
SENATE BILL 6147

State of Washington

61st Legislature

2009 Regular Session

By Senators Kohl-Welles, Regala, McDermott, Murray, Kline, Fraser, and Jacobsen

Read first time 04/02/09. Referred to Committee on Ways & Means.

1 AN ACT Relating to fiscal reform; amending RCW 82.03.130,
2 82.03.140, 2.10.180, 2.12.090, 6.13.030, 41.24.240, 41.35.100,
3 41.40.052, 41.44.240, and 43.43.310; reenacting and amending RCW
4 6.15.020, 41.32.052, and 41.26.053; adding a new title to the Revised
5 Code of Washington to be codified as Title 82A RCW; creating a new
6 section; repealing RCW 6.15.025; prescribing penalties; and providing
7 an effective date.

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

9 **PART I**

10 **GENERAL PROVISIONS**

11 NEW SECTION. **Sec. 101.** INTENT. It is the intent of the
12 legislature in adopting this title to provide the necessary revenues
13 for the support of vital state services on a more stable and equitable
14 basis.

15 **PART II**

16 **DEFINITIONS**

1 NEW SECTION. **Sec. 201.** INTRODUCTORY. Unless the context clearly
2 requires otherwise, the definitions in sections 202 through 212 of this
3 act apply throughout this title.

4 NEW SECTION. **Sec. 202.** ADJUSTED GROSS INCOME. "Adjusted gross
5 income" means adjusted gross income as determined under the internal
6 revenue code.

7 NEW SECTION. **Sec. 203.** DEPARTMENT. "Department" means the state
8 department of revenue.

9 NEW SECTION. **Sec. 204.** FEDERAL BASE INCOME. "Federal base
10 income" means adjusted gross income.

11 NEW SECTION. **Sec. 205.** INDIVIDUAL. "Individual" means a natural
12 person.

13 NEW SECTION. **Sec. 206.** INTERNAL REVENUE CODE. "Internal revenue
14 code" means the United States internal revenue code of 1986 and
15 amendments thereto, as existing and in effect on January 1, 2009.

16 NEW SECTION. **Sec. 207.** PERSON OR COMPANY. "Person" or "company,"
17 herein used interchangeably, means any individual, receiver,
18 administrator, executor, assignee, trustee in bankruptcy, trust,
19 estate, firm, copartnership, joint venture, club, company, joint stock
20 company, business trust, municipal corporation, political subdivision
21 of the state of Washington, corporation, limited liability company,
22 association, society, or any group of individuals acting as a unit,
23 whether mutual, cooperative, fraternal, nonprofit, or otherwise and the
24 United States or any instrumentality thereof.

25 NEW SECTION. **Sec. 208.** RESIDENT. "Resident" includes an
26 individual who:

- 27 (1) Has resided in this state for the entire tax year; or
- 28 (2) Is domiciled in this state unless the individual:
 - 29 (a) Maintains no permanent place of abode in this state; and
 - 30 (b) Does not maintain a permanent place of abode elsewhere; and

1 (c) Spends in the aggregate not more than thirty days in the tax
2 year in this state; or

3 (3) Is not domiciled in this state, but maintains a permanent place
4 of abode in this state and spends in the aggregate more than one
5 hundred eighty-three days of the tax year in this state unless the
6 individual establishes to the satisfaction of the director of revenue
7 that the individual is in the state only for temporary or transitory
8 purposes; or

9 (4) Claims the state of Washington as the individual's tax home for
10 federal income tax purposes.

11 NEW SECTION. **Sec. 209.** S CORPORATION. "S corporation" means an
12 S corporation as defined in section 1361 of the internal revenue code.

13 NEW SECTION. **Sec. 210.** TAXABLE INCOME. "Taxable income" means
14 federal base income as modified under sections 401 through 503 of this
15 act.

16 NEW SECTION. **Sec. 211.** TAXABLE YEAR. "Taxable year" means the
17 taxpayer's taxable year as defined under the internal revenue code.

18 NEW SECTION. **Sec. 212.** TAXPAYER. "Taxpayer" means an individual
19 receiving income subject to tax under this title.

20 NEW SECTION. **Sec. 213.** DEFINITION OF TERMS GENERALLY. Except as
21 provided in sections 201 through 212 of this act, any term used in this
22 title has the same meaning as when used in a comparable context in the
23 internal revenue code.

24 **PART III**
25 **DETERMINATION OF TAX**

26 NEW SECTION. **Sec. 301.** TAX IMPOSED--RATE. A tax is imposed at
27 the rate of one percent on all taxable income of resident individuals
28 and on all individuals deriving income from sources in Washington for
29 each taxable year. Taxable income of a taxpayer exempt from taxation
30 by internal revenue code section 501 is exempt from taxation by this
31 title.

1 NEW SECTION. **Sec. 302.** CREDIT FOR INCOME TAXES DUE ANOTHER
2 JURISDICTION. (1) A resident individual is allowed a credit against
3 the tax imposed under this title for the amount of any income tax
4 imposed by another state or foreign country, or political subdivision
5 of the state or foreign country, on income taxed under this title,
6 subject to the following conditions, which shall be imposed separately
7 with respect to each taxing jurisdiction:

8 (a) The credit is allowed only for taxes imposed by the other
9 jurisdiction on net income from sources within that jurisdiction; and

10 (b) The amount of the credit shall not exceed the smaller of:

11 (i) The amount of tax paid to the other jurisdiction on net income
12 from sources within the other jurisdiction; or

13 (ii) The amount of tax due under this title before application of
14 credits allowable by this title, multiplied by a fraction. The
15 numerator of the fraction is the amount of the taxpayer's adjusted
16 gross income subject to tax in the other jurisdiction. The denominator
17 of the fraction is the taxpayer's total adjusted gross income as
18 modified by this title. The fraction shall never be greater than one.

19 (2) If, in lieu of a credit similar to the credit allowed under
20 subsection (1) of this section, the laws of the other taxing
21 jurisdiction contain a provision exempting a resident of this state
22 from liability for the payment of income taxes on income earned for
23 personal services performed in such jurisdiction, then the director is
24 authorized to enter into a reciprocal agreement with such jurisdiction
25 providing a similar tax exemption on income earned for personal
26 services performed in this state.

27 NEW SECTION. **Sec. 303.** DUAL RESIDENCE. If an individual is
28 regarded as a resident both of this state and another jurisdiction for
29 state personal income tax purposes, the department shall reduce the tax
30 on that portion of the taxpayer's income which is subjected to tax in
31 both jurisdictions solely by virtue of dual residence, if the other
32 taxing jurisdiction allows a similar reduction. The reduction shall
33 equal the lower of the two taxes applicable to the income taxed twice,
34 multiplied by a fraction. The numerator of the fraction is the tax
35 imposed by this state on the income taxed twice. The denominator of
36 the fraction is the tax imposed by both jurisdictions on the income
37 taxed twice. The fraction shall never be greater than one.

1 However, the amount deducted under this section shall be reduced by any
2 expense, including amortizable bond premiums, incurred in the
3 production of such income to the extent the expense has been deducted
4 in calculating federal base income.

