

For the purpose of this section, "indebtedness of the district" shall not include any debt of a county-wide district with a population less than twenty-five hundred people when the debt is secured by a mortgage on property leased to the federal government; and the term "value of the taxable property" shall have the meaning set forth in RCW 39.36.015.

Such bonds shall be issued and sold in accordance with chapter 39.46 RCW.

NEW SECTION. Sec. 2. This act is necessary for the immediate preservation of the public peace, health, or safety, or support of the state government and its existing public institutions, and shall take effect immediately.

Passed the House February 12, 1990.

Passed the Senate March 7, 1990.

Approved by the Governor March 28, 1990.

Filed in Office of Secretary of State March 28, 1990.

CHAPTER 255

[Substitute Senate Bill No. 6859]

COMPUTER SOFTWARE—TAX ASSESSMENT

AN ACT Relating to the tax status of computer software; creating new sections; and declaring an emergency.

Be it enacted by the Legislature of the State of Washington:

NEW SECTION. Sec. 1. (1) The legislature finds that:

- (a) Computer software development is a rapidly changing and complex field;
- (b) There are substantial public policy questions regarding valuation and taxation of computer software;
- (c) Fairness and equity require consistent tax treatment of computer software by all county assessors;
- (d) Thorough study of computer software taxation is necessary before a permanent tax policy can be adopted; and
- (e) Any inequities that might result from temporarily restricting the ability of county assessors to list and assess computer software are more than offset by avoidance of unfair and inconsistent tax treatment of computer software.

(2) The intent of this act is to delay any significant change in the manner or extent of taxation of computer software until uniform definitions and standards of taxation can be developed and enacted by the legislature.

NEW SECTION. Sec. 2. For property taxes due in 1991, a county assessor shall list and assess computer software in the same manner and to the same extent as computer software was listed and assessed for taxes due in 1989. If the assessor adds an item of computer software to the assessment

list for any taxpayer for 1991 taxes, and that item was not listed and assessed for 1989 taxes for that taxpayer, the assessor shall have the burden of proving the item of computer software is taxable within the intent of this act.

NEW SECTION. Sec. 3. (1) The department of revenue shall conduct a study of the taxation of computer software. The study shall focus primarily on the policy implications involved in developing clear definitions of software that should be taxable and software that should be exempt. The study shall include an examination of:

(a) The implementation of section 1 of this act by assessors in each county;

(b) Definitions of computer software and its meaning in property taxation;

(c) The appropriate application of property taxation to computer software;

(d) Taxation of computer software by other states;

(e) Alternatives to property taxation of computer software; and

(f) The advantages or disadvantages of any change, revision, or alternative to tax treatment of computer software.

(2) To perform the study, the department shall form a study committee with balanced representation from different segments of government and industry. The study committee may include, but need not be limited to, persons representing the department, computer software development companies, computer hardware development companies, tax law specialists, county assessors, small businesses that use computer software, and large businesses that use computer software.

(3) The department shall provide staff for the study committee.

(4) The department shall report the findings of the study to the committees of the legislature that deal with revenue matters no later than November 30, 1990.

NEW SECTION. Sec. 4. This act is necessary for the immediate preservation of the public peace, health, or safety, or support of the state government and its existing public institutions, and shall take effect immediately.

Passed the Senate March 6, 1990.

Passed the House February 27, 1990.

Approved by the Governor March 28, 1990.

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