
SENATE BILL 5948

State of Washington 65th Legislature 2017 2nd Special Session

By Senator Chase

1 AN ACT Relating to restoring the taxation of intangible property
2 to provide additional funding for public schools; amending RCW
3 84.36.070, 84.36.110, and 6.13.030; adding a new chapter to Title 84
4 RCW; creating a new section; repealing RCW 84.04.150 and 84.36.600;
5 and providing for submission of this act to a vote of the people.

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

7 NEW SECTION. **Sec. 1.** LEGISLATIVE FINDINGS AND PURPOSE. (1) The
8 Washington supreme court has ruled that the legislature has failed to
9 comply with Article IX, section 1 of the state Constitution which
10 states: "It is the paramount duty of the state to make ample
11 provision for the education of all children residing within its
12 borders . . ." It would take more than two billion dollars in
13 additional funding just to bring our public schools up to the
14 national average. It would take even more to meet the obligations of
15 House Bill No. 2261, the education reform act of 2009, and Initiative
16 Measure No. 1351, the class size reduction initiative approved by the
17 voters in 2014. The legislature finds that we are unable to meet this
18 constitutional obligation to fully fund our public schools under our
19 current tax structure.

20 (2) The legislature finds that our underlying problem is we have
21 the most regressive tax structure in America due to excessive

1 reliance on sales taxes. This tax structure places an unfair state
2 tax burden on our poor and our middle class, with these groups paying
3 more than ten percent of their net income in state taxes, while the
4 wealthy in our state pay less than three percent of their income in
5 state taxes. Those who are most able to pay are paying the least,
6 while those least able to pay are paying the most.

7 (3) The legislature finds that this great disparity in taxes is
8 contrary to Article VII, section 1 of the state Constitution, which
9 requires a uniform system of taxation. Our state supreme court has
10 consistently recognized that tax uniformity is a central component of
11 Washington's tax system. In 1984, our state supreme court declared:
12 "One fundamental premise pervades the constitutional limitations on
13 the exercise by the legislature of the power of taxation. This
14 premise is that the distribution of the burdens of taxation should be
15 uniform."

16 (4) This chapter makes the distribution of state taxes more
17 uniform by eliminating the intangible property exception which
18 disproportionately benefits the wealthiest one percent of our
19 citizens at the expense of our middle class, our poor, and our school
20 children.

21 (5) The legislature finds that the only way we will be able to
22 meet this constitutional duty to fully fund our public schools and to
23 provide for a uniform system of taxation is through enacting a fairer
24 tax structure. This chapter will bring us closer to the national
25 average in terms of the percentage of state taxes collected and the
26 distribution of state taxes collected. Since any change in our tax
27 structure requires a vote of the people, we propose to place this
28 referendum before the people.

29 (6) The legislature finds that intangible wealth, such as stocks
30 and bonds, now represents over half of all property wealth with a
31 taxable location in this state. The legislature further finds that
32 the present system of taxing only tangible property and of exempting
33 all intangible property from taxation is regressive, in that such a
34 system benefits the richest residents and businesses in Washington
35 who have sufficient wealth to own substantial intangible property.
36 The legislature further finds that while the transfer, sale, or use
37 of tangible property is subject to various excise taxes in the state
38 of Washington, no comparable taxes are imposed on intangible
39 property. We can no longer afford to have the wealthiest citizens of
40 our state not paying their fair share of state taxes. Moreover,

1 having the wealthiest citizens pay their fair share of state taxes
2 would not harm them financially as they can deduct their state taxes
3 from their federal taxes.

4 (7) The legislature further finds that subjecting tangible
5 property, such as homes, to the state property tax but not subjecting
6 intangible property, such as stock market speculation, to the state
7 property tax, discouraged home ownership and encourages speculation
8 in the stock market. Currently if you have three hundred thousand
9 dollars invested in stocks or bonds, you pay no state property tax on
10 that investment. However, if you invest the same three hundred
11 thousand dollars in a five hundred thousand dollar home, you have to
12 pay property tax not just on the three hundred thousand dollars that
13 you invested, but on the entire five hundred thousand dollar value of
14 the home! This penalizes home ownership. Eliminating the property tax
15 exemption on intangible property would lead to a fairer tax structure
16 because our middle class typically invests nearly all of their
17 financial assets in tangible property (their family home). Meanwhile,
18 millionaires typically invest less than half of their assets in
19 tangible property putting the majority of their assets into stocks
20 and bonds.