5 NEW SECTION. **Sec. 407.** STANDARD DEDUCTION. There shall be
6 allowed from federal base income the following standard deductions.
7 The standard deduction for an individual shall be:

8 (1) In the case of a joint return or a surviving spouse, one
9 million dollars;

10 (2) In the case of the head of a household, seven hundred fifty
11 thousand dollars;

12 (3) In the case of an individual who is not married and who is not
13 a surviving spouse or head of a household and in the case of a married
14 individual filing a separate return, five hundred thousand dollars.

15 NEW SECTION. **Sec. 408.** ADJUSTMENT OF STANDARD DEDUCTIONS FOR
16 NONRESIDENTS. The deduction from federal base income allowed under
17 section 407 of this act for individual taxpayers who are not residents
18 of this state for the entire taxable year shall be reduced by
19 multiplying the amount of the deduction by a fraction. The numerator
20 of the fraction is the individual's adjusted gross income attributable
21 to sources within the state of Washington. The denominator of the
22 fraction is the individual's gross income from all sources. The
23 fraction shall never be greater than one.

24 NEW SECTION. **Sec. 409.** TAX RETURNS FOR FRACTIONAL YEAR. (1) If
25 the first taxable year of any taxpayer with respect to which a tax is
26 imposed by this title ends before December 31st of the calendar year in
27 which this title becomes effective, the taxable income for the
28 fractional taxable year shall be the taxpayer's taxable income for the
29 entire taxable year, adjusted by one of the following methods, at the
30 taxpayer's election:

31 (a) The taxable income shall be multiplied by a fraction. The
32 numerator of the fraction is the number of days in the fractional
33 taxable year. The denominator of the fraction is the number of days in
34 the entire taxable year.

1 (b) The taxable income shall be adjusted, in accordance with rules
2 of the department, so as to include only such income and be reduced
3 only by such deductions as can be clearly determined from the permanent
4 records of the taxpayer to be attributable to the fractional taxable
5 year.

6 (2) If an individual taxpayer's taxable income is adjusted under
7 subsection (1) of this section, the deduction amounts allowed under
8 section 407 of this act for the taxpayer shall be reduced by
9 multiplying the amount of the exemption by a fraction. The numerator
10 of the fraction is the number of days in the taxpayer's fractional
11 taxable year. The denominator of the fraction is the number of days in
12 the entire taxable year.

13 NEW SECTION. **Sec. 410.** INDEX FOR INFLATION. For each tax year
14 beginning after December 31, 2008, the standard deduction amounts under
15 section 407 of this act shall be adjusted by the department for
16 inflation by multiplying the standard deduction amounts of the previous
17 tax year by the cost-of-living adjustment as determined under internal
18 revenue code section 1(f) (3) through (5) for the calendar year in
19 which the tax year begins. No adjustment shall be made which decreases
20 the standard deduction amounts. If any adjustment increase is not a
21 multiple of ten dollars, the increase shall be rounded to the next
22 lowest multiple of ten dollars.

23 **PART V**
24 **DIVISION OF INCOME, MODIFICATIONS, AND CREDITS**

25 NEW SECTION. **Sec. 501.** APPORTIONMENT AND ALLOCATION OF INCOME.

26 (1) For resident individuals, all income shall be apportioned and
27 allocated to this state.

28 (2) For nonresident individuals, income derived from sources within
29 this state shall be apportioned and allocated to this state. For
30 purposes of this title:

31 (a) The adjusted gross income of a nonresident derived from sources
32 within this state is the net amount of items of income, gain, loss, and
33 deduction of the nonresident's federal adjusted gross income that are
34 derived from or connected with sources in this state including any

1 distributive share of partnership income and deductions, and any share
2 of estate or trust income and deductions, including any unrelated
3 business income of an otherwise exempt trust or organization.

4 (b) Items of income, gain, loss, and deduction derived from or
5 connected with sources within this state are those items attributable
6 to the ownership or disposition of any interest in real or tangible
7 personal property in this state, and a business, trade, profession, or
8 occupation carried on within this state. The department shall issue
9 rules to provide consistency of this section with the excise tax
10 provisions.

11 (c) Deduction with respect to expenses, capital losses, and net
12 operating losses shall be based solely on income, gains, losses, and
13 deductions derived from or connected with sources in this state but
14 shall otherwise be determined in the same manner as the corresponding
15 federal deduction except as provided in this title.

16 (d) Income from intangible personal property, including annuities,
17 dividends, interest, and gains from the disposition of intangible
18 personal property, constitutes income derived from sources within the
19 state of Washington only to the extent that such income is from
20 property employed in a business, trade, profession, or occupation
21 carried on within this state: PROVIDED, That distributed and
22 undistributed income of an electing S corporation for federal tax
23 purposes derived from or connected with sources within this state is
24 income derived from sources within this state for a nonresident
25 shareholder. A net operating loss of such corporation does constitute
26 a loss or deduction connected with sources within this state for a
27 nonresident shareholder.

28 (e) Compensation paid by the United States for service in the armed
29 forces of the United States performed in this state by a nonresident
30 does not constitute income derived from sources within this state.

31 (f) If a business, trade, profession, or occupation is carried on
32 partly within and partly without this state, the determination of net
33 income derived or connected with sources within this state as provided
34 in this section shall be made by apportionment and allocation of
35 chapter 82.56 RCW.

36 NEW SECTION. **Sec. 502.** PARTNERSHIPS AND S CORPORATIONS. (1)

1 Partnerships are not subject to tax under this title. Partners are
2 subject to tax in their separate or individual capacities.

3 (2) S corporations are not subject to tax under this title.
4 Shareholders of S corporations are subject to tax in their separate or
5 individual capacities.

6 (3) The taxable incomes of partners shall be computed by including
7 a pro rata share of the modifications under sections 401 through 503 of
8 this act and the credits allowed under sections 302, 304, and 305 of
9 this act, if the modification or credit relates to the income of the
10 partnership. Each partner's pro rata share of a modification or credit
11 is the amount of modification or credit multiplied by a fraction. The
12 numerator of the fraction is the partner's distributive share of
13 partnership income. The denominator of the fraction is the total
14 partnership income. The fraction shall never be greater than one.

15 (4) The taxable incomes of shareholders of S corporations shall be
16 computed by including a share of the modifications under sections 401
17 through 503 of this act and the credits allowed under sections 302,
18 304, and 305 of this act, if the modification or credit relates to the
19 income of the S corporation. Each shareholder's share of a
20 modification or credit is the amount of modification or credit
21 multiplied by a fraction. The numerator of the fraction is the
22 shareholder's pro rata share of S corporation income. The denominator
23 of the fraction is the total S corporation income. The fraction shall
24 never be greater than one.

25 (5) As used in this section:

26 (a) "S corporation income" includes both distributed and
27 undistributed federal taxable income of the S corporation.

28 (b) "Pro rata share" means pro rata share as determined under
29 section 1366(a) of the internal revenue code.

30 NEW SECTION. **Sec. 503.** BENEFICIARIES OF ESTATES AND TRUSTS. (1)
31 The taxable incomes of beneficiaries of estates and trusts thereof
32 shall be computed by including a share of the modifications under
33 sections 401 through 503 of this act and the credits allowed under
34 sections 302, 304, and 305 of this act.

