
HOUSE BILL 2157

State of Washington

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2019 Regular Session

By Representatives Tarleton, Sullivan, Ormsby, Bergquist, Robinson, Appleton, Dolan, Frame, Macri, Pollet, and Tharinger

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1 AN ACT Relating to updating the Washington tax structure to
2 address the needs of Washingtonians; amending RCW 82.04.260,
3 82.08.0273, 84.36.381, 84.36.383, 84.36.385, 84.38.020, 84.38.070,
4 84.38.130, and 84.38.150; reenacting and amending RCW 84.38.030;
5 adding a new section to chapter 82.32 RCW; creating new sections;
6 repealing RCW 82.04.062; prescribing penalties; providing effective
7 dates; providing an expiration date; and declaring an emergency.

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

9 **Part I**

10 **Intent**

11 NEW SECTION. **Sec. 101.** (1) The legislature finds that the
12 Washington tax structure was developed in the early twentieth century
13 and has been amended over time to include many tax preferences that
14 benefit select taxpayers. The legislature further finds that we must
15 ensure our tax structure is equitable, stable, transparent, and
16 adequate in light of the modernizing economy, our states'
17 extraordinary population growth, and the changing economic reality we
18 currently face as individuals, communities, businesses, and the
19 state.

1 (2) The legislature finds that the tax structure has driven
2 individual taxpayers and businesses to seek relief from state and
3 local taxes. Over the years, the legislature has adopted
4 approximately seven hundred tax preferences. Although some of those
5 tax preferences have a broad and positive impact, such as the voter-
6 approved decision to exempt food from the sales tax and the property
7 tax relief programs for the most vulnerable members of our
8 communities, many preferences are targeted to benefit a very small
9 number of taxpayers. By requiring a series of preferences to mitigate
10 its unintended consequences, the state's tax structure has created
11 structural deficits, instability, and sets of "winners" and "losers"
12 within the code.

13 (3) Therefore, it is the intent of the legislature to modernize
14 and rebalance our state tax structure by repealing and modifying tax
15 preferences that either no longer support the economic vitality of
16 the state or the quality of life for the most vulnerable members of
17 our communities and reevaluating the state tax structure.

18 Part II

19 Repealing Bullion Tax Preference

20 NEW SECTION. **Sec. 201.** RCW 82.04.062 ("Sale at wholesale,"
21 "sale at retail" excludes sale of precious metal bullion and
22 monetized bullion—Computation of tax) and 1985 c 471 s 5 are each
23 repealed.

24 NEW SECTION. **Sec. 202.** The repeal in section 201 of this act
25 does not affect any existing right acquired or liability or
26 obligation incurred under the statute repealed or under any rule or
27 order adopted under that statute nor does it affect any proceeding
28 instituted under the repealed statute.

29 Part III

30 Repealing Preferential Business and Occupation 31 Tax for Travel Agents

32 **Sec. 301.** RCW 82.04.260 and 2018 c 164 s 3 are each amended to
33 read as follows:

34 (1) Upon every person engaging within this state in the business
35 of manufacturing:

1 (a) Wheat into flour, barley into pearl barley, soybeans into
2 soybean oil, canola into canola oil, canola meal, or canola by-
3 products, or sunflower seeds into sunflower oil; as to such persons
4 the amount of tax with respect to such business is equal to the value
5 of the flour, pearl barley, oil, canola meal, or canola by-product
6 manufactured, multiplied by the rate of 0.138 percent;

7 (b) Beginning July 1, 2025, seafood products that remain in a
8 raw, raw frozen, or raw salted state at the completion of the
9 manufacturing by that person; or selling manufactured seafood
10 products that remain in a raw, raw frozen, or raw salted state at the
11 completion of the manufacturing, to purchasers who transport in the
12 ordinary course of business the goods out of this state; as to such
13 persons the amount of tax with respect to such business is equal to
14 the value of the products manufactured or the gross proceeds derived
15 from such sales, multiplied by the rate of 0.138 percent. Sellers
16 must keep and preserve records for the period required by RCW
17 82.32.070 establishing that the goods were transported by the
18 purchaser in the ordinary course of business out of this state;

