

CERTIFICATION OF ENROLLMENT

**ENGROSSED SECOND SUBSTITUTE HOUSE BILL 2342**

Chapter 313, Laws of 1998

55th Legislature  
1998 Regular Session

INTERNATIONAL SERVICES IN ELIGIBLE AREAS--TAX EXEMPTIONS

EFFECTIVE DATE: 7/1/98

Passed by the House March 12, 1998  
Yeas 75 Nays 23

CLYDE BALLARD  
**Speaker of the  
House of Representatives**

Passed by the Senate March 11, 1998  
Yeas 42 Nays 0

BRAD OWEN  
**President of the Senate**

Approved April 3, 1998

GARY LOCKE  
**Governor of the State of Washington**

CERTIFICATE

I, Timothy A. Martin, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **ENGROSSED SECOND SUBSTITUTE HOUSE BILL 2342** as passed by the House of Representatives and the Senate on the dates hereon set forth.

TIMOTHY A. MARTIN  
**Chief Clerk**

FILED

April 3, 1998 - 2:15 p.m.

**Secretary of State  
State of Washington**

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ENGROSSED SECOND SUBSTITUTE HOUSE BILL 2342

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AS AMENDED BY THE SENATE

Passed Legislature - 1998 Regular Session

State of Washington                      55th Legislature                      1998 Regular Session

By House Committee on Finance (originally sponsored by Representatives Van Luven, McDonald, Regala, Talcott, Huff, Conway, Lantz, Fisher, Gardner, Anderson, Lambert and Boldt)

Read first time 02/09/98. Referred to Committee on .

1            AN ACT Relating to international services; adding a new section to  
2 chapter 82.04 RCW; adding a new section to chapter 48.14 RCW; creating  
3 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.** It is the intent of the legislature to  
6 attract and retain businesses that provide professional services and  
7 insurance services to international customers. To that end, the  
8 legislature finds that an incentive measured by a business's growth in  
9 jobs is a meaningful method of attracting and retaining such  
10 businesses. Therefore, the incentive in this act is specifically  
11 targeted at "net new jobs." In addition, to further the impact and  
12 benefit of this program, this incentive is limited to those urban areas  
13 of the state, both in eastern Washington and western Washington, that  
14 are characterized by unemployment and poverty. The legislature finds  
15 that providing this targeted incentive will be of benefit to the state  
16 as a whole.

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

1 (1) Subject to the limits in this section, an eligible person is  
2 allowed a credit against the tax due under this chapter. The credit is  
3 based on qualified employment positions in eligible areas. The credit  
4 is available to persons who are engaged in international services as  
5 defined in this section. In order to receive the credit, the  
6 international service activities must take place at a business within  
7 the eligible area.

8 (2)(a) The credit shall equal three thousand dollars for each  
9 qualified employment position created after the effective date of this  
10 act in an eligible area. A credit is earned for the calendar year the  
11 person is hired to fill the position, plus the four subsequent  
12 consecutive years, if the position is maintained for those four years.

13 (b) Credit may not be taken for hiring of persons into positions  
14 that exist on the effective date of this act. Credit is authorized for  
15 new employees hired for new positions created after the effective date  
16 of this act. New positions filled by existing employees are eligible  
17 for the credit under this section only if the position vacated by the  
18 existing employee is filled by a new hire.

19 (c) When a position is newly created, if it is filled before July  
20 1st, this position is eligible for the full yearly credit. If it is  
21 filled after June 30th, this position is eligible for half of the  
22 credit.

23 (d) Credit may be accrued and carried over until it is used. No  
24 refunds may be granted for credits under this section.

25 (3) For the purposes of this section:

26 (a) "Eligible area" means: (i) A community empowerment zone under  
27 RCW 43.63A.700; or (ii) a contiguous group of census tracts that meets  
28 the unemployment and poverty criteria of RCW 43.63A.710 and is  
29 designated under subsection (4) of this section;

30 (b) "Eligible person" means a person, as defined in RCW 82.04.030,  
31 who in an eligible area at a specific location is engaged in the  
32 business of providing international services;

33 (c)(i) "International services" means the provision of a service,  
34 as defined under (c)(iii) of this subsection, that is subject to tax  
35 under RCW 82.04.290(2), and either:

36 (A) Is for a person domiciled outside the United States; or

37 (B) The service itself is for use primarily outside of the United  
38 States.

1 (ii) "International services" excludes any service taxable under  
2 RCW 82.04.290(1).