35 Each taxpayer's share of a modification or credit is the amount of
36 modification or credit multiplied by a fraction. The numerator of the
37 fraction is the taxpayer's share of the distributable net income of the

1 estate or trust. The denominator of the fraction is the total
2 distributable net income of the estate or trust. The fraction shall
3 never be greater than one.

4 (2) As used in this section, "distributable net income" means
5 distributable net income as defined in the internal revenue code. If
6 an estate or trust has no federal distributable net income, the term
7 means the income of the estate or trust which is distributed or is
8 required to be distributed during the taxable year under local law or
9 the terms of the estate or trust instrument.

10 **PART VI**

11 **WITHHOLDING--ESTIMATED TAX**

12 NEW SECTION. **Sec. 601.** EMPLOYER WITHHOLDING--REQUIREMENTS. (1)

13 Every employer making a payment of wages or salaries earned in this
14 state, regardless of the place where the payment is made, and who is
15 required by the internal revenue code to withhold taxes, shall deduct
16 and withhold a tax as prescribed by the department by rule. The rules
17 prescribed shall reasonably reflect the annual tax liability of the
18 employee under this title. Every employer making such a deduction and
19 withholding shall furnish to the employee a record of the amount of tax
20 deducted and withheld from the employee on forms provided by the
21 department.

22 (2) If the employee is a resident of this state and earns income
23 from personal services entirely performed in another state which
24 imposes an income tax on the income, and the employer withholds income
25 taxes under the laws of the state in which the income is earned, the
26 employer is not required to withhold any tax imposed by this title on
27 the income if the laws of the state in which the income is earned allow
28 a similar exemption for its residents who earn income in this state.

29 NEW SECTION. **Sec. 602.** LIABILITY OF EMPLOYER FOR TAX WITHHELD.

30 Any person required to deduct and withhold the tax imposed by this
31 title is liable to the department for the payment of the amount
32 deducted and withheld, and is not liable to any other person for the
33 amount of tax deducted and withheld under this title or for the act of
34 withholding. The amount of tax so deducted and withheld shall be held
35 to be a special fund in trust for this state.

1 NEW SECTION. **Sec. 603.** CREDIT FOR TAX WITHHELD--HOW CLAIMED. The
2 amount deducted and withheld as tax under sections 601 through 606 of
3 this act during any taxable year shall be allowed as a credit against
4 the tax imposed for the taxable year by this title. If the liability
5 of any individual for taxes, interest, penalties, or other amounts due
6 the state of Washington is less than the total amount of the credit
7 which the individual is entitled to claim under this section, the
8 individual is entitled to a refund from the department in the amount of
9 the excess of the credit over the tax otherwise due. If any individual
10 entitled to claim a credit under this section is not otherwise required
11 by this title to file a return, a refund may be obtained in the amount
12 of the credit by filing a return, with applicable sections completed,
13 to claim the refund. No credit or refund is allowed under this section
14 unless the credit or refund is claimed on a return filed for the
15 taxable year for which the amount was deducted and withheld.

16 NEW SECTION. **Sec. 604.** WITHHOLDING--EXEMPTION DECLARATIONS. An
17 employee shall be entitled to use and an employer shall use the
18 withholding exemption declaration on file with the employer for federal
19 income tax purposes. The department may redetermine the number of
20 withholding exemptions to which any employee is entitled, and the
21 department may require an additional withholding exemption declaration
22 to be filed on a form prescribed by the department where the department
23 finds that the exemption declaration filed for federal income tax
24 purposes does not properly reflect the number of withholding exemptions
25 to which the employee is entitled.

26 NEW SECTION. **Sec. 605.** WITHHOLDING--FAILURE TO PAY OR COLLECT--
27 PENALTIES. (1) The tax required by this title to be collected by the
28 employer shall be deemed to be held in trust by the employer until paid
29 to the department. Any employer who appropriates or converts the tax
30 deducted and withheld to his or her own use or to any use other than as
31 prescribed in this chapter is guilty of a gross misdemeanor.

32 (2) In case any employer, or a responsible person within the
33 meaning of internal revenue code section 6672, fails to collect the tax
34 herein imposed or having collected the tax, fails to pay it to the
35 department, the employer or responsible person shall, nevertheless, be

1 personally liable to the state for the amount of the tax. The interest
2 and penalty provisions of chapter 82.32 RCW shall apply to this
3 section.

4 NEW SECTION. **Sec. 606.** ESTIMATED TAX IMPOSED--DUE DATE OF
5 ESTIMATED TAXES--AMOUNT OF ESTIMATED TAX--UNDERPAYMENT PENALTY. (1)
6 Each individual subject to taxation by this title which is required by
7 the internal revenue code to make payment of estimated taxes shall pay
8 to the department on forms prescribed by the department the estimated
9 taxes due under this title.

10 (2) The provisions of the internal revenue code relating to the
11 determination of reporting periods and due dates of payments of
12 estimated tax applies to the estimated tax payments due under this
13 section.

14 (3) The amount of the estimated tax shall be the annualized tax
15 divided by the number of months in the reporting period. No estimated
16 tax shall be due if the annualized tax is less than five hundred
17 dollars. The provisions of RCW 82.32.050 and 82.32.090 shall apply to
18 underpayments of estimated tax but shall not apply to underpayments, as
19 defined by the internal revenue code, if the tax remitted to the
20 department is either ninety percent of the tax shown on the return or
21 one hundred percent of the tax shown on the previous year's tax return.

22 (4) For purposes of this section, the annualized tax is the
23 taxpayer's projected tax liability for the tax year as computed
24 pursuant to internal revenue code section 6654 and the regulations
25 thereunder.

26 **PART VII**
27 **CRIMES**

28 NEW SECTION. **Sec. 701.** CRIMES. (1) Any person who knowingly
29 attempts to evade the tax imposed under this title or payment thereof
30 is guilty of a class C felony as provided in chapter 9A.20 RCW.

31 (2) Any person required to collect tax imposed under this title who
32 knowingly fails to collect, truthfully account for, or pay over the tax
33 is guilty of a class C felony as provided in chapter 9A.20 RCW.

34 (3) Any person who knowingly fails to pay tax, pay estimated tax,

1 make returns, keep records, or supply information, as required under
2 this title, is guilty of a gross misdemeanor as provided in chapter
3 9A.20 RCW.

4 **PART VIII**

5 **ADMINISTRATIVE PROVISIONS**

6 NEW SECTION. **Sec. 801.** METHOD OF ACCOUNTING. (1) A taxpayer's
7 method of accounting for purposes of the tax imposed under this title
8 shall be the same as the taxpayer's method of accounting for federal
9 income tax purposes. If no method of accounting has been regularly
10 used by a taxpayer for federal income tax purposes or if the method
11 used does not clearly reflect income, tax due under this title shall be
12 computed by a method of accounting which in the opinion of the
13 department fairly reflects income.

14 (2) If a person's method of accounting is changed for federal
15 income tax purposes, it shall be similarly changed for purposes of this
16 title.

17 NEW SECTION. **Sec. 802.** PERSONS REQUIRED TO FILE RETURNS. (1) All
18 taxpayers shall file with the department, on forms prescribed by the
19 department, an income tax return for each tax year. Each person
20 required to file a return under this title shall, without assessment,
21 notice, or demand, pay any tax due thereon to the department on or
22 before the date fixed for the filing of the return.

