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**SENATE BILL 5900**

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**State of Washington**

**63rd Legislature**

**2013 Regular Session**

**By** Senators McAuliffe, Kohl-Welles, Chase, Keiser, Hasegawa, Kline, Ranker, Fraser, Harper, and Murray

Read first time 04/04/13. Referred to Committee on Ways & Means.

1 AN ACT Relating to strengthening the tax structure, tax equity, and  
2 essential governmental services by a voter-approved tax; amending RCW  
3 82.08.020, 82.03.130, 82.03.140, 2.10.180, 2.12.090, 6.13.030,  
4 6.15.020, 41.24.240, 41.32.052, 41.35.100, 41.40.052, 41.44.240,  
5 41.26.053, and 43.43.310; adding a new title to the Revised Code of  
6 Washington to be codified as Title 82A RCW; creating a new section;  
7 repealing RCW 6.15.025; prescribing penalties; providing an effective  
8 date; and providing for submission of this act to a vote of the people.

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

10 **PART I**

11 **GENERAL PROVISIONS**

12 NEW SECTION. **Sec. 101.** INTENT. (1) The voters of Washington  
13 recognize that the majority of state general funds are generated by the  
14 sales tax collected on consumer transactions. The sales tax  
15 disproportionately impacts lower and middle-income families, who must  
16 also manage the rising costs of health care, child care, and work-  
17 related expenses. The economic crisis impacting the state since 2008  
18 is an indicator that Washington's tax system requires more stability

1 and fairness to maintain vital state services, such as education,  
2 health care, access to higher education, and programs for the elderly  
3 and disabled. Therefore, it is the intent of the voters of Washington  
4 state to provide the necessary revenues to strengthen our tax structure  
5 by approving the imposition of the tax in this act and to promote tax  
6 equity by reducing the state sales tax rate.

7 (2) It is further the intent of the voters that the revenues  
8 collected by this act be dedicated to: Funding improvements to early  
9 learning through increased access to the early childhood education  
10 assistance program; reducing class size in kindergarten through fourth  
11 grade while making targeted class size reductions in fifth through  
12 twelfth grades; and providing additional financial aid opportunities to  
13 students seeking higher education.

14 **PART II**

15 **DECREASED STATE SALES TAX RATE**

16 **Sec. 201.** RCW 82.08.020 and 2011 c 171 s 120 are each amended to  
17 read as follows:

18 (1) There is levied and collected a tax equal to (~~six~~) five and  
19 five-tenths percent of the selling price on each retail sale in this  
20 state of:

21 (a) Tangible personal property, unless the sale is specifically  
22 excluded from the RCW 82.04.050 definition of retail sale;

23 (b) Digital goods, digital codes, and digital automated services,  
24 if the sale is included within the RCW 82.04.050 definition of retail  
25 sale;

26 (c) Services, other than digital automated services, included  
27 within the RCW 82.04.050 definition of retail sale;

28 (d) Extended warranties to consumers; and

29 (e) Anything else, the sale of which is included within the RCW  
30 82.04.050 definition of retail sale.

31 (2) There is levied and collected an additional tax on each retail  
32 car rental, regardless of whether the vehicle is licensed in this  
33 state, equal to five and nine-tenths percent of the selling price. The  
34 revenue collected under this subsection must be deposited in the  
35 multimodal transportation account created in RCW 47.66.070.

1 (3) Beginning July 1, 2003, there is levied and collected an  
2 additional tax of three-tenths of one percent of the selling price on  
3 each retail sale of a motor vehicle in this state, other than retail  
4 car rentals taxed under subsection (2) of this section. The revenue  
5 collected under this subsection must be deposited in the multimodal  
6 transportation account created in RCW 47.66.070.

7 (4) For purposes of subsection (3) of this section, "motor vehicle"  
8 has the meaning provided in RCW 46.04.320, but does not include farm  
9 tractors or farm vehicles as defined in RCW 46.04.180 and 46.04.181,  
10 off-road vehicles as defined in RCW 46.04.365, nonhighway vehicles as  
11 defined in RCW 46.09.310, and snowmobiles as defined in RCW 46.04.546.

12 (5) Beginning on December 8, 2005, 0.16 percent of the taxes  
13 collected under subsection (1) of this section must be dedicated to  
14 funding comprehensive performance audits required under RCW 43.09.470.  
15 The revenue identified in this subsection must be deposited in the  
16 performance audits of government account created in RCW 43.09.475.

17 (6) The taxes imposed under this chapter apply to successive retail  
18 sales of the same property.

19 (7) The rates provided in this section apply to taxes imposed under  
20 chapter 82.12 RCW as provided in RCW 82.12.020.

21 **PART III**  
22 **DEFINITIONS**

23 NEW SECTION. **Sec. 301.** INTRODUCTORY. The definitions in sections  
24 302 through 312 of this act apply throughout this title unless the  
25 context clearly requires otherwise.

26 NEW SECTION. **Sec. 302.** ADJUSTED GROSS INCOME. "Adjusted gross  
27 income" means adjusted gross income as determined under the internal  
28 revenue code.

29 NEW SECTION. **Sec. 303.** DEPARTMENT. "Department" means the state  
30 department of revenue.

31 NEW SECTION. **Sec. 304.** INDIVIDUAL. "Individual" means a natural  
32 person.

1        NEW SECTION.    **Sec. 305.**    INTERNAL REVENUE CODE.    "Internal revenue  
2    code" means the United States internal revenue code of 1986 and  
3    amendments thereto, as existing and in effect on January 1, 2013.

4        NEW SECTION.    **Sec. 306.**    PERSON OR COMPANY.    "Person" or "company,"  
5    herein used interchangeably, means any individual, receiver,  
6    administrator, executor, assignee, trustee in bankruptcy, trust,  
7    estate, firm, copartnership, joint venture, club, company, joint stock  
8    company, business trust, municipal corporation, political subdivision  
9    of the state of Washington, corporation, limited liability company,  
10   association, society, or any group of individuals acting as a unit,  
11   whether mutual, cooperative, fraternal, nonprofit, or otherwise and the  
12   United States or any instrumentality thereof.

13       NEW SECTION.    **Sec. 307.**    RESIDENT.    "Resident" includes an  
14   individual who:

- 15        (1) Has resided in this state for the entire tax year; or  
16        (2) Is domiciled in this state unless the individual:  
17            (a) Maintains no permanent place of abode in this state; and  
18            (b) Does not maintain a permanent place of abode elsewhere; and  
19            (c) Spends in the aggregate not more than thirty days in the tax  
20   year in this state; or  
21        (3) Is not domiciled in this state, but maintains a permanent place  
22   of abode in this state and spends in the aggregate more than one  
23   hundred eighty-three days of the tax year in this state unless the  
24   individual establishes to the satisfaction of the director of revenue  
25   that the individual is in the state only for temporary or transitory  
26   purposes; or  
27        (4) Claims the state of Washington as the individual's tax home for  
28   federal income tax purposes.