3 (iii) Eligible services are: Computer; data processing;  
4 information; legal; accounting and tax preparation; engineering;  
5 architectural; business consulting; business management; public  
6 relations and advertising; surveying; geological consulting; real  
7 estate appraisal; or financial services. For the purposes of this  
8 section these services mean the following:

9 (A) "Computer services" are services such as computer programming,  
10 custom software modification, customization of canned software, custom  
11 software installation, custom software maintenance, custom software  
12 repair, training in the use of software, computer systems design, and  
13 custom software update services;

14 (B) "Data processing services" are services such as word  
15 processing, data entry, data retrieval, data search, information  
16 compilation, payroll processing, business accounts processing, data  
17 production, and other computerized data and information storage or  
18 manipulation. "Data processing services" also includes the use of a  
19 computer or computer time for data processing whether the processing is  
20 performed by the provider of the computer or by the purchaser or other  
21 beneficiary of the service;

22 (C) "Information services" are services such as electronic data  
23 retrieval or research that entails furnishing financial or legal  
24 information, data or research, internet service as defined in RCW  
25 82.04.297, general or specialized news, or current information;

26 (D) "Legal services" are services such as representation by an  
27 attorney, or other person when permitted, in an administrative or legal  
28 proceeding, legal drafting, paralegal services, legal research  
29 services, and court reporting services, arbitration, and mediation  
30 services;

31 (E) "Accounting and tax preparation services" are services such as  
32 accounting, auditing, actuarial, bookkeeping, or tax preparation  
33 services;

34 (F) "Engineering services" are services such as civil, electrical,  
35 mechanical, petroleum, marine, nuclear, and design engineering, machine  
36 designing, machine tool designing, and sewage disposal system designing  
37 services;

1 (G) "Architectural services" are services such as structural or  
2 landscape design or architecture, interior design, building design,  
3 building program management, and space planning services;

4 (H) "Business consulting services" are services such as primarily  
5 providing operating counsel, advice, or assistance to the management or  
6 owner of any business, private, nonprofit, or public organization,  
7 including but not limited to those in the following areas:  
8 Administrative management consulting; general management consulting;  
9 human resource consulting or training; management engineering  
10 consulting; management information systems consulting; manufacturing  
11 management consulting; marketing consulting; operations research  
12 consulting; personnel management consulting; physical distribution  
13 consulting; site location consulting; economic consulting; motel,  
14 hotel, and resort consulting; restaurant consulting; government affairs  
15 consulting; and lobbying;

16 (I) "Business management services" are services such as  
17 administrative management, business management, and office management.  
18 "Business management services" does not include property management or  
19 property leasing, motel, hotel, and resort management, or automobile  
20 parking management;

21 (J) "Public relations and advertising services" are services such  
22 as layout, art direction, graphic design, copy writing, mechanical  
23 preparation, opinion research, marketing research, marketing, or  
24 production supervision;

25 (K) "Surveying services" are services such as land surveying;

26 (L) "Geological consulting services" are services rendered for the  
27 oil, gas, and mining industry and other earth resource industries, and  
28 other services such as soil testing;

29 (M) "Real estate appraisal services" are services such as market  
30 appraisal and other real estate valuation; and

31 (N) "Financial services" are services such as banking, loan,  
32 security, investment management, investment advisory, mortgage  
33 servicing, contract collection, and finance leasing services, engaged  
34 in by financial businesses, or businesses similar to or in competition  
35 with financial businesses; and

36 (d) "Qualified employment position" means a permanent full-time  
37 position to provide international services. If an employee is either  
38 voluntarily or involuntarily separated from employment, the employment

1 position is considered filled on a full-time basis if the employer is  
2 either training or actively recruiting a replacement employee.

3 (4) By ordinance, the legislative authority of a city, or  
4 legislative authorities of contiguous cities by ordinance of each  
5 city's legislative authority, with population greater than eighty  
6 thousand, located in a county containing no community empowerment zones  
7 as designated under RCW 43.63A.700, may designate a contiguous group of  
8 census tracts within the city or cities as an eligible area under this  
9 section. Each of the census tracts must meet the unemployment and  
10 poverty criteria of RCW 43.63A.710. Upon making the designation, the  
11 city or cities shall transmit to the department of revenue a  
12 certification letter and a map, each explicitly describing the  
13 boundaries of the census tract. This designation must be made by  
14 December 31, 1998.

15 (5) No application is necessary for the tax credit. The person  
16 must keep records necessary for the department to verify eligibility  
17 under this section. This information includes:

18 (a) Employment records for the previous six years;

19 (b) Information relating to description of international service  
20 activity engaged in at the eligible location by the person; and

21 (c) Information relating to customers of international service  
22 activity engaged in at that location by the person.