23 (2) The department may by rule require that certain taxpayers file,
24 on forms prescribed by the department, informational returns for any
25 period. Each person required by rule to file an informational return
26 shall, without assessment, notice, or demand, pay any tax due thereon
27 to the department on or before the date fixed for the filing of the
28 informational return.

29 (3) If an adjustment to a taxpayer's federal return is made by the
30 taxpayer or the internal revenue service, the taxpayer shall, within
31 ninety days of the final determination of the adjustment by the
32 internal revenue service or within thirty days of the filing of a
33 federal return adjusted by the taxpayer, file with the department on
34 forms prescribed by the department a corrected return reflecting the
35 adjustments as finally determined. The taxpayer shall pay any

1 additional tax due resulting from the finally determined internal
2 revenue service adjustment or a taxpayer adjustment without notice and
3 assessment. Notwithstanding any provision of this title or any other
4 title to the contrary, the period of limitation for the collection of
5 the additional tax, interest, and penalty due as a result of an
6 adjustment by the taxpayer or a finally determined internal revenue
7 service adjustment shall begin at the later of thirty days following
8 the final determination of the adjustment or the date of the filing of
9 the corrected return.

10 NEW SECTION. **Sec. 803.** DUE DATE FOR FILING A RETURN--EXTENSIONS--
11 INTEREST AND PENALTIES. The due date of a return required to be filed
12 with the department shall be the due date of the federal income tax
13 return or informational return for federal income tax purposes. The
14 department shall have the authority to grant extensions of times by
15 which returns required to be filed by this title may be submitted. The
16 department shall also have the authority to grant extensions of time to
17 pay tax with regard to taxes imposed by this title. Interest at the
18 rate as specified in RCW 82.32.050 shall accrue during any extension
19 period and the interest and penalty provisions of chapter 82.32 RCW
20 shall apply to late payments and deficiencies. Notwithstanding the
21 limitation of RCW 82.32.090, in the case of the late filing of an
22 informational return, there shall be imposed a penalty the amount of
23 which shall be established by the department by rule. The penalty
24 shall not exceed fifty dollars per month for a maximum of ten months.
25 RCW 82.32.105 shall apply to this section.

26 NEW SECTION. **Sec. 804.** JOINT RETURN. (1) If the federal income
27 tax liabilities of both spouses are determined on a joint federal
28 return for the taxable year, they shall file a joint return under this
29 title unless one spouse is a resident and the other is a nonresident.

30 (2) If neither spouse is required to file a federal income tax
31 return for the taxable year, a joint return may be filed under this
32 title under the same conditions under which a joint return may be filed
33 for purposes of the federal income tax.

34 (3) If the federal income tax liability of either spouse is
35 determined on a separate federal return for the taxable year, they
36 shall file separate returns under this title.

1 (4) If one spouse is a resident and the other is a nonresident,
2 they shall file separate returns under this title, unless they elect to
3 determine their tax liabilities under this title on a joint return as
4 if they were both residents, and:

5 (a) Their federal tax liability for the taxable year was determined
6 on a joint federal return; or

7 (b) Neither spouse has filed a federal income tax return for the
8 taxable year and they would be permitted to file a joint federal return
9 for the taxable year.

10 (5) In any case in which a joint return is filed under this
11 section, the liability of the husband and wife is joint and several,
12 unless the spouse is relieved of liability under section 6013 of the
13 internal revenue code.

14 NEW SECTION. **Sec. 805.** RECORDS--RETURNS. (1) Every taxpayer and
15 every person required to deduct and withhold the tax imposed under this
16 title shall keep records, render statements, make returns, file
17 reports, and perform other acts as the department requires by rule.
18 Each return shall be made under penalty of perjury and on forms
19 prescribed by the department. The department may require other
20 statements and reports be made under penalty of perjury and on forms
21 prescribed by the department. The department may require any taxpayer
22 and any person required to deduct and withhold the tax imposed under
23 this title to furnish to the department a correct copy of any return or
24 document which the taxpayer has filed with the internal revenue service
25 or received from the internal revenue service.

26 (2) All books and records and other papers and documents required
27 to be kept under this title are subject to inspection by the department
28 at all times during business hours of the day.

29 NEW SECTION. **Sec. 806.** ESTIMATION AGREEMENTS. The department may
30 reasonably estimate the items of business or nonbusiness income of a
31 taxpayer having an office within the state and one or more other states
32 or foreign countries which may be apportioned or allocated to the state
33 and may enter into estimation agreements with such taxpayers for the
34 determination of their liability for the tax imposed by this title.

1 NEW SECTION. **Sec. 807.** PROVISIONS OF INTERNAL REVENUE CODE
2 CONTROL. (1) To the extent possible without being inconsistent with
3 this title, all of the provisions of the internal revenue code relating
4 to the following subjects apply to the taxes imposed under this title:

5 (a) Time of payment of tax deducted and withheld under sections 301
6 through 306 of this act;

7 (b) Liability of transferees;

8 (c) Time and manner of making returns, extensions of time for
9 filing returns, verification of returns, and the time when a return is
10 deemed filed.

11 (2) The department by rule may provide modifications and exceptions
12 to the provisions listed in subsection (1) of this section, if
13 reasonably necessary to facilitate the prompt, efficient, and equitable
14 collection of tax under this title.

15 NEW SECTION. **Sec. 808.** REFUNDS OF OVERPAYMENTS--OTHER
16 ADMINISTRATIVE PROVISIONS. (1) The department shall refund all taxes
17 improperly paid or collected.

18 (2) The following sections apply to the administration of taxes
19 imposed under this title: RCW 82.32.020, 82.32.050, 82.32.060,
20 82.32.070, 82.32.090, 82.32.100, 82.32.105, 82.32.110, 82.32.120,
21 82.32.130, 82.32.140, 82.32.150, 82.32.160, 82.32.170, 82.32.180,
22 82.32.190, 82.32.200, 82.32.210, 82.32.220, 82.32.230, 82.32.235,
23 82.32.237, 82.32.240, 82.32.245, 82.32.265, 82.32.300, 82.32.310,
24 82.32.320, 82.32.330, 82.32.340, 82.32.350, and 82.32.360.

25 NEW SECTION. **Sec. 809.** The education enrichment account is
26 created in the state treasury. All receipts from the tax imposed under
27 this title shall be deposited in the account. Moneys in the account
28 may be spent only after appropriation. Expenditures from the account
29 may be used for the support of the common schools and for the support
30 of the state's institutions of higher education. Revenues provided
31 under this section shall not be used to supplant levels of funding
32 existing on the effective date of this act.

33 NEW SECTION. **Sec. 810.** RULES. The department may adopt rules
34 under chapter 34.05 RCW for the administration and enforcement of this
35 title. The rules, to the extent possible without being inconsistent

1 with this title, shall follow the internal revenue code and the
2 regulations and rulings of the United States treasury department with
3 respect to the federal income tax. The department may adopt as a part
4 of these rules any portions of the internal revenue code and treasury
5 department regulations and rulings, in whole or in part.