29       NEW SECTION.    **Sec. 308.**    S CORPORATION.    "S corporation" means an  
30   S corporation as defined in section 1361 of the internal revenue code.

31       NEW SECTION.    **Sec. 309.**    TAXABLE INCOME.    "Taxable income" means  
32   taxable income as determined under the internal revenue code.



1 income subject to tax in the other jurisdiction. The denominator of  
2 the fraction is the taxpayer's total taxable income as modified by this  
3 title. The fraction may never be greater than one.

4 (2) If, in lieu of a credit similar to the credit allowed under  
5 subsection (1) of this section, the laws of the other taxing  
6 jurisdiction contain a provision exempting a resident of this state  
7 from liability for the payment of income taxes on income earned for  
8 personal services performed in such jurisdiction, then the director is  
9 authorized to enter into a reciprocal agreement with such jurisdiction  
10 providing a similar tax exemption on income earned for personal  
11 services performed in this state.

12 NEW SECTION. **Sec. 403.** DUAL RESIDENCE. If an individual is  
13 regarded as a resident both of this state and another jurisdiction for  
14 state personal income tax purposes, the department must reduce the tax  
15 on that portion of the taxpayer's income which is subjected to tax in  
16 both jurisdictions solely by virtue of dual residence, if the other  
17 taxing jurisdiction allows a similar reduction. The reduction must  
18 equal the lower of the two taxes applicable to the income taxed twice,  
19 multiplied by a fraction. The numerator of the fraction is the tax  
20 imposed by this state on the income taxed twice. The denominator of  
21 the fraction is the tax imposed by both jurisdictions on the income  
22 taxed twice. The fraction may never be greater than one.

23 NEW SECTION. **Sec. 404.** BUSINESS AND OCCUPATION TAX CREDIT. (1)  
24 There is allowed a credit against the tax imposed by this title in the  
25 amount of the state of Washington business and occupation tax paid by  
26 the taxpayer in the tax year subject to the limitation of subsection  
27 (2) of this section.

28 (2) The credit may not exceed the smaller of:

29 (a) The amount of business and occupation tax paid; or

30 (b) The amount of tax of the taxpayer imposed by this title before  
31 the application of credits allowed by this title, multiplied by a  
32 fraction:

33 (i) The numerator is the amount of the taxpayer's taxable income  
34 attributable to activities subject to business and occupation tax; and

35 (ii) The denominator is the taxpayer's taxable income as modified  
36 by this title. The fraction may never be greater than one.



1 deducted under this section must be reduced by any expense, including  
2 amortizable bond premiums, incurred in the production of such income to  
3 the extent the expense has been deducted in calculating taxable income.

4 NEW SECTION. **Sec. 504.** STANDARD DEDUCTION. There is allowed from  
5 taxable income the following standard deductions. The standard  
6 deduction for an individual is:

7 (1) In the case of a joint return or a surviving spouse, four  
8 hundred thousand dollars;

9 (2) In the case of the head of a household, three hundred thousand  
10 dollars;

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

14 NEW SECTION. **Sec. 505.** ADJUSTMENT OF STANDARD DEDUCTIONS FOR  
15 NONRESIDENTS. The deduction from taxable income allowed under section  
16 504 of this act for individual taxpayers who are not residents of this  
17 state for the entire taxable year must be reduced by multiplying the  
18 amount of the deduction by a fraction. The numerator of the fraction  
19 is the individual's taxable income attributable to sources within the  
20 state of Washington. The denominator of the fraction is the  
21 individual's taxable income from all sources. The fraction may never  
22 be greater than one.

23 NEW SECTION. **Sec. 506.** TAX RETURNS FOR FRACTIONAL YEAR. (1) If  
24 the first taxable year of any taxpayer with respect to which a tax is  
25 imposed by this title ends before December 31st of the calendar year in  
26 which this title becomes effective, the taxable income for the  
27 fractional taxable year is the taxpayer's taxable income for the entire  
28 taxable year, adjusted by one of the following methods, at the  
29 taxpayer's election:

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

34 (b) The taxable income must be adjusted, in accordance with rules  
35 of the department, so as to include only such income and be reduced

1 only by such deductions as can be clearly determined from the permanent  
2 records of the taxpayer to be attributable to the fractional taxable  
3 year.

4 (2) If an individual taxpayer's taxable income is adjusted under  
5 subsection (1) of this section, the deduction amounts allowed under  
6 section 504 of this act for the taxpayer must be reduced by multiplying  
7 the amount of the exemption by a fraction. The numerator of the  
8 fraction is the number of days in the taxpayer's fractional taxable  
9 year. The denominator of the fraction is the number of days in the  
10 entire taxable year.

11 **PART VI**

12 **DIVISION OF INCOME, MODIFICATIONS, AND CREDITS**

13 NEW SECTION. **Sec. 601.** APPORTIONMENT AND ALLOCATION OF INCOME.

14 (1) For resident individuals, all income must be apportioned and  
15 allocated to this state.

16 (2) For nonresident individuals, income derived from sources within  
17 this state must be apportioned and allocated to this state. For  
18 purposes of this title:

19 (a) The taxable income of a nonresident derived from sources within  
20 this state is the net amount of items of income, gain, loss, and  
21 deduction of the nonresident's federal taxable income that are derived  
22 from or connected with sources in this state including any distributive  
23 share of partnership income and deductions, and any share of estate or  
24 trust income and deductions, including any unrelated business income of  
25 an otherwise exempt trust or organization.

26 (b) Items of income, gain, loss, and deduction derived from or  
27 connected with sources within this state are those items attributable  
28 to the ownership or disposition of any interest in real or tangible  
29 personal property in this state, and a business, trade, profession, or  
30 occupation carried on within this state. The department must issue  
31 rules to provide consistency of this section with the excise tax  
32 provisions.

33 (c) Deduction with respect to expenses, capital losses, and net  
34 operating losses must be based solely on income, gains, losses, and  
35 deductions derived from or connected with sources in this state but is

1 otherwise determined in the same manner as the corresponding federal  
2 deduction except as provided in this title.

3 (d) Income from intangible personal property, including annuities,  
4 dividends, interest, and gains from the disposition of intangible  
5 personal property, constitutes income derived from sources within the  
6 state of Washington only to the extent that such income is from  
7 property employed in a business, trade, profession, or occupation  
8 carried on within this state. However, distributed and undistributed  
9 income of an electing S corporation for federal tax purposes derived  
10 from or connected with sources within this state is income derived from  
11 sources within this state for a nonresident shareholder. A net  
12 operating loss of such corporation does constitute a loss or deduction  
13 connected with sources within this state for a nonresident shareholder.