21 (8) Elimination of the exemption for intangibles from state
22 property tax will lead to a fairer tax system by raising the amount
23 of state tax paid by millionaires from the current three percent to
24 about four percent. They would still pay much less in state taxes
25 than our middle class, which pays about twelve percent. This would
26 generate about several billion dollars in additional state revenue
27 per biennium without any substantial increase in taxes on our middle
28 class. State taxes are deductible from federal taxes. Thus,
29 millionaires are not likely to be financially harmed by these taxes.
30 This chapter simply transfers billions of dollars per year from the
31 federal tax rolls to the state tax rolls to bring school funding in
32 our state back up to the national average.

33 (9) This chapter is also made necessary because the information
34 technology revolution has meant a significant shift away from
35 tangible property towards intangible property.

36 (10) Finally, the dramatic shift in wealth that has occurred in
37 the past fifteen years with the rich getting richer while everyone
38 else falls behind means that the most stable type of property is
39 intangible property of the very wealthy.

1 (11) This chapter also creates a fairer tax structure by allowing
2 an exemption of up to two hundred thousand dollars in personal
3 tangible property per person and two hundred thousand dollars in
4 intangible property per person. This chapter also exempts all
5 retirement accounts.

6 (12) The legislature declares the purpose of this chapter is to
7 subject intangible property to a tax on the privilege of ownership of
8 the property, subject to the exemptions contained in this chapter for
9 the limited intangible holdings of individuals, in order to provide a
10 more equitable and fair system of taxation of both tangible and
11 intangible wealth in this state.

12 (13) Data indicates that less than ten percent of our state's
13 residents would owe anything under this tax, and ninety percent of
14 those who would pay this tax have assets in excess of one million
15 dollars.

16 (14) The legislature further finds that:

17 (a) Article VII, section 2 of the state Constitution permits
18 taxation of both tangible and intangible property;

19 (b) Our unfair tax system is partially the result of our state's
20 exemption of intangible property (such as stocks and bonds) from
21 state property taxes; and

22 (c) Taxing intangible property would lead to a more uniform tax
23 system.

24 (15) The legislature finds that this chapter is required by
25 Article IX, section 1 of the state Constitution, which states that
26 adequately funding public schools is the paramount duty of the
27 legislature. The legislature further finds that it will be impossible
28 for the legislature to meet its duty to fully fund public schools
29 without eliminating tax breaks on intangible property from property
30 taxes.

31 (16) Therefore, it is the intent of the legislature that the
32 exemption of intangible property from state property taxes be
33 eliminated.

34 (17) The legislature also finds that it is the intent of this
35 chapter to provide for the levy of a tax on certain intangible
36 property, define the types of intangible property subject to tax,
37 provide tax exemptions, and provide for the administration of the
38 tax.

39 (18) The legislature further finds that since 1980 the
40 legislature has approved a series of tax reform bills that have had

1 the net effect of reducing per pupil funding in our state from
2 eleventh in the nation to forty-second in the nation. As a result, we
3 have some of the lowest funded, most overcrowded schools in America.
4 The legislature intends in this chapter to specifically define
5 adequate school funding as being per pupil funding, which is at least
6 at the national average.

7 NEW SECTION. **Sec. 2.** DEFINITIONS. The definitions in this
8 section apply throughout this chapter unless the context clearly
9 requires otherwise.

10 (1) "Company" or "association," when used in reference to a
11 corporation, includes successors and assigns of the company or
12 association.

13 (2) "Financial organization" means any bank, trust company,
14 savings bank, industrial bank, land bank, safe deposit company,
15 private banker, savings and loan association, building and loan
16 association, credit union, currency exchange, cooperative bank, small
17 loan company, sales finance company, or investment company, and any
18 other corporation at least ninety percent of whose assets consist of
19 intangible property and at least ninety percent of whose gross income
20 consists of dividends or interest or other charges resulting from the
21 use of money or credit.

22 (3) "Fiscal year" means an accounting period of twelve months
23 ending on the last day of any month other than December.

24 (4) "Income" means:

25 (a) Interest received upon intangible property;

26 (b) Dividends and other distributions, whether in the form of
27 cash or property, to the extent that they represent the yield of
28 intangible property; and

29 (c) All other earnings or yield, including capital gains, of
30 intangible property regardless of the name by which designated. For
31 the purpose of computing the tax imposed under this chapter, the
32 gross income, including taxes, charges, and other deductions that may
33 be made therefrom, must be the basis upon which the tax is measured.