6 **PART IX**
7 **APPEALS**

8 **Sec. 901.** RCW 82.03.130 and 2005 c 253 s 7 are each amended to
9 read as follows:

10 (1) The board shall have jurisdiction to decide the following types
11 of appeals:

12 (a) Appeals taken pursuant to RCW 82.03.190.

13 (b) Appeals from a county board of equalization pursuant to RCW
14 84.08.130.

15 (c) Appeals by an assessor or landowner from an order of the
16 director of revenue made pursuant to RCW 84.08.010 and 84.08.060, if
17 filed with the board of tax appeals within thirty days after the
18 mailing of the order, the right to such an appeal being hereby
19 established.

20 (d) Appeals by an assessor or owner of an intercounty public
21 utility or private car company from determinations by the director of
22 revenue of equalized assessed valuation of property and the
23 apportionment thereof to a county made pursuant to chapter 84.12 and
24 84.16 RCW, if filed with the board of tax appeals within thirty days
25 after mailing of the determination, the right to such appeal being
26 hereby established.

27 (e) Appeals by an assessor, landowner, or owner of an intercounty
28 public utility or private car company from a determination of any
29 county indicated ratio for such county compiled by the department of
30 revenue pursuant to RCW 84.48.075: PROVIDED, That

31 (i) Said appeal be filed after review of the ratio under RCW
32 84.48.075(3) and not later than fifteen days after the mailing of the
33 certification; and

34 (ii) The hearing before the board shall be expeditiously held in
35 accordance with rules prescribed by the board and shall take precedence
36 over all matters of the same character.

1 (f) Appeals from the decisions of sale price of second class
2 shorelands on navigable lakes by the department of natural resources
3 pursuant to RCW ((79.94.210)) 79.125.450.

4 (g) Appeals from urban redevelopment property tax apportionment
5 district proposals established by governmental ordinances pursuant to
6 RCW 39.88.060.

7 (h) Appeals from interest rates as determined by the department of
8 revenue for use in valuing farmland under current use assessment
9 pursuant to RCW 84.34.065.

10 (i) Appeals from revisions to stumpage value tables used to
11 determine value by the department of revenue pursuant to RCW 84.33.091.

12 (j) Appeals from denial of tax exemption application by the
13 department of revenue pursuant to RCW 84.36.850.

14 (k) Appeals pursuant to RCW 84.40.038(3).

15 (l) Appeals pursuant to RCW 84.39.020.

16 (m) Appeals relating to income tax deficiencies and refunds,
17 including penalties and interest, under Title 82A RCW (sections 101
18 through 810 of this act).

19 (2) Except as otherwise specifically provided by law hereafter, the
20 provisions of RCW 1.12.070 shall apply to all notices of appeal filed
21 with the board of tax appeals.

22 **Sec. 902.** RCW 82.03.140 and 2000 c 103 s 1 are each amended to
23 read as follows:

24 In all appeals over which the board has jurisdiction under RCW
25 82.03.130, a party taking an appeal may elect either a formal or an
26 informal hearing, such election to be made according to rules of
27 practice and procedure to be promulgated by the board: PROVIDED, That
28 nothing shall prevent the assessor or taxpayer, as a party to an appeal
29 pursuant to RCW 84.08.130, within twenty days from the date of the
30 receipt of the notice of appeal, from filing with the clerk of the
31 board notice of intention that the hearing be a formal one: PROVIDED,
32 HOWEVER, That nothing herein shall be construed to modify the
33 provisions of RCW 82.03.190: AND PROVIDED FURTHER, That upon an appeal
34 under RCW 82.03.130(1) (e) or (m), the director of revenue may, within
35 ten days from the date of its receipt of the notice of appeal, file
36 with the clerk of the board notice of its ((~~intention that the hearing~~
37 ~~be held pursuant to chapter 34.05 RCW~~)) election of a formal hearing.

1 In the event that appeals are taken from the same decision, order, or
2 determination, as the case may be, by different parties and only one of
3 such parties elects a formal hearing, a formal hearing shall be
4 granted.

5 **PART X**

6 **APPLICATION OF TAX TO PUBLIC PENSIONS**

7 **Sec. 1001.** RCW 2.10.180 and 1991 c 365 s 18 are each amended to
8 read as follows:

9 (1) Except as provided in subsections (2), (3), ~~((and))~~ (4), and
10 (5) of this section, the right of a person to a retirement allowance,
11 disability allowance, or death benefit, the retirement, disability or
12 death allowance itself, any optional benefit, any other right accrued
13 or accruing to any person under the provisions of this chapter, and the
14 moneys in the fund created under this chapter, are hereby exempt from
15 any state, county, municipal, or other local tax and shall not be
16 subject to execution, garnishment, or any other process of law
17 whatsoever.

18 (2) Subsection (1) of this section shall not be deemed to prohibit
19 a beneficiary of a retirement allowance from authorizing deductions
20 therefrom for payment of premiums due on any group insurance policy or
21 plan issued for the benefit of a group comprised of public employees of
22 the state of Washington.

23 (3) Deductions made in the past from retirement benefits are hereby
24 expressly recognized, ratified, and affirmed. Future deductions may
25 only be made in accordance with this section.

26 (4) Subsection (1) of this section shall not prohibit the
27 department of retirement systems from complying with (a) a wage
28 assignment order for child support issued pursuant to chapter 26.18
29 RCW, (b) a notice of payroll deduction issued under chapter 26.23 RCW,
30 (c) an order to withhold and deliver issued pursuant to chapter 74.20A
31 RCW, (d) a mandatory benefits assignment order issued pursuant to
32 chapter 41.50 RCW, (e) a court order directing the department of
33 retirement systems to pay benefits directly to an obligee under a
34 dissolution order as defined in RCW 41.50.500(3) which fully complies
35 with RCW 41.50.670 and 41.50.700, or (f) any administrative or court
36 order expressly authorized by federal law.

1 (sections 101 through 810 of this act), nor does it prohibit the
2 department of retirement systems from complying with the tax
3 withholding requirements of that title.

4 **Sec. 1003.** RCW 6.13.030 and 2007 c 429 s 1 are each amended to
5 read as follows:

6 A homestead may consist of lands, as described in RCW 6.13.010,
7 regardless of area, but the homestead exemption amount shall not exceed
8 the lesser of (1) the total net value of the lands, manufactured homes,
9 mobile home, improvements, and other personal property, as described in
10 RCW 6.13.010, or (2) the sum of one hundred twenty-five thousand
11 dollars in the case of lands, manufactured homes, mobile home, and
12 improvements, or the sum of fifteen thousand dollars in the case of
13 other personal property described in RCW 6.13.010(~~(, except where the~~
14 ~~homestead is subject to execution, attachment, or seizure by or under~~
15 ~~any legal process whatever to satisfy a judgment in favor of any state~~
16 ~~for failure to pay that state's income tax on benefits received while~~
17 ~~a resident of the state of Washington from a pension or other~~
18 ~~retirement plan, in which event there shall be no dollar limit on the~~
19 ~~value of the exemption)).~~

20 **Sec. 1004.** RCW 6.15.020 and 2007 c 492 s 1 are each amended to
21 read as follows:

22 (1) It is the policy of the state of Washington to ensure the well-
23 being of its citizens by protecting retirement income to which they are
24 or may become entitled. For that purpose generally and pursuant to the
25 authority granted to the state of Washington under 11 U.S.C. Sec.
26 522(b)(2), the exemptions in this section relating to retirement
27 benefits are provided.