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

17 (f) If a business, trade, profession, or occupation is carried on  
18 partly within and partly without this state, the determination of net  
19 income derived or connected with sources within this state as provided  
20 in this section must be made by apportionment and allocation of chapter  
21 82.56 RCW.

22 NEW SECTION. **Sec. 602.** PARTNERSHIPS AND S CORPORATIONS. (1)

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

25 (2) S corporations are not subject to tax under this title.  
26 Shareholders of S corporations are subject to tax in their separate or  
27 individual capacities.

28 (3) The taxable incomes of partners must be computed by including  
29 a pro rata share of the modifications under sections 501 through 603 of  
30 this act and the credits allowed under sections 402, 404, and 405 of  
31 this act, if the modification or credit relates to the income of the  
32 partnership. Each partner's pro rata share of a modification or credit  
33 is the amount of modification or credit multiplied by a fraction. The  
34 numerator of the fraction is the partner's distributive share of  
35 partnership income. The denominator of the fraction is the total  
36 partnership income. The fraction may never be greater than one.

1 (4) The taxable incomes of shareholders of S corporations must be  
2 computed by including a share of the modifications under sections 501  
3 through 603 of this act and the credits allowed under sections 402,  
4 404, and 405 of this act, if the modification or credit relates to the  
5 income of the S corporation. Each shareholder's share of a  
6 modification or credit is the amount of modification or credit  
7 multiplied by a fraction. The numerator of the fraction is the  
8 shareholder's pro rata share of S corporation income. The denominator  
9 of the fraction is the total S corporation income. The fraction may  
10 never be greater than one.

11 (5) As used in this section:

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

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

16 NEW SECTION. **Sec. 603.** BENEFICIARIES OF ESTATES AND TRUSTS. (1)  
17 The taxable incomes of beneficiaries of estates and trusts thereof must  
18 be computed by including a share of the modifications under sections  
19 501 through 602 of this act and this section and the credits allowed  
20 under sections 402, 404, and 405 of this act.

21 (2) Each taxpayer's share of a modification or credit is the amount  
22 of modification or credit multiplied by a fraction. The numerator of  
23 the fraction is the taxpayer's share of the distributable net income of  
24 the estate or trust. The denominator of the fraction is the total  
25 distributable net income of the estate or trust. The fraction may  
26 never be greater than one.

27 (3) As used in this section, "distributable net income" means  
28 distributable net income as defined in the internal revenue code. If  
29 an estate or trust has no federal distributable net income, the term  
30 means the income of the estate or trust which is distributed or is  
31 required to be distributed during the taxable year under local law or  
32 the terms of the estate or trust instrument.

33 **PART VII**  
34 **WITHHOLDING--ESTIMATED TAX**

1           NEW SECTION.   **Sec. 701.**   EMPLOYER WITHHOLDING--REQUIREMENTS.   (1)

2   Every employer making a payment of wages or salaries earned in this  
3   state, regardless of the place where the payment is made, and who is  
4   required by the internal revenue code to withhold taxes, must deduct  
5   and withhold a tax as prescribed by the department by rule. The rules  
6   prescribed must reasonably reflect the annual tax liability of the  
7   employee under this title. Every employer making such a deduction and  
8   withholding must furnish to the employee a record of the amount of tax  
9   deducted and withheld from the employee on forms provided by the  
10   department.

11           (2) If the employee is a resident of this state and earns income  
12   from personal services entirely performed in another state which  
13   imposes an income tax on the income, and the employer withholds income  
14   taxes under the laws of the state in which the income is earned, the  
15   employer is not required to withhold any tax imposed by this title on  
16   the income if the laws of the state in which the income is earned allow  
17   a similar exemption for its residents who earn income in this state.

18           NEW SECTION.   **Sec. 702.**   LIABILITY OF EMPLOYER FOR TAX WITHHELD.

19   Any person required to deduct and withhold the tax imposed by this  
20   title is liable to the department for the payment of the amount  
21   deducted and withheld, and is not liable to any other person for the  
22   amount of tax deducted and withheld under this title or for the act of  
23   withholding. The amount of tax so deducted and withheld must be held  
24   to be a special fund in trust for this state.

25           NEW SECTION.   **Sec. 703.**   CREDIT FOR TAX WITHHELD--HOW CLAIMED.   The

26   amount deducted and withheld as tax under sections 701 through 706 of  
27   this act during any taxable year is allowed as a credit against the tax  
28   imposed for the taxable year by this title. If the liability of any  
29   individual for taxes, interest, penalties, or other amounts due the  
30   state of Washington is less than the total amount of the credit which  
31   the individual is entitled to claim under this section, the individual  
32   is entitled to a refund from the department in the amount of the excess  
33   of the credit over the tax otherwise due. If any individual entitled  
34   to claim a credit under this section is not otherwise required by this  
35   title to file a return, a refund may be obtained in the amount of the  
36   credit by filing a return, with applicable sections completed, to claim

1 the refund. No credit or refund is allowed under this section unless  
2 the credit or refund is claimed on a return filed for the taxable year  
3 for which the amount was deducted and withheld.

4 NEW SECTION. **Sec. 704.** WITHHOLDING--EXEMPTION DECLARATIONS. An  
5 employee is entitled to use and an employer must use the withholding  
6 exemption declaration on file with the employer for federal income tax  
7 purposes. The department may redetermine the number of withholding  
8 exemptions to which any employee is entitled, and the department may  
9 require an additional withholding exemption declaration to be filed on  
10 a form prescribed by the department where the department finds that the  
11 exemption declaration filed for federal income tax purposes does not  
12 properly reflect the number of withholding exemptions to which the  
13 employee is entitled.

14 NEW SECTION. **Sec. 705.** WITHHOLDING--FAILURE TO PAY OR COLLECT--  
15 PENALTIES. (1) The tax required by this title to be collected by the  
16 employer is deemed to be held in trust by the employer until paid to  
17 the department. Any employer who appropriates or converts the tax  
18 deducted and withheld to his or her own use or to any use other than as  
19 prescribed in this chapter is guilty of a gross misdemeanor.

20 (2) In case any employer, or a responsible person within the  
21 meaning of internal revenue code section 6672, fails to collect the tax  
22 herein imposed or having collected the tax, fails to pay it to the  
23 department, the employer or responsible person is, nevertheless,  
24 personally liable to the state for the amount of the tax. The interest  
25 and penalty provisions of chapter 82.32 RCW apply to this section.