23 (6) If at any time the department finds that a person is not  
24 eligible for tax credit under this section, the amount of taxes for  
25 which a credit has been used shall be immediately due. The department  
26 shall assess interest, but not penalties, on the credited taxes for  
27 which the person is not eligible. The interest shall be assessed at  
28 the rate provided for delinquent excise taxes under chapter 82.32 RCW,  
29 shall be assessed retroactively to the date the tax credit was taken,  
30 and shall accrue until the taxes for which a credit has been used are  
31 repaid.

32 (7) The employment security department shall provide to the  
33 department of revenue such information needed by the department of  
34 revenue to verify eligibility under this section.

35 NEW SECTION. **Sec. 3.** A new section is added to chapter 48.14 RCW  
36 to read as follows:

37 (1) Subject to the limits in this section, an eligible person is  
38 allowed a credit against the tax due under RCW 48.14.020. The credit

1 is based on qualified employment positions in eligible areas. The  
2 credit is available to persons who are engaged in international  
3 insurance services as defined in this section. In order to receive the  
4 credit, the international insurance services activities must take place  
5 at a business within the eligible area.

6 (2)(a) The credit shall equal three thousand dollars for each  
7 qualified employment position created after the effective date of this  
8 act in an eligible area. A credit is earned for the calendar year the  
9 person is hired to fill the position, plus the four subsequent  
10 consecutive years, if the position is maintained for those four years.

11 (b) Credit may not be taken for hiring of persons into positions  
12 that exist on the effective date of this act. Credit is authorized for  
13 new employees hired for new positions created after the effective date  
14 of this act. New positions filled by existing employees are eligible  
15 for the credit under this section only if the position vacated by the  
16 existing employee is filled by a new hire.

17 (c) When a position is newly created, if it is filled before July  
18 1st, this position is eligible for the full yearly credit. If it is  
19 filled after June 30th, this position is eligible for half of the  
20 credit.

21 (d) Credit may be accrued and carried over until it is used. No  
22 refunds may be granted for credits under this section.

23 (3) For the purposes of this section:

24 (a) "Eligible area" means: (i) A community empowerment zone under  
25 RCW 43.63A.700; or (ii) a contiguous group of census tracts that meets  
26 the unemployment and poverty criteria of RCW 43.63A.710 and is  
27 designated under subsection (4) of this section;

28 (b) "Eligible person" means a person, as defined in RCW 82.04.030,  
29 who in an eligible area at a specific location is engaged in the  
30 business of providing international insurance services;

31 (c) "International insurance services" means a business that  
32 provides insurance services related directly to the delivery of the  
33 service outside the United States or on behalf of persons residing  
34 outside the United States; and

35 (d) "Qualified employment position" means a permanent full-time  
36 position to provide international insurance services. If an employee  
37 is either voluntarily or involuntarily separated from employment, the  
38 employment position is considered filled on a full-time basis if the

1 employer is either training or actively recruiting a replacement  
2 employee.

3 (4) By ordinance, the legislative authority of a city with  
4 population greater than eighty thousand, located in a county containing  
5 no community empowerment zones as designated under RCW 43.63A.700, may  
6 designate a contiguous group of census tracts within the city as an  
7 eligible area under this section. Each of the census tracts must meet  
8 the unemployment and poverty criteria of RCW 43.63A.710. Upon making  
9 the designation, the city shall transmit to the department of revenue  
10 a certification letter and a map, each explicitly describing the  
11 boundaries of the census tract. This designation must be made by  
12 December 31, 1998.

13 (5) No application is necessary for the tax credit. The person  
14 must keep records necessary for the department to verify eligibility  
15 under this section. This information includes:

16 (a) Employment records for the previous six years;

17 (b) Information relating to description of international insurance  
18 services activity engaged in at the eligible location by the person;  
19 and

20 (c) Information relating to customers of international insurance  
21 services activity engaged in at that location by the person.

22 (6) If at any time the department finds that a person is not  
23 eligible for tax credit under this section, the amount of taxes for  
24 which a credit has been used shall be immediately due. The department  
25 shall assess interest, but not penalties, on the credited taxes for  
26 which the person is not eligible. The interest shall be assessed at  
27 the rate provided for delinquent excise taxes under chapter 82.32 RCW,  
28 shall be assessed retroactively to the date the tax credit was taken,  
29 and shall accrue until the taxes for which a credit has been used are  
30 repaid.

31 (7) The employment security department shall provide to the  
32 department of revenue such information needed by the department of  
33 revenue to verify eligibility under this section.

34 NEW SECTION. **Sec. 4.** This act takes effect July 1, 1998.

Passed the House March 12, 1998.

Passed the Senate March 11, 1998.

Approved by the Governor April 3, 1998.

Filed in Office of Secretary of State April 3, 1998.