19 (c) (i) Except as provided otherwise in (c) (iii) of this
20 subsection, from July 1, 2025, until January 1, 2036, dairy products;
21 or selling dairy products that the person has manufactured to
22 purchasers who either transport in the ordinary course of business
23 the goods out of state or purchasers who use such dairy products as
24 an ingredient or component in the manufacturing of a dairy product;
25 as to such persons the tax imposed is equal to the value of the
26 products manufactured or the gross proceeds derived from such sales
27 multiplied by the rate of 0.138 percent. Sellers must keep and
28 preserve records for the period required by RCW 82.32.070
29 establishing that the goods were transported by the purchaser in the
30 ordinary course of business out of this state or sold to a
31 manufacturer for use as an ingredient or component in the
32 manufacturing of a dairy product.

33 (ii) For the purposes of this subsection (1) (c), "dairy products"
34 means:

35 (A) Products, not including any marijuana-infused product, that
36 as of September 20, 2001, are identified in 21 C.F.R., chapter 1,
37 parts 131, 133, and 135, including by-products from the manufacturing
38 of the dairy products, such as whey and casein; and

1 (B) Products comprised of not less than seventy percent dairy
2 products that qualify under (c)(ii)(A) of this subsection, measured
3 by weight or volume.

4 (iii) The preferential tax rate provided to taxpayers under this
5 subsection (1)(c) does not apply to sales of dairy products on or
6 after July 1, 2023, where a dairy product is used by the purchaser as
7 an ingredient or component in the manufacturing in Washington of a
8 dairy product;

9 (d)(i) Beginning July 1, 2025, fruits or vegetables by canning,
10 preserving, freezing, processing, or dehydrating fresh fruits or
11 vegetables, or selling at wholesale fruits or vegetables manufactured
12 by the seller by canning, preserving, freezing, processing, or
13 dehydrating fresh fruits or vegetables and sold to purchasers who
14 transport in the ordinary course of business the goods out of this
15 state; as to such persons the amount of tax with respect to such
16 business is equal to the value of the products manufactured or the
17 gross proceeds derived from such sales multiplied by the rate of
18 0.138 percent. Sellers must keep and preserve records for the period
19 required by RCW 82.32.070 establishing that the goods were
20 transported by the purchaser in the ordinary course of business out
21 of this state.

22 (ii) For purposes of this subsection (1)(d), "fruits" and
23 "vegetables" do not include marijuana, useable marijuana, or
24 marijuana-infused products; and

25 (e) Wood biomass fuel; as to such persons the amount of tax with
26 respect to the business is equal to the value of wood biomass fuel
27 manufactured, multiplied by the rate of 0.138 percent. For the
28 purposes of this section, "wood biomass fuel" means a liquid or
29 gaseous fuel that is produced from lignocellulosic feedstocks,
30 including wood, forest, (~~(+or+)~~) or field residue(~~(+)~~) and dedicated
31 energy crops, and that does not include wood treated with chemical
32 preservations such as creosote, pentachlorophenol, or copper-chrome-
33 arsenic.

34 (2) Upon every person engaging within this state in the business
35 of splitting or processing dried peas; as to such persons the amount
36 of tax with respect to such business is equal to the value of the
37 peas split or processed, multiplied by the rate of 0.138 percent.

38 (3) Upon every nonprofit corporation and nonprofit association
39 engaging within this state in research and development, as to such
40 corporations and associations, the amount of tax with respect to such

1 activities is equal to the gross income derived from such activities
2 multiplied by the rate of 0.484 percent.

3 (4) Upon every person engaging within this state in the business
4 of slaughtering, breaking and/or processing perishable meat products
5 and/or selling the same at wholesale only and not at retail; as to
6 such persons the tax imposed is equal to the gross proceeds derived
7 from such sales multiplied by the rate of 0.138 percent.