26 NEW SECTION. **Sec. 706.** ESTIMATED TAX IMPOSED--DUE DATE OF  
27 ESTIMATED TAXES--AMOUNT OF ESTIMATED TAX--UNDERPAYMENT PENALTY. (1)  
28 Each individual subject to taxation by this title which is required by  
29 the internal revenue code to make payment of estimated taxes must pay  
30 to the department on forms prescribed by the department the estimated  
31 taxes due under this title.

32 (2) The provisions of the internal revenue code relating to the  
33 determination of reporting periods and due dates of payments of  
34 estimated tax applies to the estimated tax payments due under this  
35 section.

1 (3) The amount of the estimated tax is the annualized tax divided  
2 by the number of months in the reporting period. No estimated tax is  
3 due if the annualized tax is less than five hundred dollars. The  
4 provisions of RCW 82.32.050 and 82.32.090 apply to underpayments of  
5 estimated tax but do not apply to underpayments, as defined by the  
6 internal revenue code, if the tax remitted to the department is either  
7 ninety percent of the tax shown on the return or one hundred percent of  
8 the tax shown on the previous year's tax return.

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

13 **PART VIII**

14 **CRIMES**

15 NEW SECTION. **Sec. 801.** CRIMES. (1) Any person who knowingly  
16 attempts to evade the tax imposed under this title or payment thereof  
17 is guilty of a class C felony as provided in chapter 9A.20 RCW.

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

21 (3) Any person who knowingly fails to pay tax, pay estimated tax,  
22 make returns, keep records, or supply information, as required under  
23 this title, is guilty of a gross misdemeanor as provided in chapter  
24 9A.20 RCW.

25 **PART IX**

26 **ADMINISTRATIVE PROVISIONS**

27 NEW SECTION. **Sec. 901.** METHOD OF ACCOUNTING. (1) A taxpayer's  
28 method of accounting for purposes of the tax imposed under this title  
29 must be the same as the taxpayer's method of accounting for federal  
30 income tax purposes. If no method of accounting has been regularly  
31 used by a taxpayer for federal income tax purposes or if the method  
32 used does not clearly reflect income, tax due under this title must be  
33 computed by a method of accounting which in the opinion of the  
34 department fairly reflects income.

1 (2) If a person's method of accounting is changed for federal  
2 income tax purposes, it must be similarly changed for purposes of this  
3 title.

4 NEW SECTION. **Sec. 902.** PERSONS REQUIRED TO FILE RETURNS. (1) All  
5 taxpayers must file with the department, on forms prescribed by the  
6 department, an income tax return for each tax year. Each person  
7 required to file a return under this title must, without assessment,  
8 notice, or demand, pay any tax due thereon to the department on or  
9 before the date fixed for the filing of the return.

10 (2) The department may by rule require that certain taxpayers file,  
11 on forms prescribed by the department, informational returns for any  
12 period. Each person required by rule to file an informational return  
13 must, without assessment, notice, or demand, pay any tax due thereon to  
14 the department on or before the date fixed for the filing of the  
15 informational return.

16 (3) If an adjustment to a taxpayer's federal return is made by the  
17 taxpayer or the internal revenue service, the taxpayer must, within  
18 ninety days of the final determination of the adjustment by the  
19 internal revenue service or within thirty days of the filing of a  
20 federal return adjusted by the taxpayer, file with the department on  
21 forms prescribed by the department a corrected return reflecting the  
22 adjustments as finally determined. The taxpayer must pay any  
23 additional tax due resulting from the finally determined internal  
24 revenue service adjustment or a taxpayer adjustment without notice and  
25 assessment. Notwithstanding any provision of this title or any other  
26 title to the contrary, the period of limitation for the collection of  
27 the additional tax, interest, and penalty due as a result of an  
28 adjustment by the taxpayer or a finally determined internal revenue  
29 service adjustment begins at the later of thirty days following the  
30 final determination of the adjustment or the date of the filing of the  
31 corrected return.

32 NEW SECTION. **Sec. 903.** DUE DATE FOR FILING A RETURN--EXTENSIONS--  
33 INTEREST AND PENALTIES. The due date of a return required to be filed  
34 with the department is the due date of the federal income tax return or  
35 informational return for federal income tax purposes. The department  
36 has the authority to grant extensions of times by which returns

1 required to be filed by this title may be submitted. The department  
2 also has the authority to grant extensions of time to pay tax with  
3 regard to taxes imposed by this title. Interest at the rate as  
4 specified in RCW 82.32.050 accrues during any extension period and the  
5 interest and penalty provisions of chapter 82.32 RCW apply to late  
6 payments and deficiencies. Notwithstanding the limitation of RCW  
7 82.32.090, in the case of the late filing of an informational return,  
8 there is imposed a penalty the amount of which must be established by  
9 the department by rule. The penalty may not exceed fifty dollars per  
10 month for a maximum of ten months. RCW 82.32.105 applies to this  
11 section.

12 NEW SECTION. **Sec. 904.** JOINT RETURN. (1) If the federal income  
13 tax liabilities of both spouses are determined on a joint federal  
14 return for the taxable year, they must file a joint return under this  
15 title unless one spouse is a resident and the other is a nonresident.

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

20 (3) If the federal income tax liability of either spouse is  
21 determined on a separate federal return for the taxable year, they must  
22 file separate returns under this title.

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

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

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

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

1        NEW SECTION.    **Sec. 905.**    RECORDS--RETURNS.    (1) Every taxpayer and  
2 every person required to deduct and withhold the tax imposed under this  
3 title must keep records, render statements, make returns, file reports,  
4 and perform other acts as the department requires by rule. Each return  
5 is made under penalty of perjury and on forms prescribed by the  
6 department. The department may require other statements and reports be  
7 made under penalty of perjury and on forms prescribed by the  
8 department. The department may require any taxpayer and any person  
9 required to deduct and withhold the tax imposed under this title to  
10 furnish to the department a correct copy of any return or document  
11 which the taxpayer has filed with the internal revenue service or  
12 received from the internal revenue service.

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

16        NEW SECTION.    **Sec. 906.**    ESTIMATION AGREEMENTS.    The department may  
17 reasonably estimate the items of business or nonbusiness income of a  
18 taxpayer having an office within the state and one or more other states  
19 or foreign countries which may be apportioned or allocated to the state  
20 and may enter into estimation agreements with such taxpayers for the  
21 determination of their liability for the tax imposed by this title.

22        NEW SECTION.    **Sec. 907.**    PROVISIONS OF INTERNAL REVENUE CODE  
23 CONTROL.    (1) To the extent possible without being inconsistent with  
24 this title, all of the provisions of the internal revenue code relating  
25 to the following subjects apply to the taxes imposed under this title:

- 26        (a) Time of payment of tax deducted and withheld under sections 401  
27 through 406 of this act;
- 28        (b) Liability of transferees;
- 29        (c) Time and manner of making returns, extensions of time for  
30 filing returns, verification of returns, and the time when a return is  
31 deemed filed.

