

**RCW 35.21.855 Taxation of intellectual property creating activities—Gross receipts tax prohibited—Exceptions.** (1) A city may not impose a gross receipts tax on intellectual property creating activities.

(2) A city may impose a gross receipts tax measured by gross receipts from royalties only on taxpayers domiciled in the city. For the purposes of this section, "royalties" does not include gross receipts from casual or isolated sales as defined in RCW 82.04.040, grants, capital contributions, donations, or endowments.

(3) This section does not prohibit a city from imposing a gross receipts tax measured by the value of products manufactured in the city merely because intellectual property creating activities are involved in the design or manufacturing of the products. An intellectual property creating activity shall not constitute an activity defined within the meaning of the term "to manufacture" under chapter 82.04 RCW.

(4) This section does not prohibit a city from imposing a gross receipts tax measured by the gross proceeds of sales made in the city merely because intellectual property creating activities are involved in creation of the articles sold.

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

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

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

(a) "Gross receipts tax" means a tax measured by gross proceeds of sales, gross income of the business, or value proceeding or accruing.

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

(c) "Domicile" means the principal place from which the trade or business of the taxpayer is directed and managed. A taxpayer has only one domicile.

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

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

(f) "Value of products" means the value of products as determined under RCW 82.04.450. [2003 c 69 s 1.]