



PREPROPOSAL STATEMENT OF INQUIRY

CR-101 (June 2004)
(Implements RCW 34.05.310)
Do NOT use for expedited rule making

Agency: Department of Revenue

Subject of possible rule making:

- WAC 458-20-155 Information and computer services
- WAC 458-20-15501 Computer hardware, computer software, information service, and computer services
- WAC 458-20-15502 Computer software
- WAC 458-20-15503 Taxation of digital products and digital codes

Statutes authorizing the agency to adopt rules on this subject: RCW 82.32.300 and 82.01.060(2)

Reasons why rules on this subject may be needed and what they might accomplish: See attachment

Identify other federal and state agencies that regulate this subject and the process coordinating the rule with these agencies: N/A

Process for developing new rule (check all that apply):

- Negotiated rule making
- Pilot rule making
- Agency study
- Other (describe) Parties interested in this rule making may contact the individual listed below. The public may also participate by providing written comments throughout this rule making or giving oral testimony at the public meeting or public hearing.

How interested parties can participate in the decision to adopt the new rule and formulation of the proposed rule before publication:

Written comments may be submitted by mail or at the public meeting. Oral comments will be accepted at the public meeting. The Department anticipates making available a preliminary draft of possible rule changes on our website at: <http://dor.wa.gov/content/FindALawOrRule/RuleMaking/agenda.aspx> by January 21, 2011. Written comments on the rule may be directed to Dylan Waits, Interpretations and Technical Advice Division, P. O. Box 47453, Olympia, WA 98504-7453; e-mail: dylanw@dor.wa.gov; phone: (360) 534-1570.

Public meeting location:

Cascade Bldg./Room #C-214 (upstairs)
WA State Criminal Justice Training Commission
19010 1st Avenue South
Burien, Washington 98148

Assistance for persons with disabilities:

Contact Martha Thomas no later than 10 days before the meeting date. TTY 1-800-451-7985 or (360) 725-7497.

Date: February 17, 2011 **Time:** 10:00 A.M.

Date January 5, 2011

Name (type or print)

Alan R. Lynn

Signature

Title

Rules Coordinator

CODE REVISER USE ONLY

OFFICE OF THE CODE REVISER
STATE OF WASHINGTON
FILED

DATE: January 05, 2011

TIME: 8:57 AM

WSR 11-02-077



STATE OF WASHINGTON

DEPARTMENT OF REVENUE

**Attachment to CR101-Preproposal Statement of Inquiry
WAC 458-20-155 (Rule 155) Information and computer services
WAC 458-20-15501 (Rule 15501) Computer hardware, computer software,
information service, and computer services
WAC 458-20-15502 (Rule 15502) Computer software
WAC 458-20-15503 (Rule 15503) Taxation of digital products and digital codes**

Reasons why rules on this subject may be needed and what they might accomplish:

Chapter 535, Laws of 2009 (ESHB 2075), made major changes to the taxation of certain products and services provided or furnished electronically (commonly referred to as “digital products”). This legislation specifically imposed sales and use tax on digital products such as: digital goods, including digital audio works, digital audio-visual works, and digital books; digital automated services; digital codes used to obtain digital goods or digital automated services; and remote-access software. The legislation also provided a number of sales and use tax exemptions.

Chapter 111, Laws of 2010 (SHB 2620), clarified ambiguities and corrected unintended consequences related to the 2009 legislation.

The Department anticipates rule making to explain the impacts of the 2009 and 2010 legislation, and to address other tax issues related to computer hardware, computer software, and computer services. The Department is considering a repeal of Rule 155, an amendment to Rule 15501, and adoption of two new rules (Rules 15502 and 15503) to provide updated tax-reporting guidance in this area.