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



1 mailing of the order, the right to such an appeal being hereby  
2 established.

3 (d) Appeals by an assessor or owner of an intercounty public  
4 utility or private car company from determinations by the director of  
5 revenue of equalized assessed valuation of property and the  
6 apportionment thereof to a county made pursuant to chapter 84.12 and  
7 84.16 RCW, if filed with the board of tax appeals within thirty days  
8 after mailing of the determination, the right to such appeal being  
9 hereby established.

10 (e) Appeals by an assessor, landowner, or owner of an intercounty  
11 public utility or private car company from a determination of any  
12 county indicated ratio for such county compiled by the department (~~of~~  
13 ~~revenue~~) pursuant to RCW 84.48.075(~~(:—PROVIDED, That)~~).

14 (i) (~~Said~~) The appeal must be filed after review of the ratio  
15 under RCW 84.48.075(3) and not later than fifteen days after the  
16 mailing of the certification; and

17 (ii) The hearing before the board (~~shall~~) must be expeditiously  
18 held in accordance with rules prescribed by the board and (~~shall~~)  
19 takes precedence over all matters of the same character.

20 (f) Appeals from the decisions of sale price of second class  
21 shorelands on navigable lakes by the department of natural resources  
22 pursuant to RCW (~~(79.94.210)~~) 79.125.450.

23 (g) Appeals from urban redevelopment property tax apportionment  
24 district proposals established by governmental ordinances pursuant to  
25 RCW 39.88.060.

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

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

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

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

34 (l) Appeals pursuant to RCW 84.39.020.

35 (m) Appeals relating to income tax deficiencies and refunds,  
36 including penalties and interest, under Title 82A RCW (the new title  
37 created in section 1203 of this act).

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

4 **Sec. 1002.** RCW 82.03.140 and 2000 c 103 s 1 are each amended to  
5 read as follows:

6 (1) In all appeals over which the board has jurisdiction under RCW  
7 82.03.130, a party taking an appeal may elect either a formal or an  
8 informal hearing, such election to be made according to rules of  
9 practice and procedure to be promulgated by the board(~~(:—PROVIDED,~~  
10 ~~That)~~).

11 (2) Nothing (~~shall~~) in this section prevents the assessor or  
12 taxpayer, as a party to an appeal pursuant to RCW 84.08.130, within  
13 twenty days from the date of the receipt of the notice of appeal, from  
14 filing with the clerk of the board notice of intention that the hearing  
15 be a formal one(~~(:—PROVIDED, HOWEVER, That)~~).

16 (3)(a) Nothing (~~herein shall~~) in this section may be construed to  
17 modify the provisions of RCW 82.03.190(~~(:—AND PROVIDED FURTHER,~~  
18 ~~That)~~).

19 (b) Upon an appeal under RCW 82.03.130(1) (e) or (m), the director  
20 of revenue may, within ten days from the date of its receipt of the  
21 notice of appeal, file with the clerk of the board notice of its  
22 (~~intention that the hearing be held pursuant to chapter 34.05 RCW~~)  
23 election of a formal hearing. In the event that appeals are taken from  
24 the same decision, order, or determination, as the case may be, by  
25 different parties and only one of such parties elects a formal hearing,  
26 a formal hearing (~~shall~~) must be granted.

## 27 PART XI

### 28 APPLICATION OF TAX TO PUBLIC PENSIONS

29 **Sec. 1101.** RCW 2.10.180 and 2012 c 159 s 17 are each amended to  
30 read as follows:

31 (1) Except as provided in subsections (2), (3), (~~and~~) (4), and  
32 (5) of this section, the right of a person to a retirement allowance,  
33 disability allowance, or death benefit, the retirement, disability or  
34 death allowance itself, any optional benefit, any other right accrued  
35 or accruing to any person under the provisions of this chapter, and the

1 moneys in the fund created under this chapter, are (~~hereby~~) exempt  
2 from any state, county, municipal, or other local tax and (~~shall~~) are  
3 not (~~be~~) subject to execution, garnishment, or any other process of  
4 law whatsoever whether the same be in actual possession of the person  
5 or be deposited or loaned.

6 (2) Subsection (1) of this section (~~shall not be deemed to~~) does  
7 not prohibit a beneficiary of a retirement allowance from authorizing  
8 deductions therefrom for payment of premiums due on any group insurance  
9 policy or plan issued for the benefit of a group comprised of public  
10 employees of the state of Washington.

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

14 (4) Subsection (1) of this section (~~shall~~) does not prohibit the  
15 department of retirement systems from complying with (a) a wage  
16 assignment order for child support issued pursuant to chapter 26.18  
17 RCW, (b) a notice of payroll deduction issued under chapter 26.23 RCW,  
18 (c) an order to withhold and deliver issued pursuant to chapter 74.20A  
19 RCW, (d) a mandatory benefits assignment order issued pursuant to  
20 chapter 41.50 RCW, (e) a court order directing the department of  
21 retirement systems to pay benefits directly to an obligee under a  
22 dissolution order as defined in RCW 41.50.500(3) which fully complies  
23 with RCW 41.50.670 and 41.50.700, or (f) any administrative or court  
24 order expressly authorized by federal law.

25 (5) 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 (the new title created in section 1203 of this act), nor does it  
28 prohibit the department of retirement systems from complying with the  
29 tax withholding requirements of that title.

30 **Sec. 1102.** RCW 2.12.090 and 2012 c 159 s 18 are each amended to  
31 read as follows:

32 (1) Except as provided in subsections (2), (3), (~~and~~) (4), and  
33 (5) of this section, the right of any person to a retirement allowance  
34 or optional retirement allowance under the provisions of this chapter  
35 and all moneys and investments and income thereof are exempt from any  
36 state, county, municipal, or other local tax and (~~shall~~) are not  
37 (~~be~~) subject to execution, garnishment, attachment, the operation of

1 bankruptcy or the insolvency laws, or other processes of law whatsoever  
2 whether the same be in actual possession of the person or be deposited  
3 or loaned and (~~shall be~~) are unassignable except as herein  
4 specifically provided.

5 (2) Subsection (1) of this section (~~shall~~) does not prohibit the  
6 department of retirement systems from complying with (a) a wage  
7 assignment order for child support issued pursuant to chapter 26.18  
8 RCW, (b) a notice of payroll deduction issued under chapter 26.23 RCW,  
9 (c) an order to withhold and deliver issued pursuant to chapter 74.20A  
10 RCW, (d) a mandatory benefits assignment order issued pursuant to  
11 chapter 41.50 RCW, (e) a court order directing the department of  
12 retirement systems to pay benefits directly to an obligee under a  
13 dissolution order as defined in RCW 41.50.500(3) which fully complies  
14 with RCW 41.50.670 and 41.50.700, or (f) any administrative or court  
15 order expressly authorized by federal law.