28 (2) Unless otherwise provided by federal law, any money received by
29 any citizen of the state of Washington as a pension from the government
30 of the United States, whether the same be in the actual possession of
31 such person or be deposited or loaned, shall be exempt from execution,
32 attachment, garnishment, or seizure by or under any legal process
33 whatever, and when a debtor dies, or absconds, and leaves his or her
34 family any money exempted by this subsection, the same shall be exempt
35 to the family as provided in this subsection. This subsection shall
36 not apply to child support collection actions issued under chapter

1 26.18, 26.23, or 74.20A RCW, if otherwise permitted by federal law, or
2 to collection actions for taxes imposed under Title 82A RCW (sections
3 101 through 810 of this act).

4 (3) The right of a person to a pension, annuity, or retirement
5 allowance or disability allowance, or death benefits, or any optional
6 benefit, or any other right accrued or accruing to any citizen of the
7 state of Washington under any employee benefit plan, and any fund
8 created by such a plan or arrangement, shall be exempt from execution,
9 attachment, garnishment, or seizure by or under any legal process
10 whatever. This subsection shall not apply to child support collection
11 actions issued under chapter 26.18, 26.23, or 74.20A RCW if otherwise
12 permitted by federal law, or to collection actions for taxes imposed
13 under Title 82A RCW (sections 101 through 810 of this act). This
14 subsection shall permit benefits under any such plan or arrangement to
15 be payable to a spouse, former spouse, child, or other dependent of a
16 participant in such plan to the extent expressly provided for in a
17 qualified domestic relations order that meets the requirements for such
18 orders under the plan, or, in the case of benefits payable under a plan
19 described in sections 403(b) or 408 of the internal revenue code of
20 1986, as amended, or section 409 of such code as in effect before
21 January 1, 1984, to the extent provided in any order issued by a court
22 of competent jurisdiction that provides for maintenance or support.
23 This subsection shall not prohibit actions against an employee benefit
24 plan, or fund for valid obligations incurred by the plan or fund for
25 the benefit of the plan or fund.

26 (4) For the purposes of this section, the term "employee benefit
27 plan" means any plan or arrangement that is described in RCW 49.64.020,
28 including any Keogh plan, whether funded by a trust or by an annuity
29 contract, and in sections 401(a) or 403(a) of the internal revenue code
30 of 1986, as amended; or that is a tax-sheltered annuity described in
31 section 403(b) of such code or an individual retirement account
32 described in section 408 of such code; or a Roth individual retirement
33 account described in section 408A of such code; or a medical savings
34 account described in section 220 of such code; or an education
35 individual retirement account described in section 530 of such code; or
36 a retirement bond described in section 409 of such code as in effect
37 before January 1, 1984. The term "employee benefit plan" also means
38 any rights accruing on account of money paid currently or in advance

1 for purchase of tuition units under the advanced college tuition
2 payment program in chapter 28B.95 RCW. The term "employee benefit
3 plan" shall not include any employee benefit plan that is established
4 or maintained for its employees by the government of the United States,
5 by the state of Washington under chapter 2.10, 2.12, 41.26, 41.32,
6 41.34, 41.35, 41.37, 41.40, or 43.43 RCW or RCW 41.50.770, or by any
7 agency or instrumentality of the government of the United States.

8 (5) An employee benefit plan shall be deemed to be a spendthrift
9 trust, regardless of the source of funds, the relationship between the
10 trustee or custodian of the plan and the beneficiary, or the ability of
11 the debtor to withdraw or borrow or otherwise become entitled to
12 benefits from the plan before retirement. This subsection shall not
13 apply to child support collection actions issued under chapter 26.18,
14 26.23, or 74.20A RCW, if otherwise permitted by federal law, or to
15 collection actions for taxes imposed under Title 82A RCW (sections 101
16 through 810 of this act). This subsection shall permit benefits under
17 any such plan or arrangement to be payable to a spouse, former spouse,
18 child, or other dependent of a participant in such plan to the extent
19 expressly provided for in a qualified domestic relations order that
20 meets the requirements for such orders under the plan, or, in the case
21 of benefits payable under a plan described in sections 403(b) or 408 of
22 the internal revenue code of 1986, as amended, or section 409 of such
23 code as in effect before January 1, 1984, to the extent provided in any
24 order issued by a court of competent jurisdiction that provides for
25 maintenance or support.

26 (6) Unless contrary to applicable federal law, nothing contained in
27 subsection (3), (4), or (5) of this section shall be construed as a
28 termination or limitation of a spouse's community property interest in
29 an individual retirement account held in the name of or on account of
30 the other spouse, the account holder spouse. At the death of the
31 nonaccount holder spouse, the nonaccount holder spouse may transfer or
32 distribute the community property interest of the nonaccount holder
33 spouse in the account holder spouse's individual retirement account to
34 the nonaccount holder spouse's estate, testamentary trust, inter vivos
35 trust, or other successor or successors pursuant to the last will of
36 the nonaccount holder spouse or the law of intestate succession, and
37 that distributee may, but shall not be required to, obtain an order of
38 a court of competent jurisdiction, including a nonjudicial dispute

1 resolution agreement or other order entered under chapter 11.96A RCW,
2 to confirm the distribution. For purposes of subsection (3) of this
3 section, the distributee of the nonaccount holder spouse's community
4 property interest in an individual retirement account shall be
5 considered a person entitled to the full protection of subsection (3)
6 of this section. The nonaccount holder spouse's consent to a
7 beneficiary designation by the account holder spouse with respect to an
8 individual retirement account shall not, absent clear and convincing
9 evidence to the contrary, be deemed a release, gift, relinquishment,
10 termination, limitation, or transfer of the nonaccount holder spouse's
11 community property interest in an individual retirement account. For
12 purposes of this subsection, the term "nonaccount holder spouse" means
13 the spouse of the person in whose name the individual retirement
14 account is maintained. The term "individual retirement account"
15 includes an individual retirement account and an individual retirement
16 annuity both as described in section 408 of the internal revenue code
17 of 1986, as amended, a Roth individual retirement account as described
18 in section 408A of the internal revenue code of 1986, as amended, and
19 an individual retirement bond as described in section 409 of the
20 internal revenue code as in effect before January 1, 1984. As used in
21 this subsection, an order of a court of competent jurisdiction includes
22 an agreement, as that term is used under RCW 11.96A.220.

23 **Sec. 1005.** RCW 41.24.240 and 1995 c 11 s 13 are each amended to
24 read as follows:

25 (1) The right of any person to any future payment under the
26 provisions of this chapter shall not be transferable or assignable at
27 law or in equity, and none of the moneys paid or payable or the rights
28 existing under this chapter, shall be subject to execution, levy,
29 attachment, garnishment, or other legal process, or to the operation of
30 any bankruptcy or insolvency law. This section shall not be applicable
31 to any child support collection action taken under chapter 26.18,
32 26.23, or 74.20A RCW. Benefits under this chapter shall be payable to
33 a spouse or ex-spouse to the extent expressly provided for in any court
34 decree of dissolution or legal separation or in any court order or
35 court-approved property settlement agreement incident to any court
36 decree of dissolution or legal separation.

