

---

**SUBSTITUTE SENATE BILL 5319**

---

**State of Washington**

**58th Legislature**

**2003 Regular Session**

**By** Senate Committee on Economic Development (originally sponsored by Senators T. Sheldon, Hale and Esser)

READ FIRST TIME 02/20/03.

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 areas  
6 of the state that still have very high levels of unemployment. The  
7 legislature also finds that additional incentives are needed to promote  
8 economic stimulation and new employment opportunities in these  
9 distressed areas, and that these incentives are essential to increase  
10 economic growth in these areas. The legislature intends to accomplish  
11 this by providing a tax incentive for construction, equipping, and  
12 maintaining of call centers that locate in distressed areas of the  
13 state.

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

16           (1) The tax levied by RCW 82.08.020 does not apply to sales to a  
17 person who operates a call center, of machinery and equipment used in  
18 the call center, or to sales of or charges made for labor and services

1 rendered in respect to installing, repairing, cleaning, altering, or  
2 improving the machinery and equipment. The purchaser must provide the  
3 seller with an exemption certificate in a form and manner prescribed by  
4 the department. The seller must keep a copy of the certificate for the  
5 seller's files.

6 (2) The tax levied by RCW 82.08.020 does not apply to sales of or  
7 charges made for labor and services rendered in respect to constructing  
8 or improving of buildings used as a call center, or to sales of  
9 tangible personal property that becomes an ingredient or component of  
10 such buildings during the course of constructing or improving the  
11 buildings. The purchaser must provide the seller with an exemption  
12 certificate in a form and manner prescribed by the department. The  
13 seller must keep a copy of the certificate for the seller's files.

14 (3) The tax levied by RCW 82.08.020 does not apply to sales of or  
15 charges to a person who operates a call center for rental of equipment  
16 with an operator if such activity is used in the constructing or  
17 improving of a building used as a call center or in regards to eligible  
18 machinery and equipment. The purchaser must provide the seller with an  
19 exemption certificate in a form and manner prescribed by the  
20 department. The seller must keep a copy of the certificate for the  
21 seller's files.

22 (4) The tax imposed by RCW 82.08.020 does not apply to sales of  
23 toll service, as defined in RCW 82.08.0289, to a person who operates a  
24 call center. This exemption does not apply to any other network  
25 telephone services of the call center.

26 (5)(a) In order to be eligible for the exemption under this section  
27 the call center must meet the "twenty-five or more employees" threshold  
28 in subsection (6) of this section within one year of commencing  
29 operations. Office support, management, and other employees who do not  
30 primarily perform customer service and support are not counted in  
31 determining if the operation meets the threshold. In addition, if at  
32 any time after the threshold is satisfied, employment at the call  
33 center falls below the twenty-five employee threshold, the exemption  
34 under this section is not available on or after that date, until such  
35 time as employment levels meet the threshold.

36 (b) If at any time the department determines that a person is not  
37 eligible for an exemption under this section, the amount of taxes for  
38 which the exemption has been claimed shall be immediately due. The

1 department shall assess interest, but not penalties, on the taxes for  
2 which the person is not eligible. The interest shall be assessed at  
3 the rate provided for delinquent excise taxes under chapter 82.32 RCW,  
4 shall be assessed retroactively to the date the tax exemption was  
5 taken, and shall accrue until the taxes for which the exemption has  
6 been taken are repaid.

7 (6) For purposes of this section and section 3 of this act:

8 (a) "Buildings" means those structures used in a call center. If  
9 a building is used partly for a call center operation and partly for  
10 other purposes, the applicable tax exemption shall be determined by  
11 apportionment of the costs of construction. Such apportionment shall  
12 be based on square footage. The term "buildings" also includes utility  
13 systems for heating, ventilation, air conditioning, plumbing,  
14 electrical, or similar systems used in the call center operation.