8 ~~(5) ((Upon every person engaging within this state in the
9 business of acting as a travel agent or tour operator; as to such
10 persons the amount of the tax with respect to such activities is
11 equal to the gross income derived from such activities multiplied by
12 the rate of 0.275 percent.~~

13 ~~(6))~~ Upon every person engaging within this state in business as
14 an international steamship agent, international customs house broker,
15 international freight forwarder, vessel and/or cargo charter broker
16 in foreign commerce, and/or international air cargo agent; as to such
17 persons the amount of the tax with respect to only international
18 activities is equal to the gross income derived from such activities
19 multiplied by the rate of 0.275 percent.

20 ~~((7))~~ (6) Upon every person engaging within this state in the
21 business of stevedoring and associated activities pertinent to the
22 movement of goods and commodities in waterborne interstate or foreign
23 commerce; as to such persons the amount of tax with respect to such
24 business is equal to the gross proceeds derived from such activities
25 multiplied by the rate of 0.275 percent. Persons subject to taxation
26 under this subsection are exempt from payment of taxes imposed by
27 chapter 82.16 RCW for that portion of their business subject to
28 taxation under this subsection. Stevedoring and associated activities
29 pertinent to the conduct of goods and commodities in waterborne
30 interstate or foreign commerce are defined as all activities of a
31 labor, service or transportation nature whereby cargo may be loaded
32 or unloaded to or from vessels or barges, passing over, onto or under
33 a wharf, pier, or similar structure; cargo may be moved to a
34 warehouse or similar holding or storage yard or area to await further
35 movement in import or export or may move to a consolidation freight
36 station and be stuffed, unstuffed, containerized, separated or
37 otherwise segregated or aggregated for delivery or loaded on any mode
38 of transportation for delivery to its consignee. Specific activities
39 included in this definition are: Wharfage, handling, loading,
40 unloading, moving of cargo to a convenient place of delivery to the

1 consignee or a convenient place for further movement to export mode;
2 documentation services in connection with the receipt, delivery,
3 checking, care, custody and control of cargo required in the transfer
4 of cargo; imported automobile handling prior to delivery to
5 consignee; terminal stevedoring and incidental vessel services,
6 including but not limited to plugging and unplugging refrigerator
7 service to containers, trailers, and other refrigerated cargo
8 receptacles, and securing ship hatch covers.

9 ~~((+8))~~ (7)(a) Upon every person engaging within this state in
10 the business of disposing of low-level waste, as defined in RCW
11 43.145.010; as to such persons the amount of the tax with respect to
12 such business is equal to the gross income of the business, excluding
13 any fees imposed under chapter 43.200 RCW, multiplied by the rate of
14 3.3 percent.

15 (b) If the gross income of the taxpayer is attributable to
16 activities both within and without this state, the gross income
17 attributable to this state must be determined in accordance with the
18 methods of apportionment required under RCW 82.04.460.

19 ~~((+9))~~ (8) Upon every person engaging within this state as an
20 insurance producer or title insurance agent licensed under chapter
21 48.17 RCW or a surplus line broker licensed under chapter 48.15 RCW;
22 as to such persons, the amount of the tax with respect to such
23 licensed activities is equal to the gross income of such business
24 multiplied by the rate of 0.484 percent.

25 ~~((+10))~~ (9) Upon every person engaging within this state in
26 business as a hospital, as defined in chapter 70.41 RCW, that is
27 operated as a nonprofit corporation or by the state or any of its
28 political subdivisions, as to such persons, the amount of tax with
29 respect to such activities is equal to the gross income of the
30 business multiplied by the rate of 0.75 percent through June 30,
31 1995, and 1.5 percent thereafter.

32 ~~((+11))~~ (10)(a) Beginning October 1, 2005, upon every person
33 engaging within this state in the business of manufacturing
34 commercial airplanes, or components of such airplanes, or making
35 sales, at retail or wholesale, of commercial airplanes or components
36 of such airplanes, manufactured by the seller, as to such persons the
37 amount of tax with respect to such business is, in the case of
38 manufacturers, equal to the value of the product manufactured and the
39 gross proceeds of sales of the product manufactured, or in the case

1 of processors for hire, equal to the gross income of the business,
2 multiplied by the rate of:

3 (i) 0.4235 percent from October 1, 2005, through June 30, 2007;
4 and

5 (ii) 0.2904 percent beginning July 1, 2007.