34 (5) "Intangible property" includes, without limitation, moneys on
35 hand or on deposit or in transit; shares of stock, and other units of
36 interest, in corporations, joint stock companies, and other
37 associations conducted for profit, business, or investment activity;
38 securities such as bonds, certificates of indebtedness, debentures,
39 and notes receivable; land contracts receivable, real estate and

1 chattel mortgages receivable, conditional sales contracts receivable,
2 and other obligations for the payment of money; whether such
3 intangible property is secured or unsecured; shares or units of
4 companies or trusts including mutual funds, money market funds, unit
5 investment trusts, and exchange traded funds; notes; bonds;
6 debentures; accounts receivable; certificates of deposit; cashier's
7 and certified checks; bills of exchange; drafts and similar
8 instruments; bank accounts and other obligations for the payment of
9 money; publicly traded options; futures contracts; commodities
10 contracts; certificates of interest in gold and other precious metals
11 or gems; and similar financial instruments. "Intangible property"
12 does not include computer software or any rights with respect to real
13 property, including oil, gas, and mineral interests and royalties,
14 leases, interests in condominiums, or timeshare interests in real
15 property. "Intangible property" also does not include the interest of
16 a partner under a partnership agreement.

17 (6) "Nonresident" means a person who is not a resident.

18 (7) "Own" means a beneficial ownership as distinguished from
19 legal title.

20 (8) "Owner" means any person who:

21 (a) Has both the entire legal and equitable interest in
22 intangible personal property or both a legal and equitable estate
23 therein which entitles him or her to the present enjoyment thereof;

24 (b) Holds intangible personal property as an administrator,
25 executor, personal representative, receiver, trustee in bankruptcy,
26 or assignee for the benefit of creditors; or

27 (c) Is the beneficiary of an inter vivos or testamentary trust to
28 the extent that the trust embraces intangible personal property. If
29 there is more than one beneficiary, the person who is entitled to the
30 present enjoyment of the trust property is the "owner." If more than
31 one beneficiary is entitled to the present enjoyment of the trust
32 property, all the beneficiaries so entitled are the "owners"
33 according to their respective interests. If there is more than one
34 beneficiary, only some of which are entitled to the present enjoyment
35 of the trust property, those beneficiaries who are so entitled are
36 the "owners." If a trustee of a trust may accumulate the income
37 thereof, the trustee is the "owner" to the extent that the income is
38 so accumulated. A beneficiary domiciled in this state is taxable
39 irrespective of the state or other jurisdiction of the creation or
40 administration of the trust.

1 (9) "Partnership" means a syndicate, group, pool, joint venture,
2 or other unincorporated organization, through or by means of which
3 any business, financial operation, or venture is carried on, and
4 which is not a trust, an estate, or a corporation; and the term
5 "partner" means a member in the syndicate, group, pool, joint
6 venture, or organization.

7 (10) "Person" has the same meaning as provided in RCW 82.04.030,
8 except the term does not include any municipal corporation, the state
9 of Washington or any political subdivision of the state of
10 Washington, or the United States or any instrumentality of the United
11 States.

12 (11) "Resident" or "domicile" means:

13 (a) An individual who is domiciled in this state unless the
14 person maintains no permanent place of abode in this state and does
15 maintain a permanent place of abode elsewhere and spends in the
16 aggregate not more than thirty days of the taxable year in this
17 state; or who is not domiciled in this state but maintains a
18 permanent place of abode in this state and spends in the aggregate
19 more than one hundred eighty-three days of the taxable year in this
20 state;

21 (b) The estate of a decedent who at the person's death was
22 domiciled in this state;

23 (c) A trust created by a will of a decedent who at the person's
24 death was domiciled in this state;

25 (d) An irrevocable trust, the grantor of which was domiciled in
26 this state at the time the trust became irrevocable. For purpose of
27 this subsection (11)(d), a trust is considered irrevocable to the
28 extent that the grantor is not treated as the owner thereof under
29 U.S.C. Secs. 671 through 678 of the federal internal revenue code;
30 and

31 (e) When referring to a corporation, the commercial domicile (the
32 principal place from which the corporation conducts its business).

33 (12) "Situs" or "location of intangible personal property" means
34 the domicile of the owner of the property, except that any intangible
35 personal property, not otherwise exempt under the laws of this state,
36 owned by a person having a domicile outside of this state but owned
37 or used in connection with the conduct of the person's business in
38 Washington, or placed in the hands of a manager or agent in
39 Washington to the extent that the intangible personal property is
40 invested in a course of repeated transactions in obligations of

1 persons residing in Washington or secured by property located in
2 Washington has a situs at the place of business, or where the manager
3 or agent resides, as the case may be, within this state; however, in
4 the case of intangible personal property owned or used in connection
5 with the owner's business both within and outside the state of
6 Washington, all such property has a situs in this state to the extent
7 of the percentage of the whole of the property as determined by the
8 allocation formula set forth in this chapter.