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

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

24 (5) Subsection (1) of this section does not exempt any pension or  
25 other benefit received under this chapter from tax under Title 82A RCW  
26 (the new title created in section 1203 of this act), nor does it  
27 prohibit the department of retirement systems from complying with the  
28 tax withholding requirements of that title.

29 **Sec. 1103.** RCW 6.13.030 and 2007 c 429 s 1 are each amended to  
30 read as follows:

31 A homestead may consist of lands, as described in RCW 6.13.010,  
32 regardless of area, but the homestead exemption amount (~~shall~~) may  
33 not exceed the lesser of (1) the total net value of the lands,  
34 manufactured homes, mobile home, improvements, and other personal  
35 property, as described in RCW 6.13.010, or (2) the sum of one hundred  
36 twenty-five thousand dollars in the case of lands, manufactured homes,  
37 mobile home, and improvements, or the sum of fifteen thousand dollars

1 in the case of other personal property described in RCW 6.13.010(~~(~~  
2 ~~except where the homestead is subject to execution, attachment, or~~  
3 ~~seizure by or under any legal process whatever to satisfy a judgment in~~  
4 ~~favor of any state for failure to pay that state's income tax on~~  
5 ~~benefits received while a resident of the state of Washington from a~~  
6 ~~pension or other retirement plan, in which event there shall be no~~  
7 ~~dollar limit on the value of the exemption)).~~

8 **Sec. 1104.** RCW 6.15.020 and 2011 c 162 s 3 are each amended to  
9 read as follows:

10 (1) It is the policy of the state of Washington to ensure the well-  
11 being of its citizens by protecting retirement income to which they are  
12 or may become entitled. For that purpose generally and pursuant to the  
13 authority granted to the state of Washington under 11 U.S.C. Sec.  
14 522(b)(2), the exemptions in this section relating to retirement  
15 benefits are provided.

16 (2) Unless otherwise provided by federal law, any money received by  
17 any citizen of the state of Washington as a pension from the government  
18 of the United States, whether the same be in the actual possession of  
19 such person or be deposited or loaned, (~~shall be~~) is exempt from  
20 execution, attachment, garnishment, or seizure by or under any legal  
21 process whatever, and when a debtor dies, or absconds, and leaves his  
22 or her family any money exempted by this subsection, the same (~~shall~~  
23 ~~be~~) is exempt to the family as provided in this subsection. This  
24 subsection (~~shall~~) does not apply to child support collection actions  
25 issued under chapter 26.18, 26.23, or 74.20A RCW, if otherwise  
26 permitted by federal law, or to collection actions for taxes imposed  
27 under Title 82A RCW (the new title created in section 1203 of this  
28 act).

29 (3)(a) The right of a person to a pension, annuity, or retirement  
30 allowance or disability allowance, or death benefits, or any optional  
31 benefit, or any other right accrued or accruing to any citizen of the  
32 state of Washington under any employee benefit plan, and any fund  
33 created by such a plan or arrangement, (~~shall be~~) is exempt from  
34 execution, attachment, garnishment, or seizure by or under any legal  
35 process whatever.

36 (b) This subsection (~~shall~~) (3) does not apply to child support  
37 collection actions issued under chapter 26.18, 26.23, or 74.20A RCW if

1 otherwise permitted by federal law, or to collection actions for taxes  
2 imposed under Title 82A RCW (the new title created in section 1203 of  
3 this act).

4 (c) This subsection (~~((shall))~~) (3) permits benefits under any such  
5 plan or arrangement to be payable to a spouse, former spouse, child, or  
6 other dependent of a participant in such plan to the extent expressly  
7 provided for in a qualified domestic relations order that meets the  
8 requirements for such orders under the plan, or, in the case of  
9 benefits payable under a plan described in 26 U.S.C. Sec. 403(b) or 408  
10 of the internal revenue code of 1986, as amended, or section 409 of  
11 such code as in effect before January 1, 1984, to the extent provided  
12 in any order issued by a court of competent jurisdiction that provides  
13 for maintenance or support.

14 (d) This subsection (3) does not prohibit actions against an  
15 employee benefit plan, or fund for valid obligations incurred by the  
16 plan or fund for the benefit of the plan or fund.

17 (4) For the purposes of this section, the term "employee benefit  
18 plan" means any plan or arrangement that is described in RCW 49.64.020,  
19 including any Keogh plan, whether funded by a trust or by an annuity  
20 contract, and in 26 U.S.C. Sec. 401(a) or 403(a) of the internal  
21 revenue code of 1986, as amended; or that is a tax-sheltered annuity or  
22 a custodial account described in section 403(b) of such code or an  
23 individual retirement account or an individual retirement annuity  
24 described in section 408 of such code; or a Roth individual retirement  
25 account described in section 408A of such code; or a medical savings  
26 account or a health savings account described in sections 220 and 223,  
27 respectively, of such code; or a retirement bond described in section  
28 409 of such code as in effect before January 1, 1984. The term  
29 "employee benefit plan" (~~((shall))~~) does not include any employee benefit  
30 plan that is established or maintained for its employees by the  
31 government of the United States, by the state of Washington under  
32 chapter 2.10, 2.12, 41.26, 41.32, 41.34, 41.35, 41.37, 41.40, or 43.43  
33 RCW or RCW 41.50.770, or by any agency or instrumentality of the  
34 government of the United States.

35 (5)(a) An employee benefit plan (~~((shall-be))~~) is deemed to be a  
36 spendthrift trust, regardless of the source of funds, the relationship  
37 between the trustee or custodian of the plan and the beneficiary, or

1 the ability of the debtor to withdraw or borrow or otherwise become  
2 entitled to benefits from the plan before retirement.

3 (b) This subsection (~~(shall)~~) (5) does not apply to child support  
4 collection actions issued under chapter 26.18, 26.23, or 74.20A RCW, if  
5 otherwise permitted by federal law, or to collection actions for taxes  
6 imposed under Title 82A RCW (the new title created in section 1203 of  
7 this act).

8 (c) This subsection (~~(shall)~~) (5) permits benefits under any such  
9 plan or arrangement to be payable to a spouse, former spouse, child, or  
10 other dependent of a participant in such plan to the extent expressly  
11 provided for in a qualified domestic relations order that meets the  
12 requirements for such orders under the plan, or, in the case of  
13 benefits payable under a plan described in 26 U.S.C. Sec. 403(b) or 408  
14 of the internal revenue code of 1986, as amended, or section 409 of  
15 such code as in effect before January 1, 1984, to the extent provided  
16 in any order issued by a court of competent jurisdiction that provides  
17 for maintenance or support.

