
SUBSTITUTE HOUSE BILL 1462

State of Washington 58th Legislature 2003 Regular Session

By House Committee on Finance (originally sponsored by Representatives Morris, Cairnes, Gombosky, Ruderman, Nixon, Ericksen, Miloscia, Anderson, Wallace, Benson, Newhouse, Tom, Chandler, Orcutt, Woods, McMahan, Talcott and Campbell)

READ FIRST TIME 03/10/03.

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) Except as provided in this section, a city may not impose a
7 business and occupation tax on intellectual property creating
8 activities.

9 (2) A city may impose a business and occupation tax measured by
10 gross receipts from royalties or other compensation from the sale,
11 licensing, or other transfer of intellectual property only on taxpayers
12 domiciled in the city.

13 (3) This section does not prohibit a city from imposing a business
14 and occupation tax measured by the value of products manufactured in
15 the city merely because intellectual property creating activities are
16 involved in the design or manufacturing of the products.

17 (4) This section does not prohibit a city from imposing a business
18 and occupation tax measured by the gross proceeds of sales made in the

1 city merely because intellectual property creating activities are
2 involved in creation of the articles sold.

3 (5) This section does not prohibit a city from imposing a business
4 and occupation tax measured by the gross income received for services
5 rendered in the city merely because intellectual property creating
6 activities are some part of services rendered.

7 (6) A tax in effect on January 1, 2002, is not subject to this
8 section until January 1, 2004.

9 (7) The definitions in this subsection apply to this section.

10 (a) "Business and occupation tax" means a tax measured by gross
11 proceeds of sales, gross income of the business, or value proceeding or
12 accruing.

13 (b) "City" includes cities, code cities, and towns.

14 (c) "Domicile" means the principal place from which the trade or
15 business of the taxpayer is directed or managed.

16 (d) "Intellectual property creating activity" means research,
17 development, authorship, creation, or general or specific inventive
18 activity without regard to whether the intellectual property creating
19 activity actually results in the creation of patents, trademarks, trade
20 secrets, subject matter subject to copyright, or other intellectual
21 property.

22 (e) "Manufacture," "gross proceeds of sales," "gross income of the
23 business," "value proceeding or accruing," and "royalties" have the
24 same meanings as under chapter 82.04 RCW.

25 (f) "Value of products" means the value of products as determined
26 under RCW 82.04.450.

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