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HOUSE BILL 1304

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State of Washington

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1997 Regular Session

By Representatives Sheldon, Buck, Morris, Pennington, DeBolt, Linville, Johnson, Dunshee, Honeyford, Skinner, Grant, Gardner, Kessler, Schoesler, Doumit and Hatfield

Read first time 01/21/97. Referred to Committee on Trade & Economic Development.

1 AN ACT Relating to sales and use tax exemptions for call centers in  
2 distressed areas; adding a new section to chapter 82.08 RCW; adding a  
3 new section to chapter 82.12 RCW; and creating a new section.

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

5 NEW SECTION. **Sec. 1.** The legislature finds that there are still  
6 areas of the state that have very high levels of unemployment despite  
7 strong state-wide economic growth.

8 The legislature also finds that additional incentives are needed to  
9 promote economic stimulation and new employment opportunities in these  
10 distressed areas, and that these incentives are essential to increase  
11 economic growth in distressed areas.

12 The legislature intends to accomplish this by providing a sales and  
13 use tax exemption on machinery and equipment and buildings used by  
14 businesses that establish call centers in distressed areas of the  
15 state.

16 NEW SECTION. **Sec. 2.** A new section is added to chapter 82.08 RCW  
17 to read as follows:

1 (1) The tax levied by RCW 82.08.020 does not apply to sales to a  
2 business, located in an eligible area, of machinery and equipment used  
3 directly in a back office operation, or to sales of or charges made for  
4 labor and services rendered in respect to installing, repairing,  
5 cleaning, altering, or improving the machinery and equipment, but only  
6 if the purchaser provides the seller with an exemption certificate in  
7 a form and manner prescribed by the department by rule, and the  
8 purchaser provides the department with a duplicate of the certificate  
9 or a summary of exempt as the department may require. The seller shall  
10 retain a copy of the certificate for the seller's files.

11 (2) The tax levied by RCW 82.08.020 does not apply to construction  
12 or improvement of buildings, or sales of or charges made for labor and  
13 services rendered in respect to construction or improvement of  
14 buildings, located in eligible areas, that are used directly as a call  
15 center, but only if the purchaser provides the seller with an exemption  
16 certificate in a form and manner prescribed by the department by rule,  
17 and the purchaser provides the department with a duplicate of the  
18 certificate or a summary of exempt sales as the department may require.  
19 The seller shall retain a copy of the certificate for the seller's  
20 files.

21 (3) For purposes of this section and section 3 of this act:

22 (a) "Buildings" mean only those structures used directly in a call  
23 center operation. If a building is used partly for a call center  
24 operation and partly for other purposes, the applicable tax exemption  
25 shall be determined by apportionment of the costs of construction under  
26 rules adopted by the department. The term "buildings" also includes  
27 machinery and equipment that is permanently affixed to and becomes a  
28 physical part of a building, such as utility systems for heating,  
29 ventilation, air conditioning, plumbing, phones, or electrical;

30 (b) "Call centers" mean an independent business operation, leased  
31 facility, or division of an existing business with fifty or more  
32 employees, who are engaged in telecommunications business activities  
33 involving financial transactions, technical support operations,  
34 customer services, telemarketing, and charitable fund-raising  
35 activities;

36 (c) "Eligible area" means a rural natural resources impact area as  
37 defined in RCW 43.31.601, a designated community empowerment zone  
38 approved under RCW 43.63A.700, and a militarily impacted area as  
39 designated by the governor under RCW 43.06.115; and

1 (d)(i) "Machinery and equipment" means commercial fixtures,  
2 devices, and support facilities, and tangible personal property that  
3 becomes an ingredient or component thereof, including repair parts and  
4 replacement parts. "Machinery and equipment" includes electronic  
5 communications equipment, communications systems infrastructure  
6 components, computer software, computer hardware, associated support  
7 equipment that is necessary to maintain the communications operations  
8 of a call center, and office furniture; and

9 (ii) "Machinery and equipment" does not include:

10 (A) Hand tools; and

11 (B) Property with a useful life of less than one year.

12 NEW SECTION. **Sec. 3.** A new section is added to chapter 82.12 RCW  
13 to read as follows:

14 (1) The provisions of this chapter do not apply in respect to the  
15 use by a business, located within an eligible area, of machinery and  
16 equipment used directly in a call center, or sales of or charges made  
17 for labor and services rendered in respect to installing, repairing,  
18 cleaning, altering, or improving the machinery and equipment.

19 (2) The provisions of this chapter do not apply in respect to the  
20 new construction or improvement of a building, located within an  
21 eligible area, that is used directly as a call center, or sales of or  
22 charges made for labor and services rendered in respect to the  
23 construction or repair of a building.

24 (3) The exemption under this section is available only if the user  
25 provides the department with:

26 (a) An exemption certificate in a form and manner prescribed by the  
27 department before the construction or improvement of the building;

28 (b) An exemption certificate in a form and manner prescribed by the  
29 department within sixty days of the first use of the machinery and  
30 equipment in this state;

31 (c) An annual summary listing the machinery and equipment by  
32 January 31st of the year following the calendar year in which the  
33 machinery and equipment is first used in this state.

34 (4) The definitions in section 2 of this act apply to this section.

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