18 (6)(a) Unless prohibited by federal law, nothing contained in  
19 subsection (3), (4), or (5) of this section (~~(shall)~~) may be construed  
20 as a termination or limitation of a spouse's community property  
21 interest in an employee benefit plan held in the name of or on account  
22 of the other spouse, who is the participant or the account holder  
23 spouse. Unless prohibited by applicable federal law, at the death of  
24 the nonparticipant, nonaccount holder spouse, the nonparticipant,  
25 nonaccount holder spouse may transfer or distribute the community  
26 property interest of the nonparticipant, nonaccount holder spouse in  
27 the participant or account holder spouse's employee benefit plan to the  
28 nonparticipant, nonaccount holder spouse's estate, testamentary trust,  
29 inter vivos trust, or other successor or successors pursuant to the  
30 last will of the nonparticipant, nonaccount holder spouse or the law of  
31 intestate succession, and that distributee may, but (~~(shall)~~) is not  
32 (~~(be)~~) required to, obtain an order of a court of competent  
33 jurisdiction, including a nonjudicial binding agreement or order  
34 entered under chapter 11.96A RCW, to confirm the distribution.

35 (b) For purposes of subsection (3) of this section, the distributee  
36 of the nonparticipant, nonaccount holder spouse's community property  
37 interest in an employee benefit plan (~~(shall-be)~~) is considered a  
38 person entitled to the full protection of subsection (3) of this

1 section. The nonparticipant, nonaccount holder spouse's consent to a  
2 beneficiary designation by the participant or account holder spouse  
3 with respect to an employee benefit plan (~~shall~~) does not, absent  
4 clear and convincing evidence to the contrary, be deemed a release,  
5 gift, relinquishment, termination, limitation, or transfer of the  
6 nonparticipant, nonaccount holder spouse's community property interest  
7 in an employee benefit plan.

8 (c) For purposes of this subsection(~~, the term~~):

9 (i) "Nonparticipant, nonaccount holder spouse" means the spouse of  
10 the person who is a participant in an employee benefit plan or in whose  
11 name an individual retirement account is maintained. (~~As used in this~~  
12 ~~subsection,~~)

13 (ii) An order of a court of competent jurisdiction entered under  
14 chapter 11.96A RCW includes an agreement, as that term is used under  
15 RCW 11.96A.220.

16 **Sec. 1105.** RCW 41.24.240 and 1995 c 11 s 13 are each amended to  
17 read as follows:

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

31 (2) Nothing in this chapter (~~shall~~) may be construed to deprive  
32 any participant, eligible to receive a pension hereunder, from  
33 receiving a pension under any other act to which that participant may  
34 become eligible by reason of services other than or in addition to his  
35 or her services under this chapter.

36 (3) Subsection (1) of this section does not exempt any pension or  
37 other benefit received under this chapter from tax under Title 82A RCW

1 (the new title created in section 1203 of this act), nor does it  
2 prohibit the department of retirement systems from complying with the  
3 tax withholding requirements of that title.

4 **Sec. 1106.** RCW 41.32.052 and 2012 c 159 s 20 are each amended to  
5 read as follows:

6 (1) Subject to subsections (2) ~~((and)),~~ (3), and (4) of this  
7 section, the right of a person to a pension, an annuity, a retirement  
8 allowance, or disability allowance, to the return of contributions, any  
9 optional benefit or death benefit, any other right accrued or accruing  
10 to any person under the provisions of this chapter and the moneys in  
11 the various funds created by this chapter ~~((shall be))~~ are  
12 unassignable, and are hereby exempt from any state, county, municipal  
13 or other local tax, and ~~((shall))~~ are not ~~((be))~~ subject to execution,  
14 garnishment, attachment, the operation of bankruptcy or insolvency  
15 laws, or other process of law whatsoever whether the same be in actual  
16 possession of the person or be deposited or loaned.

17 (2) This section ~~((shall not be deemed to))~~ does not prohibit a  
18 beneficiary of a retirement allowance who is eligible:

19 (a) Under RCW 41.05.080 from authorizing monthly 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 or its political subdivisions;

23 (b) Under a group health care benefit plan approved pursuant to RCW  
24 28A.400.350 or 41.05.065 from authorizing monthly deductions therefrom,  
25 of the amount or amounts of subscription payments, premiums, or  
26 contributions to any person, firm, or corporation furnishing or  
27 providing medical, surgical, and hospital care or other health care  
28 insurance; or

29 (c) Under this system from authorizing monthly deductions therefrom  
30 for payment of dues and other membership fees to any retirement  
31 association composed of retired teachers and/or public employees  
32 pursuant to a written agreement between the director and the retirement  
33 association.

34 Deductions under (a) and (b) of this subsection ~~((shall))~~ (2) must  
35 be made in accordance with rules that may be adopted by the director.

36 (3) Subsection (1) of this section ~~((shall))~~ does not prohibit the  
37 department from complying with (a) a wage assignment order for child

1 support issued pursuant to chapter 26.18 RCW, (b) an order to withhold  
2 and deliver issued pursuant to chapter 74.20A RCW, (c) a notice of  
3 payroll deduction issued pursuant to RCW 26.23.060, (d) a mandatory  
4 benefits assignment order issued by the department, (e) a court order  
5 directing the department of retirement systems to pay benefits directly  
6 to an obligee under a dissolution order as defined in RCW 41.50.500(3)  
7 which fully complies with RCW 41.50.670 and 41.50.700, or (f) any  
8 administrative or court order expressly authorized by federal law.

9 (4) 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 (the new title created in section 1203 of this act), nor does it  
12 prohibit the department of retirement systems from complying with the  
13 tax withholding requirements of that title.

14 **Sec. 1107.** RCW 41.35.100 and 2012 c 159 s 24 are each amended to  
15 read as follows:

16 (1) Subject to subsections (2) (~~and~~), (3), and (4) of this  
17 section, the right of a person to a pension, an annuity, or retirement  
18 allowance, any optional benefit, any other right accrued or accruing to  
19 any person under the provisions of this chapter, the various funds  
20 created by this chapter, and all moneys and investments and income  
21 thereof, are (~~hereby~~) exempt from any state, county, municipal, or  
22 other local tax, and (~~shall~~) are not (~~be~~) subject to execution,  
23 garnishment, attachment, the operation of bankruptcy or insolvency  
24 laws, or other process of law whatsoever, whether the same be in actual  
25 possession of the person or be deposited or loaned and (~~shall be~~) are  
26 unassignable.