6 (b) Beginning July 1, 2008, upon every person who is not eligible
7 to report under the provisions of (a) of this subsection (~~((11))~~)
8 (10) and is engaging within this state in the business of
9 manufacturing tooling specifically designed for use in manufacturing
10 commercial airplanes or components of such airplanes, or making
11 sales, at retail or wholesale, of such tooling manufactured by the
12 seller, as to such persons the amount of tax with respect to such
13 business is, in the case of manufacturers, equal to the value of the
14 product manufactured and the gross proceeds of sales of the product
15 manufactured, or in the case of processors for hire, be equal to the
16 gross income of the business, multiplied by the rate of 0.2904
17 percent.

18 (c) For the purposes of this subsection (~~((11))~~) (10),
19 "commercial airplane" and "component" have the same meanings as
20 provided in RCW 82.32.550.

21 (d) In addition to all other requirements under this title, a
22 person reporting under the tax rate provided in this subsection
23 (~~((11))~~) (10) must file a complete annual tax performance report with
24 the department under RCW 82.32.534.

25 (e)(i) Except as provided in (e)(ii) of this subsection (~~((11))~~)
26 (10), this subsection (~~((11))~~) (10) does not apply on and after July
27 1, 2040.

28 (ii) With respect to the manufacturing of commercial airplanes or
29 making sales, at retail or wholesale, of commercial airplanes, this
30 subsection (~~((11))~~) (10) does not apply on and after July 1st of the
31 year in which the department makes a determination that any final
32 assembly or wing assembly of any version or variant of a commercial
33 airplane that is the basis of a siting of a significant commercial
34 airplane manufacturing program in the state under RCW 82.32.850 has
35 been sited outside the state of Washington. This subsection (~~((11))~~)
36 (10)(e)(ii) only applies to the manufacturing or sale of commercial
37 airplanes that are the basis of a siting of a significant commercial
38 airplane manufacturing program in the state under RCW 82.32.850.

39 (~~((12))~~) (11)(a) Until July 1, 2024, upon every person engaging
40 within this state in the business of extracting timber or extracting

1 for hire timber; as to such persons the amount of tax with respect to
2 the business is, in the case of extractors, equal to the value of
3 products, including by-products, extracted, or in the case of
4 extractors for hire, equal to the gross income of the business,
5 multiplied by the rate of 0.4235 percent from July 1, 2006, through
6 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,
7 2024.

8 (b) Until July 1, 2024, upon every person engaging within this
9 state in the business of manufacturing or processing for hire: (i)
10 Timber into timber products or wood products; or (ii) timber products
11 into other timber products or wood products; as to such persons the
12 amount of the tax with respect to the business is, in the case of
13 manufacturers, equal to the value of products, including by-products,
14 manufactured, or in the case of processors for hire, equal to the
15 gross income of the business, multiplied by the rate of 0.4235
16 percent from July 1, 2006, through June 30, 2007, and 0.2904 percent
17 from July 1, 2007, through June 30, 2024.

18 (c) Until July 1, 2024, upon every person engaging within this
19 state in the business of selling at wholesale: (i) Timber extracted
20 by that person; (ii) timber products manufactured by that person from
21 timber or other timber products; or (iii) wood products manufactured
22 by that person from timber or timber products; as to such persons the
23 amount of the tax with respect to the business is equal to the gross
24 proceeds of sales of the timber, timber products, or wood products
25 multiplied by the rate of 0.4235 percent from July 1, 2006, through
26 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,
27 2024.

28 (d) Until July 1, 2024, upon every person engaging within this
29 state in the business of selling standing timber; as to such persons
30 the amount of the tax with respect to the business is equal to the
31 gross income of the business multiplied by the rate of 0.2904
32 percent. For purposes of this subsection (~~((12))~~) (11)(d), "selling
33 standing timber" means the sale of timber apart from the land, where
34 the buyer is required to sever the timber within thirty months from
35 the date of the original contract, regardless of the method of
36 payment for the timber and whether title to the timber transfers
37 before, upon, or after severance.

