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**SUBSTITUTE HOUSE BILL 1451**

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**State of Washington                      60th Legislature                      2007 Regular Session**

**By** House Committee on Finance (originally sponsored by Representatives Ericks, Lovick, Walsh, Williams, Newhouse, Grant, Orcutt, Linville, Strow, Armstrong, Roach, Morris, Bailey, Warnick, Haler, O'Brien, Simpson, Santos, Eddy, McDonald and Kenney)

READ FIRST TIME 03/05/07.

1            AN ACT Relating to the taxation of temporary staffing services;  
2 amending RCW 82.04.460; adding a new section to chapter 82.04 RCW;  
3 creating a new section; and providing an effective date.

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

5            NEW SECTION.    **Sec. 1.** A new section is added to chapter 82.04 RCW  
6 to read as follows:

7            (1) Upon every person engaging in this state in the business of  
8 providing staffing services; as to such persons the amount of tax with  
9 respect to such business shall be equal to the gross income of the  
10 business, multiplied by the rate of 0.484 percent.

11            (2) For the purpose of this section, "staffing services" means an  
12 arrangement in which the taxpayer recruits and hires employees from the  
13 labor market and assigns them on a temporary basis to perform services  
14 for another to support, or supplement, the customer's work force, or to  
15 provide assistance in special work situations such as employee  
16 absences, skill shortages, and seasonal workloads, or to perform  
17 special assignments or projects, all under the direction and  
18 supervision of the customer. "Staffing services" does not include  
19 permanent employee leasing or permanent employee placement services.

1       **Sec. 2.** RCW 82.04.460 and 2004 c 174 s 6 are each amended to read  
2 as follows:

3       (1) Any person rendering services taxable under RCW 82.04.290  
4 (~~(or)~~), 82.04.2908, or section 1 of this act and maintaining places of  
5 business both within and without this state which contribute to the  
6 rendition of such services shall, for the purpose of computing tax  
7 liability under RCW 82.04.290 (~~(or)~~), 82.04.2908, or section 1 of this  
8 act, apportion to this state that portion of the person's gross income  
9 which is derived from services rendered within this state. Where such  
10 apportionment cannot be accurately made by separate accounting methods,  
11 the taxpayer shall apportion to this state that proportion of the  
12 taxpayer's total income which the cost of doing business within the  
13 state bears to the total cost of doing business both within and without  
14 the state.

15       (2) Notwithstanding the provision of subsection (1) of this  
16 section, persons doing business both within and without the state who  
17 receive gross income from service charges, as defined in RCW 63.14.010  
18 (relating to amounts charged for granting the right or privilege to  
19 make deferred or installment payments) or who receive gross income from  
20 engaging in business as financial institutions within the scope of  
21 chapter 82.14A RCW (relating to city taxes on financial institutions)  
22 shall apportion or allocate gross income taxable under RCW 82.04.290 to  
23 this state pursuant to rules promulgated by the department consistent  
24 with uniform rules for apportionment or allocation developed by the  
25 states.

26       (3) The department shall by rule provide a method or methods of  
27 apportioning or allocating gross income derived from sales of telephone  
28 services taxed under this chapter, if the gross proceeds of sales  
29 subject to tax under this chapter do not fairly represent the extent of  
30 the taxpayer's income attributable to this state. The rules shall be,  
31 so far as feasible, consistent with the methods of apportionment  
32 contained in this section and shall require the consideration of those  
33 facts, circumstances, and apportionment factors as will result in an  
34 equitable and constitutionally permissible division of the services.

35       NEW SECTION. **Sec. 3.** This act applies to staffing services, as

1 defined in section 1 of this act, rendered on or after October 1, 2007.

2 NEW SECTION. **Sec. 4.** This act takes effect October 1, 2007.

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