9 (13) "State," when applied to a jurisdiction other than this
10 state, means any state of the United States, the District of
11 Columbia, the Commonwealth of Puerto Rico, and any territory or
12 possession of the United States.

13 (14) "Subchapter K entity" means a partnership, including a
14 limited partnership, limited liability partnership, limited liability
15 limited partnership, limited liability company, or any other entity
16 subject to subchapter K of the internal revenue code, 26 U.S.C. Secs.
17 701-761, not including a single member limited liability company.

18 (15) "Tax" means all taxes, interest, or penalties levied under
19 this chapter.

20 (16) "Tax year" or "taxable year" means:

21 (a) The calendar year, or the taxpayer's fiscal year when
22 permission is obtained from the department to use the taxpayer's
23 fiscal year as the tax period in lieu thereof; or

24 (b) In the case of a return made for a fractional part of a year
25 under this chapter, the period for which the return is made.

26 (17) "Taxpayer" means any individual subject to the tax levied by
27 this chapter, or, in the case of a joint return, both individuals.

28 NEW SECTION. **Sec. 3.** LEVY OF INTANGIBLE PROPERTY TAX. A tax is
29 levied annually as of January 1st of each year at the rate of one
30 dollar per one hundred dollars of the fair market value of all
31 intangible property owned by any individual resident in Washington
32 state, except as exempted in sections 4 and 5 of this of this act.

33 NEW SECTION. **Sec. 4.** EXEMPT INTANGIBLE PROPERTY. (1) The tax
34 levied by this chapter does not apply to:

35 (a) Obligations or evidences of debt of the United States and
36 obligations of United States government agencies and corporations
37 established by acts of the congress of the United States to the

1 extent required by federal law to be exempt from ad valorem taxation
2 by the states;

3 (b) Obligations or evidences of debt of the state of Washington
4 and its political subdivisions and agencies and instrumentalities of
5 the state of Washington and its political subdivisions (including
6 municipal bonds);

7 (c) Interests in retirement plans including, without limitation:

8 (i) Pension, profit-sharing, annuity, or stock bonus plans exempt
9 from federal income tax under 26 U.S.C. Sec. 401 of the federal
10 internal revenue code;

11 (ii) Annuity contracts or custodial accounts described in 26
12 U.S.C. Sec. 403 of the federal internal revenue code;

13 (iii) Individual retirement accounts or individual retirement
14 annuities exempt from federal income tax under 26 U.S.C. Sec. 408 of
15 the federal internal revenue code;

16 (iv) Employee stock options, whether or not the options are
17 subject to 26 U.S.C. Sec. 421 of the federal internal revenue code,
18 and stock that would be received upon exercise of such options,
19 unless the employee stock option, or stock to be received upon
20 exercise, has been included in the taxable income of the holder of
21 the employee stock option;

22 (v) Eligible deferred compensation plans described in 26 U.S.C.
23 Sec. 457 of the federal internal revenue code;

24 (vi) Retirement plans provided by the federal government for its
25 officials and employees including, without limitation, the civil
26 service, foreign service, and armed forces;

27 (vii) Retirement plans provided by quasi-governmental agencies of
28 the federal government for their employees;

29 (viii) Unfunded deferred compensation arrangements created and
30 maintained by employers for employees unless the contributions to
31 such arrangement have been included in the employee's income;

32 (ix) Retirement plans organized or created under the Washington
33 state teachers' retirement system or public employees' retirement
34 system; and

35 (x) Retirement plans, including any "supplemental" plans,
36 organized or created by any Washington state county or municipal
37 government for its officials and employees;

38 (d) Obligations of an employer to an employee for services
39 rendered including, without limitation, deferred compensation not
40 described in this subsection (1)(d) and fringe benefits;

1 (e) Cash and cash equivalents including, without limitation,
2 checking accounts and demand deposits with banks and other financial
3 institutions;

4 (f) Interests in charitable remainder trusts, charitable lead
5 trusts, pooled income funds, and charitable annuities;

6 (g) Intangible personal property owned by or irrevocably held in
7 trust for the exclusive benefit of a religious, educational, or
8 charitable institution, no part of the net profit from the operation
9 of which inures to the benefit of any private person;

10 (h) Assets representing mandatory reserve requirements imposed,
11 by statute or otherwise, on depository financial institutions subject
12 to the tax on intangible property;

