
HOUSE BILL 1042

State of Washington

54th Legislature

1995 Regular Session

By Representative B. Thomas

Prefiled 1/6/95. Read first time 01/09/95. Referred to Committee on Finance.

1 AN ACT Relating to apportionment of taxable income; amending RCW
2 82.04.460; providing an effective date; and declaring an emergency.

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

4 **Sec. 1.** RCW 82.04.460 and 1985 c 7 s 154 are each amended to read
5 as follows:

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

16 (2) Notwithstanding the provision of subsection (1) of this
17 section, persons doing business both within and without the state who
18 receive gross income from service charges, as defined in RCW 63.14.010
19 (relating to amounts charged for granting the right or privilege to

1 make deferred or installment payments) or who receive gross income from
2 engaging in business as financial institutions within the scope of
3 chapter 82.14A RCW (relating to city taxes on financial institutions)
4 shall apportion or allocate gross income taxable under RCW 82.04.290 to
5 this state pursuant to rules promulgated by the department consistent
6 with uniform rules for apportionment or allocation developed by the
7 states.

8 (3) Notwithstanding the provisions of subsections (1) and (2) of
9 this section, persons engaging in the business of providing management,
10 investment consulting, administration, or distribution services
11 directly or indirectly to a collective investment fund, as described in
12 RCW 82.04.055(2)(d), shall apportion or allocate gross income taxable
13 under RCW 82.04.290 to this state by multiplying the total gross income
14 from engaging in such business by a fraction, the numerator of which is
15 the average of the beginning-of-the-year and end-of-the-year balances
16 of shares owned by the collective investment fund shareholders
17 domiciled in this state and the denominator of which is the average of
18 the beginning-of-the-year and end-of-the-year balances of shares owned
19 by the collective investment fund shareholders everywhere.

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

29 NEW SECTION. Sec. 2. This act is necessary for the immediate
30 preservation of the public peace, health, or safety, or support of the
31 state government and its existing public institutions, and shall take
32 effect July 1, 1995.

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