15 (b)(i) "Call center" means a business operation employing twenty-  
16 five or more employees who provide customer service and support by  
17 responding to inbound telephone calls and electronic contacts, using  
18 computer-automated equipment and using an electronic medium or the  
19 telephone. "Call center" does not include a business operation engaged  
20 in the activity of telemarketing or the solicitation of sales.

21 (ii) "Customer service and support" means product support related  
22 to goods and services, technical assistance, sales support, and  
23 information technology help desk services, and it includes customer  
24 service and support related to obtaining and using financial services.  
25 "Information technology help desk services" means the following  
26 services: Software and hardware maintenance; software and hardware  
27 diagnostics and troubleshooting; software and hardware installation;  
28 software and hardware repair; software and hardware information and  
29 training; and software and hardware upgrade.

30 (c)(i) "Machinery and equipment" means commercial fixtures and  
31 devices, such as electronic communications equipment, communications  
32 systems infrastructure components, computer software, computer  
33 hardware, office furniture, and any other fixture and device necessary  
34 to maintain the communications operations of a call center. "Machinery  
35 and equipment" includes tangible personal property that becomes an  
36 ingredient or component of the fixture or device, including repair and  
37 replacement parts.

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

1 (A) Hand-powered tools, such as hammers and wrenches; and

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

3 (7) Only call centers located in the following areas are eligible  
4 for the exemptions under this section:

5 (a) A community empowerment zone, as defined in chapter 43.31C RCW;

6 (b) A county with fewer than one hundred persons per square mile,  
7 as determined annually by the office of financial management and  
8 published by the department of revenue effective for the period July  
9 1st through June 30th; or

10 (c) A county smaller than two hundred twenty-five square miles, as  
11 determined annually by the office of financial management and published  
12 by the department of revenue effective for the period July 1st through  
13 June 30th.

14 (8) A person taking the exemptions under this section must apply to  
15 the department for a distressed area call center exemption certificate.  
16 The application must be in a form and manner as prescribed by the  
17 department. The department shall rule on the application within sixty  
18 days. The department shall issue a certificate to those persons who  
19 meet the criteria in this section. A certificate is valid for a one-  
20 year period.

21 (9) A person who takes an exemption under this section shall make  
22 an annual report to the department. The report must be filed by  
23 January 30th of each year in which the exemption was claimed during the  
24 previous year. The report shall be in a letter form and shall include  
25 the following information: Confirmation that the taxpayer is operating  
26 a call center, location of the call center, how long the call center  
27 has been located in an eligible area, the number of employees meeting  
28 the threshold in subsection (6)(b) of this section, and the taxpayer  
29 name and registration number. Failure to file a report will not result  
30 in the loss of eligibility under this section. However, the  
31 department, through its research division, shall contact taxpayers who  
32 have not filed the report and obtain the data from the taxpayer or  
33 assist the taxpayer in the filing of the report, so that the data and  
34 information necessary to measure the program's effectiveness is  
35 maintained.

36 (10)(a) As stated in subsection (7) of this section, the exemption

1 in this section is available only to call centers in eligible areas.  
2 In addition, this exemption is limited to those call centers that:  
3 (i) Are located in an eligible area on or after the effective date  
4 of this act; or  
5 (ii) Commence operations in an eligible area on or after the  
6 effective date of this act.  
7 (b) Call centers that relocate any portion of a call center from  
8 within the state to an eligible area are not eligible for the exemption  
9 under this section.

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

12 (1) The provisions of this chapter do not apply to the use by a  
13 person of:

14 (a) Machinery and equipment used in a call center located in an  
15 eligible area;

16 (b) Labor and services rendered in respect to installing,  
17 repairing, cleaning, altering, or improving the machinery and  
18 equipment; and

19 (c) Tangible personal property that becomes an ingredient or  
20 component of buildings used as a call center during the course of  
21 constructing or improving the buildings.

22 (2) The definitions and all of the eligibility and reporting  
23 criteria in section 2 of this act apply to this section.

--- END ---