13 (i) Stock of the federal reserve bank, the government national
14 mortgage association, the federal national mortgage association, and
15 other corporations and associations established by acts of congress
16 of the United States;

17 (j) Mandatory deposits with the federal reserve bank or others
18 required by statute or regulation;

19 (k) Federal or correspondent funds sold and securities and other
20 intangible assets purchased under agreements to resell to the extent
21 they are offset by federal or correspondent funds purchased and
22 securities and other intangible assets sold under agreements to
23 repurchase;

24 (l) Customer's liabilities to depository financial institutions
25 on acceptances outstanding to the extent they are offset by
26 liabilities of depository financial institutions on acceptances
27 executed and outstanding;

28 (m) Receivables arising from the lease of tangible personal
29 property provided that tangible property tax is due upon such
30 property;

31 (n) Intercompany loans or advances from a parent corporation to a
32 subsidiary, or vice versa, or from one subsidiary to another
33 subsidiary, provided that the parent corporation owns, either
34 directly or through other subsidiaries, more than ninety percent of
35 the common voting stock of any subsidiary which is a party to any
36 such transaction;

37 (o) Intangible personal property owned by an international
38 banking agency or domestic international banking facility licensed to
39 do business in this state;

1 (p) Interests in an estate or a trust, but not including a
2 grantor trust as defined in subpart E, subchapter J of 26 U.S.C.
3 Secs. 671 through 679 of the federal internal revenue code;

4 (q) Life insurance and annuity policies;

5 (r) Interests in qualified tuition plans, as defined in 26 U.S.C.
6 Sec. 529 of the federal internal revenue code, and education savings
7 accounts, as defined in 26 U.S.C. Sec. 530 of the federal internal
8 revenue code; and

9 (s) Cash resulting from a line of credit on tangible property,
10 collateral security loans, and long-term notes secured by real estate
11 as these assets are already being taxed as tangible property.

12 (2) Processing of intangible property does not constitute control
13 of that property and therefore is not taxable under this chapter.

14 NEW SECTION. **Sec. 5.** PERSONAL EXEMPTION. (1) Every individual
15 is allowed an exemption not to exceed two hundred thousand dollars of
16 the fair market value of intangible property otherwise subject to the
17 tax levied by this chapter.

18 (2) A husband and wife who file a joint intangibles tax return
19 are allowed an exemption not to exceed four hundred thousand dollars
20 with respect to intangible property owned by either of them or by
21 them jointly.

22 (3) Custodians under transfers to minors acts, conservators, and
23 guardians are allowed to claim the exemption provided in subsection
24 (1) of this section on behalf of the minor or person on whose behalf
25 the intangibles are held.

26 (4) No individual is entitled to more than one exemption under
27 this section.

28 NEW SECTION. **Sec. 6.** VALUATION. (1) Intangible property is
29 subject to the annual tax at its fair market value as of the last day
30 of the calendar year ending with or within the taxpayer's taxable
31 year for income tax purposes.

32 (2) Property must be valued under the general rule of subsection
33 (3) of this section, unless provided otherwise in this section.

34 (3) The fair market value of property is the price at which the
35 property would change hands between a willing buyer and a willing
36 seller, neither being under any compulsion to buy or sell and both
37 having reasonable knowledge of the relevant facts.

1 (4) Shares of stock of corporations or interests in subchapter K
2 entities or options based on such shares or interest in subchapter K
3 entities that are listed on any public stock exchange or are
4 regularly traded over-the-counter must be valued at their closing
5 prices on the exchange where the primary trading in the shares,
6 interests, or options takes place. When closing quotes are not
7 available, the bid price is considered the fair market value.

8 (5) Shares or units of companies or trusts registered under the
9 federal investment company act of 1940, as amended, including mutual
10 funds, money market funds, and unit investment trusts must be valued
11 at the net asset value of such shares or units.

12 (6) Bonds regularly listed on any public stock exchange or
13 regularly traded over-the-counter must be valued at their closing bid
14 prices on the exchange where the primary trading in the bonds takes
15 place.

16 (7) The fair market value of shares of stocks, bonds, or similar
17 instruments of corporations, interests in subchapter K entities, and
18 options based on such shares or interests that are not listed on any
19 public stock exchange and are not regularly traded over-the-counter
20 are presumed to be their book value, determined in accordance with
21 generally accepted accounting principles.

22 (8) Accounts receivable must be valued at their face value less a
23 reasonable allowance for uncollectible accounts.

24 (9) The fair market value of all notes and other obligations is
25 presumed to be their unpaid balances.