1 (2) Nothing in this chapter shall be construed to deprive any
2 participant, eligible to receive a pension hereunder, from receiving a
3 pension under any other act to which that participant may become
4 eligible by reason of services other than or in addition to his or her
5 services under this chapter.

6 (3) Subsection (1) of this section does not exempt any pension or
7 other benefit received under this chapter from tax under Title 82A RCW
8 (sections 101 through 810 of this act), nor does it prohibit the
9 department of retirement systems from complying with the tax
10 withholding requirements of that title.

11 **Sec. 1006.** RCW 41.32.052 and 1991 c 365 s 21 and 1991 c 35 s 63
12 are each reenacted and amended to read as follows:

13 (1) Subject to subsections (2) (~~and~~), (3), and (4) of this
14 section, the right of a person to a pension, an annuity, a retirement
15 allowance, or disability allowance, to the return of contributions, any
16 optional benefit or death benefit, any other right accrued or accruing
17 to any person under the provisions of this chapter and the moneys in
18 the various funds created by this chapter shall be unassignable, and
19 are hereby exempt from any state, county, municipal or other local tax,
20 and shall not be subject to execution, garnishment, attachment, the
21 operation of bankruptcy or insolvency laws, or other process of law
22 whatsoever.

23 (2) This section shall not be deemed to prohibit a beneficiary of
24 a retirement allowance who is eligible:

25 (a) Under RCW 41.05.080 from authorizing monthly deductions
26 therefrom for payment of premiums due on any group insurance policy or
27 plan issued for the benefit of a group comprised of public employees of
28 the state of Washington or its political subdivisions;

29 (b) Under a group health care benefit plan approved pursuant to RCW
30 28A.400.350 or 41.05.065 from authorizing monthly deductions therefrom,
31 of the amount or amounts of subscription payments, premiums, or
32 contributions to any person, firm, or corporation furnishing or
33 providing medical, surgical, and hospital care or other health care
34 insurance; or

35 (c) Under this system from authorizing monthly deductions therefrom
36 for payment of dues and other membership fees to any retirement

1 association composed of retired teachers and/or public employees
2 pursuant to a written agreement between the director and the retirement
3 association.

4 Deductions under (a) and (b) of this subsection shall be made in
5 accordance with rules that may be adopted by the director.

6 (3) Subsection (1) of this section shall not prohibit the
7 department from complying with (a) a wage assignment order for child
8 support issued pursuant to chapter 26.18 RCW, (b) an order to withhold
9 and deliver issued pursuant to chapter 74.20A RCW, (c) a notice of
10 payroll deduction issued pursuant to RCW 26.23.060, (d) a mandatory
11 benefits assignment order issued by the department, (e) a court order
12 directing the department of retirement systems to pay benefits directly
13 to an obligee under a dissolution order as defined in RCW 41.50.500(3)
14 which fully complies with RCW 41.50.670 and 41.50.700, or (f) any
15 administrative or court order expressly authorized by federal law.

16 (4) Subsection (1) of this section does not exempt any pension or
17 other benefit received under this chapter from tax under Title 82A RCW
18 (sections 101 through 810 of this act), nor does it prohibit the
19 department of retirement systems from complying with the tax
20 withholding requirements of that title.

21 **Sec. 1007.** RCW 41.35.100 and 1998 c 341 s 11 are each amended to
22 read as follows:

23 (1) Subject to subsections (2) (~~and~~), (3), and (4) of this
24 section, the right of a person to a pension, an annuity, or retirement
25 allowance, any optional benefit, any other right accrued or accruing to
26 any person under the provisions of this chapter, the various funds
27 created by this chapter, and all moneys and investments and income
28 thereof, are hereby exempt from any state, county, municipal, or other
29 local tax, and shall not be subject to execution, garnishment,
30 attachment, the operation of bankruptcy or insolvency laws, or other
31 process of law whatsoever, and shall be unassignable.

32 (2) This section does not prohibit a beneficiary of a retirement
33 allowance from authorizing deductions therefrom for payment of premiums
34 due on any group insurance policy or plan issued for the benefit of a
35 group comprised of public employees of the state of Washington or its
36 political subdivisions and which has been approved for deduction in
37 accordance with rules that may be adopted by the state health care

1 authority and/or the department. This section also does not prohibit
2 a beneficiary of a retirement allowance from authorizing deductions
3 therefrom for payment of dues and other membership fees to any
4 retirement association or organization the membership of which is
5 composed of retired public employees, if a total of three hundred or
6 more of such retired employees have authorized such deduction for
7 payment to the same retirement association or organization.

8 (3) Subsection (1) of this section does not prohibit the department
9 from complying with (a) a wage assignment order for child support
10 issued pursuant to chapter 26.18 RCW, (b) an order to withhold and
11 deliver issued pursuant to chapter 74.20A RCW, (c) a notice of payroll
12 deduction issued pursuant to RCW 26.23.060, (d) a mandatory benefits
13 assignment order issued by the department, (e) a court order directing
14 the department of retirement systems to pay benefits directly to an
15 obligee under a dissolution order as defined in RCW 41.50.500(3) which
16 fully complies with RCW 41.50.670 and 41.50.700, or (f) any
17 administrative or court order expressly authorized by federal law.

18 (4) Subsection (1) of this section does not exempt any pension or
19 other benefit received under this chapter from tax under Title 82A RCW
20 (sections 101 through 810 of this act), nor does it prohibit the
21 department of retirement systems from complying with the tax
22 withholding requirements of that title.

23 **Sec. 1008.** RCW 41.40.052 and 1999 c 83 s 1 are each amended to
24 read as follows:

25 (1) Subject to subsections (2) ~~((and))~~, (3), and (4) of this
26 section, the right of a person to a pension, an annuity, or retirement
27 allowance, any optional benefit, any other right accrued or accruing to
28 any person under the provisions of this chapter, the various funds
29 created by this chapter, and all moneys and investments and income
30 thereof, are hereby exempt from any state, county, municipal, or other
31 local tax, and shall not be subject to execution, garnishment,
32 attachment, the operation of bankruptcy or insolvency laws, or other
33 process of law whatsoever, and shall be unassignable.

34 (2)(a) This section shall not be deemed to prohibit a beneficiary
35 of a retirement allowance from authorizing deductions therefrom for
36 payment of premiums due on any group insurance policy or plan issued
37 for the benefit of a group comprised of public employees of the state

1 of Washington or its political subdivisions and which has been approved
2 for deduction in accordance with rules that may be adopted by the state
3 health care authority and/or the department, and this section shall not
4 be deemed to prohibit a beneficiary of a retirement allowance from
5 authorizing deductions therefrom for payment of dues and other
6 membership fees to any retirement association or organization the
7 membership of which is composed of retired public employees, if a total
8 of three hundred or more of such retired employees have authorized such
9 deduction for payment to the same retirement association or
10 organization.

