is the tax preference  
10 performance statement for the tax preferences contained in sections 3  
11 and 4, chapter . . ., Laws of 2019 (sections 3 and 4 of this act).  
12 This performance statement is only intended to be used for subsequent  
13 evaluation of the tax preferences. It is not intended to create a  
14 private right of action by any party or be used to determine  
15 eligibility for preferential tax treatment.

16 (2) The legislature categorizes these tax preferences as ones  
17 intended to improve industry competitiveness, as indicated in RCW  
18 82.32.808(2)(b) and to reduce structural inefficiencies in the tax  
19 structure as indicated in RCW 82.32.808(2)(d).

20 (3) It is the legislature's specific public policy objective to  
21 maintain a viable financial cluster. It is the legislature's intent  
22 to exempt sales and use taxes on sales of standard financial  
23 information to qualifying international investment management  
24 companies, in order to maintain the presence of at least one  
25 international investment management services firm headquartered in  
26 Washington state with at least two hundred billion dollars of assets  
27 under management.

28 (4) If a review finds that there is at least one international  
29 investment management services firm with at least two hundred billion  
30 dollars of assets under management headquartered in Washington state,  
31 then the legislature intends to extend the expiration date of the tax  
32 preferences.

33 **Sec. 3.** RCW 82.08.207 and 2013 2nd sp.s. c 13 s 702 are each  
34 amended to read as follows:

35 (1) The tax imposed by RCW 82.08.020 does not apply to sales of  
36 standard financial information to qualifying international investment  
37 management companies or persons affiliated with a qualifying  
38 international investment management company. The exemption provided

1 in this section applies regardless of whether the standard financial  
2 information is provided to the buyer in a tangible format or on a  
3 tangible storage medium or as a digital product transferred  
4 electronically.

5 (2) Sellers making tax-exempt sales under this section must  
6 obtain an exemption certificate from the buyer in a form and manner  
7 prescribed by the department. The seller must retain a copy of the  
8 exemption certificate for the seller's files. In lieu of an exemption  
9 certificate, a seller may capture the relevant data elements as  
10 allowed under the streamlined sales and use tax agreement. For  
11 sellers who electronically file their taxes, the department must  
12 provide a separate tax reporting line for exemption amounts claimed  
13 under this section.

14 (3) A buyer may not continue to claim the exemption under this  
15 section once the buyer has purchased standard financial information  
16 during the current calendar year with an aggregate total selling  
17 price in excess of fifteen million dollars and an exemption has been  
18 claimed under this section or RCW 82.12.207 for such standard  
19 financial information. The fifteen million dollar limitation under  
20 this subsection does not apply to any other exemption under this  
21 chapter that applies to standard financial information. Sellers are  
22 not responsible for ensuring a buyer's compliance with the fifteen  
23 million dollar limitation under this subsection. Sellers may not be  
24 assessed for uncollected sales tax on a sale to a buyer claiming an  
25 exemption under this section after having exceeded the fifteen  
26 million dollar limitation under this subsection, except as provided  
27 in RCW 82.08.050 (4) and (5).

28 (4) The definitions in this subsection apply throughout this  
29 section unless the context clearly requires otherwise.

30 (a) (i) "Affiliated" means a person that, with respect to another  
31 person:

32 (A) Has an ownership interest of more than twenty percent,  
33 whether direct or indirect, in the other person; or

34 (B) Is related to the other person because:

35 (I) The other person has an ownership interest of at least twenty  
36 percent, whether direct or indirect, in the related person; or

37 (II) A third person, or group of third persons who are affiliated  
38 persons with respect to each other, holds an ownership interest of  
39 more than twenty percent, whether direct or indirect, in the related  
40 persons.

1 (ii) For the purposes of this subsection (4) (a):

2 (A) "Indirect ownership interest" means an ownership interest in  
3 a person by virtue of an ownership interest in an entity that has an  
4 ownership interest in the person or in an entity that has an indirect  
5 ownership interest in the person.

6 (B) "Ownership interest" means the possession of equity in the  
7 capital, the stock, or the profits of the other person.

8 (b)(i) "Qualifying international investment management company"  
9 means a person:

10 (A) Who is primarily engaged in the business of providing  
11 investment management services; and

12 (B) Who has gross income that is at least ten percent derived  
13 from providing investment management services to:

14 (I) Persons or collective investment funds residing outside the  
15 United States; or

16 (II) Collective investment funds with at least ten percent of  
17 their investments located outside the United States.

18 (ii) The definitions in RCW 82.04.293 apply to this subsection  
19 (4) ~~((a))~~ (b).

20 ~~((b))~~ (c)(i) "Standard financial information" means financial  
21 data, facts, or information, or financial information services, not  
22 generated, compiled, or developed only for a single customer.  
23 Standard financial information includes, but is not limited to,  
24 financial market data, bond ratings, credit ratings, and deposit,  
25 loan, or mortgage reports.

26 (ii) For purposes of this subsection (4) ~~((b))~~ (c), "financial  
27 market data" means market pricing information, such as for  
28 securities, commodities, and derivatives; corporate actions for  
29 publicly and privately traded companies, such as dividend schedules  
30 and reorganizations; corporate attributes, such as domicile,  
31 currencies used, and exchanges where shares are traded; and currency  
32 information.

33 (5) This section expires July 1, ~~((2021))~~ 2031.

34 **Sec. 4.** RCW 82.12.207 and 2013 2nd sp.s. c 13 s 703 are each  
35 amended to read as follows:

36 (1) The tax imposed by RCW 82.12.020 does not apply to the use of  
37 standard financial information by qualifying international investment  
38 management companies or persons affiliated with a qualifying  
39 international investment management company. The exemption provided

1 in this section applies regardless of whether the standard financial  
2 information is in a tangible format or resides on a tangible storage  
3 medium or is a digital product transferred electronically to the  
4 qualifying international investment management company.

5 (2) The definitions, conditions, and requirements in RCW  
6 82.08.207 apply to this section.

7 (3) This section expires July 1, (~~2021~~) 2031.

--- END ---