26 (10) In determining the value of an interest in a subchapter K
27 entity or a regulated investment company, there is deducted the value
28 of any property that section 4(1)(a) or (b) of this act exempts from
29 the tax levied by this chapter.

30 (11) Either the taxpayer or the department may present evidence
31 to rebut the presumptions stated in subsections (7) and (9) of this
32 section and establish a different fair market value of the property
33 under the rule provided in subsection (3) of this section.

34 NEW SECTION. **Sec. 7.** TAX EXCLUSIVE. No county or municipality
35 of this state or agency or instrumentality of any of the foregoing
36 may levy an ad valorem tax on intangible property.

37 NEW SECTION. **Sec. 8.** ANNUAL RETURNS AND PAYMENT OF TAX. (1)
38 Each resident taxpayer who owes an intangibles tax of more than two

1 hundred dollars must file an intangible property tax return with the
2 department. The return required by this section is due at the same
3 time as the taxpayer's income tax return for the year and must, to
4 the extent practical, become an integral part of the income tax
5 return. The due date of the return may be extended as provided by the
6 department by regulations, which must be similar to those applicable
7 to extensions of time for filing income tax returns.

8 (2) If the sum of the fair market values of the taxpayer's
9 intangible property that is not exempt under section 4 of this act
10 exceeds the exemption to which the taxpayer is entitled, the taxpayer
11 must file a return containing all the information required to compute
12 the tax levied by this chapter including, without limitation:

13 (a) A detailed description of all intangible property owned by
14 the taxpayer as of the last day of the calendar year ending with or
15 within the taxpayer's taxable year for income tax purposes;

16 (b) The fair market value of each item of intangible property;

17 (c) A statement either that the fair market values have been
18 determined in accordance with section 6 (4) through (9) of this act
19 or that the taxpayer elects to rebut the presumptions in section 6
20 (7) through (9) of this act or elects to make the deduction allowed
21 by section 6(10) of this act; and

22 (d) Other information required by the department as provided by
23 rule or regulation.

24 (3) Payment of the tax levied by this chapter is due at the same
25 time as payment of the taxpayer's income tax, without regard to any
26 extension of time for filing the return.

27 (4) Taxpayers, who file a joint income tax return, may file a
28 joint return with regard to all intangible property held jointly or
29 individually by them. They must then be jointly and severally liable
30 for the payment of the tax levied by this chapter.

31 (5) The person who is required to file a tax return for a minor
32 or other incompetent must return the minor's or incompetent's
33 intangible property and pay the annual tax on it.

34 (6) Except as provided in subsection (5) of this section, the
35 principal must file a return with respect to property controlled or
36 managed by an agent and must pay the annual tax on it. Any person
37 including, but not limited to, an agent holding money belonging to
38 others may make returns for the other persons and may pay the tax on
39 the money as provided in this chapter when so authorized by the
40 person owning the money.

1 (7) Any bank or trust company organized under the laws of this
2 state or of the United States and having on deposit money subject to
3 taxation under this chapter may make a return to the department of
4 the aggregate amount of money on deposit with the bank owned by a
5 taxpayer and may pay the tax on the money on the taxpayer's behalf
6 when so authorized by the taxpayer. A return by a bank or trust
7 company must state the aggregate amount of money it has on deposit
8 which is subject to taxation under this chapter and which is owned by
9 the taxpayer authorizing the bank to make the return. If a bank or
10 trust company elects to make a return and pay the tax, any person
11 having money on deposit on which the bank has made a return and paid
12 the taxes are deemed to have made a return of his or her money for
13 taxation if he or she states in his or her return the name of the
14 bank or trust company authorized to make a return of his or her money
15 for taxation and to pay the tax on the money. The amount of tax paid
16 by any bank for a taxpayer must be charged to the account of the
17 taxpayer.

18 (8) The taxpayer must transmit the return to the department with
19 the taxpayer's remittance covering the tax payable for the preceding
20 tax year. The department, for good cause shown, may, on the
21 application of any taxpayer, extend the time by not more than ninety
22 days for making the return but interest at twelve percent per annum
23 must be added to the amount of tax due for the period of the
24 extension. In collecting the tax levied under this chapter, the
25 department may in special circumstances prescribe a different return.
26 In addition to all other penalties and interest provided by law,
27 every taxpayer failing to return for taxation all intangible personal
28 property that is the taxpayer's duty to return as required by this
29 chapter must pay a penalty, as part of the tax imposed by this
30 chapter, in an amount equal to ten percent of the original tax on
31 property not returned.