11 (b) This section does not prohibit a beneficiary of a retirement
12 allowance from authorizing deductions from that allowance for
13 charitable purposes on the same terms as employees and public officers
14 under RCW 41.04.035 and 41.04.036.

15 (3) Subsection (1) of this section shall not prohibit the
16 department from complying with (a) a wage assignment order for child
17 support issued pursuant to chapter 26.18 RCW, (b) an order to withhold
18 and deliver issued pursuant to chapter 74.20A RCW, (c) a notice of
19 payroll deduction issued pursuant to RCW 26.23.060, (d) a mandatory
20 benefits assignment order issued by the department, (e) a court order
21 directing the department of retirement systems to pay benefits directly
22 to an obligee under a dissolution order as defined in RCW 41.50.500(3)
23 which fully complies with RCW 41.50.670 and 41.50.700, or (f) any
24 administrative or court order expressly authorized by federal law.

25 (4) Subsection (1) of this section does not exempt any pension or
26 other benefit received under this chapter from tax under Title 82A RCW
27 (sections 101 through 810 of this act), nor does it prohibit the
28 department of retirement systems from complying with the tax
29 withholding requirements of that title.

30 **Sec. 1009.** RCW 41.44.240 and 1989 c 360 s 28 are each amended to
31 read as follows:

32 (1) The right of a person to a pension, annuity or a retirement
33 allowance, to the return of contribution, the pension, annuity or
34 retirement allowance itself, any optional benefit, any other right
35 accrued or accruing to any person under the provisions of this chapter,
36 and the moneys in the fund created under this chapter shall not be
37 subject to execution, garnishment, or any other process whatsoever.

1 (2) This section shall not apply to child support collection
2 actions taken under chapter 26.18, 26.23, or 74.20A RCW against
3 benefits payable under any such plan or arrangement. Benefits under
4 this chapter shall be payable to a spouse or ex-spouse to the extent
5 expressly provided for in any court decree of dissolution or legal
6 separation or in any court order or court-approved property settlement
7 agreement incident to any court decree of dissolution or legal
8 separation.

9 (3) Subsection (1) of this section does not exempt any pension or
10 other benefit received under this chapter from tax under Title 82A RCW
11 (sections 101 through 810 of this act), nor does it prohibit the
12 department of retirement systems from complying with the tax
13 withholding requirements of that title.

14 **Sec. 1010.** RCW 41.26.053 and 1991 c 365 s 20 and 1991 c 35 s 25
15 are each reenacted and amended to read as follows:

16 (1) Subject to subsections (2) (~~and~~), (3), and (4) of this
17 section, the right of a person to a retirement allowance, disability
18 allowance, or death benefit, to the return of accumulated
19 contributions, the retirement, disability or death allowance itself,
20 any optional benefit, any other right accrued or accruing to any person
21 under the provisions of this chapter, and the moneys in the fund
22 created under this chapter, are hereby exempt from any state, county,
23 municipal, or other local tax and shall not be subject to execution,
24 garnishment, attachment, the operation of bankruptcy or insolvency
25 laws, or any other process of law whatsoever, and shall be
26 unassignable.

27 (2) On the written request of any person eligible to receive
28 benefits under this section, the department may deduct from such
29 payments the premiums for life, health, or other insurance. The
30 request on behalf of any child or children shall be made by the legal
31 guardian of such child or children. The department may provide for
32 such persons one or more plans of group insurance, through contracts
33 with regularly constituted insurance carriers or health care service
34 contractors.

35 (3) Subsection (1) of this section shall not prohibit the
36 department from complying with (a) a wage assignment order for child
37 support issued pursuant to chapter 26.18 RCW, (b) an order to withhold

1 and deliver issued pursuant to chapter 74.20A RCW, (c) a notice of
2 payroll deduction issued pursuant to RCW 26.23.060, (d) a mandatory
3 benefits assignment order issued by the department, (e) a court order
4 directing the department of retirement systems to pay benefits directly
5 to an obligee under a dissolution order as defined in RCW 41.50.500(3)
6 which fully complies with RCW 41.50.670 and 41.50.700, or (f) any
7 administrative or court order expressly authorized by federal law.

8 (4) Subsection (1) of this section does not exempt any pension or
9 other benefit received under this chapter from tax under Title 82A RCW
10 (sections 101 through 810 of this act), nor does it prohibit the
11 department of retirement systems from complying with the tax
12 withholding requirements of that title.

13 **Sec. 1011.** RCW 43.43.310 and 1991 c 365 s 23 are each amended to
14 read as follows:

15 (1) Except as provided in subsections (2) (~~and~~), (3), and (4) of
16 this section, the right of any person to a retirement allowance or
17 optional retirement allowance under the provisions hereof and all
18 moneys and investments and income thereof are exempt from any state,
19 county, municipal, or other local tax and shall not be subject to
20 execution, garnishment, attachment, the operation of bankruptcy or the
21 insolvency laws, or other processes of law whatsoever and shall be
22 unassignable except as herein specifically provided.

23 (2) Subsection (1) of this section shall not prohibit the
24 department of retirement systems from complying with (a) a wage
25 assignment order for child support issued pursuant to chapter 26.18
26 RCW, (b) an order to withhold and deliver issued pursuant to chapter
27 74.20A RCW, (c) a notice of payroll deduction issued pursuant to RCW
28 26.23.060, (d) a mandatory benefits assignment order issued pursuant to
29 chapter 41.50 RCW, (e) a court order directing the department of
30 retirement systems to pay benefits directly to an obligee under a
31 dissolution order as defined in RCW 41.50.500(3) which fully complies
32 with RCW 41.50.670 and 41.50.700, or (f) any administrative or court
33 order expressly authorized by federal law.

34 (3) Subsection (1) of this section shall not be deemed to prohibit
35 a beneficiary of a retirement allowance from authorizing deductions
36 therefrom for payment of premiums due on any group insurance policy or
37 plan issued for the benefit of a group comprised of members of the

1 Washington state patrol or other public employees of the state of
2 Washington, or for contributions to the Washington state patrol
3 memorial foundation.

4 (4) Subsection (1) of this section does not exempt any pension or
5 other benefit received under this chapter from tax under Title 82A RCW
6 (sections 101 through 810 of this act), nor does it prohibit the
7 department of retirement systems from complying with the tax
8 withholding requirements of that title.

9 NEW SECTION. Sec. 1012. RCW 6.15.025 (Exemption of pension or
10 retirement plan benefits from execution for judgment for out-of-state
11 income tax) and 1991 c 123 s 3 are each repealed.

12 **PART XI**
13 **MISCELLANEOUS**

14 NEW SECTION. Sec. 1101. SEVERABILITY. If any provision of this
15 act or its application to any person or circumstance is held invalid,
16 the remainder of the act or the application of the provision to other
17 persons or circumstances is not affected.

18 NEW SECTION. Sec. 1102. CAPTIONS AND PART HEADINGS. Captions and
19 part headings as used in this act constitute no part of the law.

20 NEW SECTION. Sec. 1103. CODIFICATION. Sections 101 through 810
21 of this act constitute a new title in the Revised Code of Washington,
22 to be codified as Title 82A RCW.

23 NEW SECTION. Sec. 1104. This act takes effect January 1, 2010.

--- END ---