27 (2) This section does not prohibit a beneficiary of a retirement  
28 allowance from authorizing deductions therefrom for payment of premiums  
29 due on any group insurance policy or plan issued for the benefit of a  
30 group comprised of public employees of the state of Washington or its  
31 political subdivisions and which has been approved for deduction in  
32 accordance with rules that may be adopted by the state health care  
33 authority and/or the department. This section also does not prohibit  
34 a beneficiary of a retirement allowance from authorizing deductions  
35 therefrom for payment of dues and other membership fees to any  
36 retirement association or organization the membership of which is

1 composed of retired public employees, if a total of three hundred or  
2 more of such retired employees have authorized such deduction for  
3 payment to the same retirement association or organization.

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

14 (4) Subsection (1) of this section does not exempt any pension or  
15 other benefit received under this chapter from tax under Title 82A RCW  
16 (the new title created in section 1203 of this act), nor does it  
17 prohibit the department of retirement systems from complying with the  
18 tax withholding requirements of that title.

19 **Sec. 1108.** RCW 41.40.052 and 2012 c 159 s 26 are each amended to  
20 read as follows:

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

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

1 adopted by the state health care authority and/or the department, and  
2 this section (~~((shall not be deemed to))~~) does not prohibit a beneficiary  
3 of a retirement allowance from authorizing deductions therefrom for  
4 payment of dues and other membership fees to any retirement association  
5 or organization the membership of which is composed of retired public  
6 employees, if a total of three hundred or more of such retired  
7 employees have authorized such deduction for payment to the same  
8 retirement association or organization.

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

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

23 (4) Subsection (1) of this section does not exempt any pension or  
24 other benefit received under this chapter from tax under Title 82A RCW  
25 (the new title created in section 1203 of this act), nor does it  
26 prohibit the department of retirement systems from complying with the  
27 tax withholding requirements of that title.

28 **Sec. 1109.** RCW 41.44.240 and 2012 c 159 s 27 are each amended to  
29 read as follows:

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

1       (2) This section (~~shall~~) does not apply to child support  
2 collection actions taken under chapter 26.18, 26.23, or 74.20A RCW  
3 against benefits payable under any such plan or arrangement. Benefits  
4 under this chapter (~~shall be~~) are payable to a spouse or ex-spouse to  
5 the extent expressly provided for in any court decree of dissolution or  
6 legal separation or in any court order or court-approved property  
7 settlement agreement incident to any court decree of dissolution or  
8 legal 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 (the new title created in section 1203 of this act), nor does it  
12 prohibit the department of retirement systems from complying with the  
13 tax withholding requirements of that title.

14       **Sec. 1110.** RCW 41.26.053 and 2012 c 159 s 21 are each amended to  
15 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~~) are not (~~be~~) subject to  
24 execution, garnishment, attachment, the operation of bankruptcy or  
25 insolvency laws, or any other process of law whatsoever, whether the  
26 same be in actual possession of the person or be deposited or loaned  
27 and (~~shall be~~) are unassignable.

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

36       (3) Subsection (1) of this section (~~shall~~) does not prohibit the  
37 department from complying with (a) a wage assignment order for child

1 support issued pursuant to chapter 26.18 RCW, (b) an order to withhold  
2 and deliver issued pursuant to chapter 74.20A RCW, (c) a notice of  
3 payroll deduction issued pursuant to RCW 26.23.060, (d) a mandatory  
4 benefits assignment order issued by the department, (e) a court order  
5 directing the department of retirement systems to pay benefits directly  
6 to an obligee under a dissolution order as defined in RCW 41.50.500(3)  
7 which fully complies with RCW 41.50.670 and 41.50.700, or (f) any  
8 administrative or court order expressly authorized by federal law.

9 (4) 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 (the new title created in section 1203 of this act), nor does it  
12 prohibit the department of retirement systems from complying with the  
13 tax withholding requirements of that title.

14 **Sec. 1111.** RCW 43.43.310 and 2012 c 159 s 28 are each amended to  
15 read as follows:

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

26 (2) Subsection (1) of this section (~~shall~~) does 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) an order to withhold and deliver issued pursuant to chapter  
30 74.20A RCW, (c) a notice of payroll deduction issued pursuant to RCW  
31 26.23.060, (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 (3) Subsection (1) of this section (~~(shall not be deemed to)~~) does  
2 not prohibit a beneficiary of a retirement allowance from authorizing  
3 deductions therefrom for payment of premiums due on any group insurance  
4 policy or plan issued for the benefit of a group comprised of members  
5 of the Washington state patrol or other public employees of the state  
6 of Washington, or for contributions to the Washington state patrol  
7 memorial foundation.

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 (the new title created in section 1203 of this act), nor does it  
11 prohibit the department of retirement systems from complying with the  
12 tax withholding requirements of that title.

13 NEW SECTION. Sec. 1112. RCW 6.15.025 (Exemption of pension or  
14 retirement plan benefits from execution for judgment for out-of-state  
15 income tax) and 1991 c 123 s 3 are each repealed.

16 **PART XII**  
17 **MISCELLANEOUS**

18 NEW SECTION. Sec. 1201. Section 201 of this act takes effect July  
19 1, 2015.

20 NEW SECTION. Sec. 1202. The legislature finds that this act  
21 constitutes a single integrated plan to strengthen our tax structure  
22 and promote tax equity. If any provision of this act is held invalid  
23 or enjoined, this act is void in its entirety until the invalidity or  
24 injunction is cured.

25 NEW SECTION. Sec. 1203. CODIFICATION. Sections 101 and 301  
26 through 910 of this act constitute a new title in the Revised Code of  
27 Washington, to be codified as Title 82A RCW.

28 NEW SECTION. Sec. 1204. (1) The secretary of state must submit  
29 this act to the people for their adoption and ratification, or  
30 rejection, at the next general election to be held in this state, in  
31 accordance with Article II, section 1 of the state Constitution and the  
32 laws adopted to facilitate its operation.

1           (2) Pursuant to RCW 29A.72.050(6), the statement of subject and  
2 concise description for the ballot title must read: "The legislature  
3 has passed . . . Bill No. . . . (this act), relating to strengthening  
4 the tax structure, tax equity, and essential government services. This  
5 referendum bill would impose a 4.5 percent state excise tax on all  
6 taxable income of resident individuals and on all individuals deriving  
7 income from sources in Washington for each taxable year, allowing  
8 standard deductions of \$400,000 for an individual filing a joint return  
9 or filing as a surviving spouse; \$300,000 for an individual filing as  
10 a head of household; and \$200,000 for an individual who is not married  
11 and who is not a surviving spouse, head of household, or married and  
12 filing a separate return. This referendum bill also lowers the state  
13 sales tax rate from 6.5 to 5.5 percent; provides credits for business  
14 and occupation taxes, public utility taxes, and income taxes due  
15 another jurisdiction; and provides that all tax revenues collected  
16 pursuant to the referendum bill must be deposited into the education  
17 legacy trust account to fund education."

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