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**SUBSTITUTE HOUSE BILL 2655**

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**State of Washington**

**64th Legislature**

**2016 Regular Session**

**By** House Finance (originally sponsored by Representatives Stokesbary, Vick, MacEwen, Zeiger, and Magendanz)

READ FIRST TIME 02/09/16.

1       AN ACT Relating to the excise taxation of crowdfunding donations;  
2 adding a new section to chapter 82.04 RCW; adding a new section to  
3 chapter 82.08 RCW; adding a new section to chapter 82.12 RCW;  
4 creating new sections; and providing an effective date.

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

6       NEW SECTION.   **Sec. 1.** The legislature finds that crowdfunding  
7 plays an increasingly vital role in the economy and in individual  
8 communities, and that the global crowdfunding market will surpass  
9 ninety billion dollars in the next ten years. The legislature further  
10 finds that the current business and sales tax structure of Washington  
11 state is an impediment to entrepreneurs, inventors, artists, and  
12 private citizens seeking financial contributions to start new  
13 businesses, develop new products, complete creative projects, and  
14 achieve various goals. The legislature further finds that the current  
15 tax structure treats crowdfunding campaigns differently depending on  
16 their structure. It is the intent of the legislature to provide a  
17 business tax exemption for crowdfunding donations and to improve the  
18 sales tax structure as it applies to crowdfunding in order to  
19 simplify the tax code, improve fairness, and promote economic growth.

1        NEW SECTION.    **Sec. 2.**    A new section is added to chapter 82.04  
2    RCW to read as follows:

3        (1) Amounts received by a donee as a qualifying donation are  
4    exempt from tax under this chapter.

5        (2) The exemption under this section does not apply to the person  
6    receiving fees for the use of a crowdfunding web site owned or  
7    operated by the person.

8        (3) The definitions in this subsection apply throughout this  
9    section unless the context clearly requires otherwise.

10       (a) "Crowdfunding web site" means an online fundraising portal.

11       (b) "Donee" means a person fund-raising on a crowdfunding web  
12    site.

13       (c) "Fund-raising" means soliciting or accepting donations to  
14    start a new business or to raise funds for any other purpose.

15       (d) "Qualifying donation" means a contribution by a donor to a  
16    donee through a crowdfunding web site. "Qualifying donation" includes  
17    a contribution by a donor to a donee through a crowdfunding web site  
18    where the donee provides a reward to the donor in recognition of the  
19    donation, provided that (i) the value of the reward does not exceed  
20    eighty percent of the value of the contribution, and (ii) the reward  
21    is not provided or sold in the donee's regular course of business.

22       (e) "Reward" means any item or items, including services, digital  
23    products, digital codes, or personal property, offered by the donee  
24    to the donor in recognition of a donation. "Reward" does not include  
25    a thank you note or other acknowledgment that has no significant  
26    value.

27       (4) Contributions that are not qualifying donations are not  
28    eligible for the exemptions under this section or section 3 or 4 of  
29    this act.

30       NEW SECTION.    **Sec. 3.**    A new section is added to chapter 82.08  
31    RCW to read as follows:

32       (1) The tax imposed by RCW 82.08.020 does not apply to a  
33    qualifying donation exempt under section 2 of this act.

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

36       NEW SECTION.    **Sec. 4.**    A new section is added to chapter 82.12  
37    RCW to read as follows:

1 (1) The tax imposed by RCW 82.12.020 does not apply to the use of  
2 a reward received or offered in exchange for a qualifying donation  
3 exempt under section 2 of this act.

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

6 NEW SECTION. **Sec. 5.** RCW 82.32.805 and 82.32.808 do not apply  
7 to this act.

8 NEW SECTION. **Sec. 6.** This act applies to qualifying donations  
9 made on or after July 1, 2016.

10 NEW SECTION. **Sec. 7.** This act takes effect July 1, 2016.

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