32 NEW SECTION. **Sec. 9.** ANNUAL INFORMATION REPORTS. (1) On or
33 before March 1st of each year, each corporation doing business in
34 Washington state must give a written notice reflecting the value of
35 each class of its securities as of the last business day of the
36 preceding calendar year to each shareholder of record whose mailing
37 address as of such day was within Washington state. However, no
38 notice is required as to any class of securities that is listed on a
39 public stock exchange or regularly traded over-the-counter, unless

1 the securities are subject to restrictions and the value returnable
2 by the shareholder is less than the fair market value determined
3 under section 6 of this act.

4 (2) On or before March 1st of each year, each corporation doing
5 business in Washington state must file with the department a copy of
6 any written notice to stockholders required by subsection (1) of this
7 section.

8 (3) On or before March 1st of each year, each subchapter K entity
9 doing business in Washington state must give a written notice
10 reflecting the value of each class of its partnership interests as of
11 the last business day of the preceding calendar year to each owner of
12 an interest in the subchapter K entity of record whose mailing
13 address as of such day was within Washington state.

14 (4) On or before March 1st of each year, each subchapter K entity
15 doing business in Washington state must file with the department a
16 copy of any written notice to partners required by subsection (3) of
17 this section.

18 NEW SECTION. **Sec. 10.** INTANGIBLE TAX. An annual tax on the just
19 value of intangible property having a taxable situs in Washington
20 state is levied as follows: All firms, partnerships, joint ventures,
21 associations, corporations, estates, trustees, personal
22 representatives, receivers, guardians, custodians, and other
23 fiduciaries as well as natural persons filing an individual or joint
24 return are subject to a tax rate of one percent of just value of
25 intangible property having a taxable situs in Washington state. Those
26 with two hundred thousand dollars or less in intangible property are
27 exempt from paying this tax. If a taxpayer owes two hundred dollars
28 or less, they do not have to pay the tax or file a return.

29 NEW SECTION. **Sec. 11.** SPECIFIC ASSIGNMENT OF REVENUE. All
30 revenues collected by the department under this chapter must be
31 deposited into the general fund and used as described in section 12
32 of this act.

33 NEW SECTION. **Sec. 12.** GENERAL FUND ALLOCATION. (1) This section
34 is intended to insure that the majority of funds generated by this
35 chapter are devoted to public schools.

1 (2)(a) Once revenue generated as a result of the provisions in
2 this chapter permits total per pupil funding in Washington state to
3 meet or exceed the national average in per pupil funding:

4 (i) The legislature must provide school funding sufficient to
5 bring average actual class sizes down to the national average for
6 actual class sizes;

7 (ii) The legislature must provide school funding sufficient to
8 permit school districts to provide full day kindergarten; and

9 (iii) The legislature must provide school funding for each school
10 district sufficient such that the lowest funded school district in
11 the state has per pupil funding within at least ninety percent of the
12 average per pupil funding in the state (fully funding levy
13 equalization).

14 (b) The objectives in (a)(i) and (ii) of this subsection, once
15 fully funded, must become part of the definition of basic education.

16 (c) Once these three objectives are fully funded, any remaining
17 funds must be placed in a special trust account to create the
18 Washington state public bank. The primary purpose of this public bank
19 must be to pay for the construction and repair of public schools at
20 low or no cost to local school districts and local taxpayers,
21 recognizing that the paramount duty to fund public schools includes
22 not only funding the operating costs of public schools but also the
23 construction and repair of public schools and further recognizing
24 that our state suffers a school construction and repair backlog in
25 excess of twenty billion dollars and leaving more than one hundred
26 thousand students attending school in temporary portable shelters.

27 NEW SECTION. **Sec. 13.** INTANGIBLE PROPERTY CLASSES. (1) Distinct
28 classes of intangible property are created in order to tax each class
29 of intangible uniformly. These classes include, but are not limited
30 to:

31 (a) All personal intangible property, up to two hundred thousand
32 dollars per person, which is exempt from taxation;

33 (b) All retirement accounts that are exempt from taxation;

34 (c) All other intangible property that is exempt from taxation as
35 specified in this chapter; and

36 (d) All other intangible property that is not exempt from
37 taxation as specified in this chapter.

38 (2) All such intangible property is taxed at a uniform rate of
39 one percent of fair market value as of the end of each calendar year.

1 NEW SECTION. **Sec. 14.** ADMINISTRATION. The department must
2 administer the tax levied by this chapter.

3 NEW SECTION. **Sec. 15.** SHORT TITLE. This act may be known and
4 cited as the "restore school funding through property tax fairness
5 act of 2017."