38 (e) For purposes of this subsection, the following definitions
39 apply:

1 (i) "Biocomposite surface products" means surface material
2 products containing, by weight or volume, more than fifty percent
3 recycled paper and that also use nonpetroleum-based phenolic resin as
4 a bonding agent.

5 (ii) "Paper and paper products" means products made of interwoven
6 cellulosic fibers held together largely by hydrogen bonding. "Paper
7 and paper products" includes newsprint; office, printing, fine, and
8 pressure-sensitive papers; paper napkins, towels, and toilet tissue;
9 kraft bag, construction, and other kraft industrial papers;
10 paperboard, liquid packaging containers, containerboard, corrugated,
11 and solid-fiber containers including linerboard and corrugated
12 medium; and related types of cellulosic products containing
13 primarily, by weight or volume, cellulosic materials. "Paper and
14 paper products" does not include books, newspapers, magazines,
15 periodicals, and other printed publications, advertising materials,
16 calendars, and similar types of printed materials.

17 (iii) "Recycled paper" means paper and paper products having
18 fifty percent or more of their fiber content that comes from
19 postconsumer waste. For purposes of this subsection (~~((12))~~) (11)
20 (e)(iii), "postconsumer waste" means a finished material that would
21 normally be disposed of as solid waste, having completed its life
22 cycle as a consumer item.

23 (iv) "Timber" means forest trees, standing or down, on privately
24 or publicly owned land. "Timber" does not include Christmas trees
25 that are cultivated by agricultural methods or short-rotation
26 hardwoods as defined in RCW 84.33.035.

27 (v) "Timber products" means:

28 (A) Logs, wood chips, sawdust, wood waste, and similar products
29 obtained wholly from the processing of timber, short-rotation
30 hardwoods as defined in RCW 84.33.035, or both;

31 (B) Pulp, including market pulp and pulp derived from recovered
32 paper or paper products; and

33 (C) Recycled paper, but only when used in the manufacture of
34 biocomposite surface products.

35 (vi) "Wood products" means paper and paper products; dimensional
36 lumber; engineered wood products such as particleboard, oriented
37 strand board, medium density fiberboard, and plywood; wood doors;
38 wood windows; and biocomposite surface products.

39 (f) Except for small harvesters as defined in RCW 84.33.035, a
40 person reporting under the tax rate provided in this subsection

1 ((~~12~~)) (11) must file a complete annual tax performance report with
2 the department under RCW 82.32.534.

3 ((~~13~~)) (12) Upon every person engaging within this state in
4 inspecting, testing, labeling, and storing canned salmon owned by
5 another person, as to such persons, the amount of tax with respect to
6 such activities is equal to the gross income derived from such
7 activities multiplied by the rate of 0.484 percent.

8 ((~~14~~)) (13)(a) Upon every person engaging within this state in
9 the business of printing a newspaper, publishing a newspaper, or
10 both, the amount of tax on such business is equal to the gross income
11 of the business multiplied by the rate of 0.35 percent until July 1,
12 2024, and 0.484 percent thereafter.

13 (b) A person reporting under the tax rate provided in this
14 subsection ((~~14~~)) (13) must file a complete annual tax performance
15 report with the department under RCW 82.32.534.

16 **Part IV**

17 **Narrowing the Nonresident Sales and Use Tax Exemption**

18 **Sec. 401.** RCW 82.08.0273 and 2014 c 140 s 17 are each amended to
19 read as follows:

20 (1) ((~~The tax levied by RCW 82.08.020 does not apply to sales~~
21 ~~to~~)) Subject to the conditions and limitations in this section, an
22 exemption from the tax levied by RCW 82.08.020 in the form of a
23 remittance from the department is provided for nonresidents of this
24 state of tangible personal property, digital goods, and digital
25 codes((~~, when~~)). The exemption only applies if:

26 (a) The property is for use outside this state;