6 NEW SECTION. **Sec. 16.** The following acts or parts of acts are
7 each repealed:

8 (1) RCW 84.04.150 ("Computer software" and related terms) and
9 1991 sp.s. c 29 s 2; and

10 (2) RCW 84.36.600 (Computer software) and 1991 sp.s. c 29 s 3.

11 **Sec. 17.** RCW 84.36.070 and 1997 c 181 s 1 are each amended to
12 read as follows:

13 (1) Intangible personal property up to two hundred thousand
14 dollars per person is exempt from ad valorem taxation.

15 (2) "Intangible personal property" means:

16 (a) All moneys and credits including mortgages, notes, accounts,
17 certificates of deposit, tax certificates, judgments, state, county
18 and municipal bonds and warrants and bonds and warrants of other
19 taxing districts, bonds of the United States and of foreign countries
20 or political subdivisions thereof and the bonds, stocks, or shares of
21 private corporations;

22 (b) Private nongovernmental personal service contracts, private
23 nongovernmental athletic or sports franchises, or private
24 nongovernmental athletic or sports agreements provided that the
25 contracts, franchises, or agreements do not pertain to the use or
26 possession of tangible personal or real property or to any interest
27 in tangible personal or real property; and

28 (c) Other intangible personal property such as trademarks, trade
29 names, brand names, patents, copyrights, trade secrets, franchise
30 agreements, licenses, permits, core deposits of financial
31 institutions, noncompete agreements, customer lists, patient lists,
32 favorable contracts, favorable financing agreements, reputation,
33 exceptional management, prestige, good name, or integrity of a
34 business.

35 (3) "Intangible personal property" does not include zoning,
36 location, view, geographic features, easements, covenants, proximity
37 to raw materials, condition of surrounding property, proximity to

1 markets, the availability of a skilled workforce, and other
2 characteristics or attributes of property.

3 (4) This section does not preclude the use of, or permit a
4 departure from, generally accepted appraisal practices and the
5 appropriate application thereof in the valuation of real and tangible
6 personal property, including the appropriate consideration of
7 licenses, permits, and franchises granted by a government agency that
8 affect the use of the property.

9 **Sec. 18.** RCW 84.36.110 and 2006 c 281 s 2 are each amended to
10 read as follows:

11 The following property (~~shall be~~) is exempt from taxation:

12 (1) All household goods and furnishings in actual use by the
13 owner thereof in equipping and outfitting his or her residence or
14 place of abode (~~and not for sale or commercial use, and all personal~~
15 ~~effects held by any person for his or her exclusive use and benefit~~
16 ~~and not for sale or commercial use.~~

17 ~~(2) The personal property, other than specified in subsection (1)~~
18 ~~of this section, of each head of a family liable to assessment and~~
19 ~~taxation of which the individual is the actual and bona fide owner to~~
20 ~~an amount of fifteen thousand dollars of true and fair value.)~~ and
21 all personal effects up to two hundred thousand dollars of personal
22 tangible property and two hundred thousand dollars of personal
23 intangible property, including but not limited to, personal tangible
24 and/or intangible property used in part for a small business.

25 (2) This exemption (~~shall~~) does not apply to any private motor
26 vehicle or mobile home. If the county assessor is satisfied that all
27 of the personal property of any person is exempt from taxation under
28 the provisions of this statute or any other statute providing
29 exemptions for personal property, no listing of such property (~~shall~~
30 ~~be~~) is required. However, if the personal property described in this
31 subsection exceeds in value the amount allowed as exempt, then a
32 complete list of (~~said~~) the personal property (~~shall~~) must be
33 made as provided by law, and the county assessor (~~shall~~) must
34 deduct the amount of the exemption authorized by this subsection from
35 the total amount of the assessment and impose taxes on the remainder.

36 **Sec. 19.** RCW 6.13.030 and 2007 c 429 s 1 are each amended to
37 read as follows:

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

16 NEW SECTION. Sec. 20. CODIFICATION. Sections 1 through 15 of
17 this act constitute a new chapter in Title 84 RCW.

18 NEW SECTION. Sec. 21. SEVERABILITY. If any provision of this
19 act or its application to any person or circumstance is held invalid,
20 the remainder of the act or the application of the provision to other
21 persons or circumstances is not affected.

22 NEW SECTION. Sec. 22. APPLICABILITY. This act applies to taxes
23 levied for collection in 2018 and thereafter.

24 NEW SECTION. Sec. 23. The secretary of state shall submit this
25 act to the people for their adoption and ratification, or rejection,
26 at the next general election to be held in this state, in accordance
27 with Article II, section 1 of the state Constitution and the laws
28 adopted to facilitate its operation.

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