27 (b) The purchaser is a bona fide resident of a province or
28 territory of Canada or a state, territory, or possession of the
29 United States, other than the state of Washington; and

30 (i) Such state, possession, territory, or province does not
31 impose, or have imposed on its behalf, a generally applicable retail
32 sales tax, use tax, value added tax, gross receipts tax on retailing
33 activities, or similar generally applicable tax, of three percent or
34 more; or

35 (ii) If imposing a tax described in (b)(i) of this subsection,
36 provides an exemption for sales to Washington residents by reason of
37 their residence; and

1 (c) The purchaser agrees, when requested, to grant the department
2 of revenue access to such records and other forms of verification at
3 his or her place of residence to assure that such purchases are not
4 first used substantially in the state of Washington.

5 (2) Notwithstanding anything to the contrary in this chapter, if
6 parts or other tangible personal property are installed by the seller
7 during the course of repairing, cleaning, altering, or improving
8 motor vehicles, trailers, or campers and the seller makes a separate
9 charge for the tangible personal property, the tax levied by RCW
10 82.08.020 does not apply to the separately stated charge to a
11 nonresident purchaser for the tangible personal property but only if
12 the seller certifies in writing to the purchaser that the separately
13 stated charge does not exceed either the seller's current publicly
14 stated retail price for the tangible personal property or, if no
15 publicly stated retail price is available, the seller's cost for the
16 tangible personal property. However, the exemption provided by this
17 section does not apply if tangible personal property is installed by
18 the seller during the course of repairing, cleaning, altering, or
19 improving motor vehicles, trailers, or campers and the seller makes a
20 single nonitemized charge for providing the tangible personal
21 property and service. All of the ((requirements)) provisions in
22 subsections (1) and (3) through ((+6)) (7) of this section apply to
23 this subsection.

24 (3)(a) Any person claiming exemption from retail sales tax under
25 the provisions of this section must ~~((display proof of his or her~~
26 ~~current nonresident status as provided in this section)) pay the~~
27 state and local sales tax to the seller at the time of purchase and
28 then request a remittance from the department in accordance with this
29 subsection and subsection (4) of this section. A request for
30 remittance must include proof of the person's status as a nonresident
31 at the time of the purchase for which a remittance is requested. The
32 request for a remittance must also include any additional information
33 and documentation as required by the department, which may include a
34 description of the item purchased for which a remittance is
35 requested, the sales price of the item, the amount of sales tax paid
36 on the item, the date of the purchase, the name of the seller and the
37 physical address where the sale took place, and copies of sales
38 receipts showing the qualified purchases.

39 (b) Acceptable proof of a nonresident person's status includes
40 one piece of identification such as a valid driver's license from the

1 jurisdiction in which the out-of-state residency is claimed or a
2 valid identification card which has a photograph of the holder and is
3 issued by the out-of-state jurisdiction. Identification under this
4 subsection (3)(b) must show the holder's residential address and have
5 as one of its legal purposes the establishment of residency in that
6 out-of-state jurisdiction.

7 ~~((c) In lieu of furnishing proof of a person's nonresident
8 status under (b) of this subsection (3), a person claiming exemption
9 from retail sales tax under the provisions of this section may
10 provide the seller with an exemption certificate in compliance with
11 subsection (4)(b) of this section.~~

12 ~~(4)(a) Nothing in this section requires the vendor to make tax
13 exempt retail sales to nonresidents. A vendor may choose to make
14 sales to nonresidents, collect the sales tax, and remit the amount of
15 sales tax collected to the state as otherwise provided by law. If the
16 vendor chooses to make a sale to a nonresident without collecting the
17 sales tax, the vendor must examine the purchaser's proof of
18 nonresidence, determine whether the proof is acceptable under
19 subsection (3)(b) of this section, and maintain records for each
20 nontaxable sale which must show the type of proof accepted, including
21 any identification numbers where appropriate, and the expiration
22 date, if any.~~

23 ~~(b) In lieu of using the method provided in (a) of this
24 subsection to document an exempt sale to a nonresident, a seller may
25 accept from the purchaser a properly completed uniform exemption
26 certificate approved by the streamlined sales and use tax agreement
27 governing board or any other exemption certificate as may be
28 authorized by the department and properly completed by the purchaser.
29 A nonresident purchaser who uses an exemption certificate authorized
30 in this subsection (4)(b) must include the purchaser's driver's
31 license number or other state-issued identification number and the
32 state of issuance.~~

33 ~~(c) In lieu of using the methods provided in (a) and (b) of this
34 subsection to document an exempt sale to a nonresident, a seller may
35 capture the relevant data elements as allowed under the streamlined
36 sales and use tax agreement.~~

37 ~~(5)(a) Any person making fraudulent statements, which includes
38 the offer of fraudulent identification or fraudulently procured
39 identification to a vendor, in order to purchase goods without paying
40 retail sales tax is guilty of perjury under chapter 9A.72 RCW.~~

1 ~~(b) Any person making tax exempt purchases under this section by~~
2 ~~displaying proof of identification not his or her own, or counterfeit~~
3 ~~identification, with intent to violate the provisions of this~~
4 ~~section, is guilty of a misdemeanor and, in addition, is liable for~~
5 ~~the tax and subject to a penalty equal to the greater of one hundred~~
6 ~~dollars or the tax due on such purchases.~~

7 ~~(6)(a) Any vendor who makes sales without collecting the tax and~~
8 ~~who fails to maintain records of sales to nonresidents as provided in~~
9 ~~this section is personally liable for the amount of tax due.~~

10 ~~(b) Any vendor who makes sales without collecting the retail~~
11 ~~sales tax under this section and who has actual knowledge that the~~
12 ~~purchaser's proof of identification establishing out-of-state~~
13 ~~residency is fraudulent is guilty of a misdemeanor and, in addition,~~
14 ~~is liable for the tax and subject to a penalty equal to the greater~~
15 ~~of one thousand dollars or the tax due on such sales. In addition,~~
16 ~~both the purchaser and the vendor are liable for any penalties and~~
17 ~~interest assessable under chapter 82.32 RCW.~~

18 ~~(7))~~ (4)(a)(i) Beginning January 1, 2020, through December 31,
19 2020, a person may request a remittance from the department for state
20 sales taxes paid by the person on qualified retail purchases made in
21 Washington between July 1, 2019, and December 31, 2019.

22 (ii) Beginning January 1, 2021, a person may request a remittance
23 from the department during any calendar year for state sales taxes
24 paid by the person on qualified retail purchases made in Washington
25 during the immediately preceding calendar year only. No application
26 may be made with respect to purchases made before the immediately
27 preceding calendar year.

28 (b) The remittance request, including proof of nonresident status
29 and any other documentation and information required by the
30 department, must be provided in a form and manner as prescribed by
31 the department. Only one remittance request may be made by a person
32 per calendar year.

33 (c) The total amount of a remittance request must be at least
34 twenty-five dollars. The department must deny any request for a
35 remittance that is less than twenty-five dollars.

36 (d) The department will examine the applicant's proof of
37 nonresident status and any other documentation and information as
38 required in the application to determine whether the applicant is
39 entitled to a remittance under this section.

1 (5) (a) Any person making fraudulent statements to the department,
2 which includes the offer of fraudulent or fraudulently procured
3 identification or fraudulent sales receipts, in order to receive a
4 remittance of retail sales tax is guilty of perjury under chapter
5 9A.72 RCW and is ineligible to receive any further remittances from
6 the department under this section.

7 (b) Any person obtaining a remittance of retail sales tax from
8 the department by providing proof of identification or sales receipts
9 not the person's own, or counterfeit identification or sales receipts
10 is:

11 (i) Liable for repayment of the remittance, including interest as
12 provided in chapter 82.32 RCW from the date the remittance was
13 transmitted to the person until repaid in full;

14 (ii) Liable for a civil penalty equal to the greater of one
15 hundred dollars or the amount of the remittance obtained in violation
16 of this subsection (5) (b); and

17 (iii) Ineligible to receive any further remittances from the
18 department under this section.

19 (c) Any person assisting another person in obtaining a remittance
20 of retail sales tax in violation of (b) of this subsection (5) is
21 jointly and severally liable for amounts due under (b) of this
22 subsection (5) and is also ineligible to receive any further
23 remittances from the department under this section.

24 (6) A person who receives a refund of sales tax from the seller
25 for any reason with respect to a purchase made in this state is not
26 entitled to a remittance for the tax paid on the purchase. A person
27 who receives both a remittance under this section and a refund of
28 sales tax from the seller with respect to the same purchase must
29 immediately repay the remittance to the department. Interest as
30 provided in chapter 82.32 RCW applies to amounts due under this
31 section from the date that the department made the remittance until
32 the amount due under this subsection is paid to the department. A
33 person who receives a remittance with respect to a purchase for which
34 the person had, at the time the person submitted the application for
35 a remittance, already received a refund of sales tax from the seller
36 is also liable for a civil penalty equal to the greater of one
37 hundred dollars or the amount of the remittance obtained in violation
38 of this subsection (6) and is ineligible to receive any further
39 remittances from the department under this section.

1 domestic partner or each cotenant, and any lease for life is deemed a
2 life estate;

3 (3) (a) The person claiming the exemption must be:

4 (i) Sixty-one years of age or older on December 31st of the year
5 in which the exemption claim is filed, or must have been, at the time
6 of filing, retired from regular gainful employment by reason of
7 disability; or

8 (ii) A veteran of the armed forces of the United States entitled
9 to and receiving compensation from the United States department of
10 veterans affairs at (~~a total disability rating for a service-~~
11 ~~connected disability~~);

12 (A) A combined service-connected evaluation rating of eighty
13 percent or higher; or

14 (B) A total disability rating for a service-connected disability
15 without regard to evaluation percent.

16 (b) However, any surviving spouse or surviving domestic partner
17 of a person who was receiving an exemption at the time of the
18 person's death will qualify if the surviving spouse or surviving
19 domestic partner is fifty-seven years of age or older and otherwise
20 meets the requirements of this section;

21 (4) The amount that the person is exempt from an obligation to
22 pay is calculated on the basis of combined disposable income, as
23 defined in RCW 84.36.383. If the person claiming the exemption was
24 retired for two months or more of the assessment year, the combined
25 disposable income of such person must be calculated by multiplying
26 the average monthly combined disposable income of such person during
27 the months such person was retired by twelve. If the income of the
28 person claiming exemption is reduced for two or more months of the
29 assessment year by reason of the death of the person's spouse or the
30 person's domestic partner, or when other substantial changes occur in
31 disposable income that are likely to continue for an indefinite
32 period of time, the combined disposable income of such person must be
33 calculated by multiplying the average monthly combined disposable
34 income of such person after such occurrences by twelve. If it is
35 necessary to estimate income to comply with this subsection, the
36 assessor may require confirming documentation of such income prior to
37 May 31 of the year following application;

38 (5) (a) A person who otherwise qualifies under this section and
39 has a combined disposable income (~~of forty thousand dollars or~~
40 ~~less~~) equal or less than income threshold 3 is exempt from all

1 excess property taxes, the additional state property tax imposed
2 under RCW 84.52.065(2), and the portion of the regular property taxes
3 authorized pursuant to RCW 84.55.050 and approved by the voters, if
4 the legislative authority of the county or city imposing the
5 additional regular property taxes identified this exemption in the
6 ordinance placing the RCW 84.55.050 measure on the ballot; and

7 (b) (i) A person who otherwise qualifies under this section and
8 has a combined disposable income (~~(of thirty-five thousand dollars or~~
9 ~~less but greater than thirty thousand dollars)~~) equal to or less than
10 income threshold 2 but greater than income threshold 1 is exempt from
11 all regular property taxes on the greater of fifty thousand dollars
12 or thirty-five percent of the valuation of his or her residence, but
13 not to exceed seventy thousand dollars of the valuation of his or her
14 residence; or

15 (ii) A person who otherwise qualifies under this section and has
16 a combined disposable income (~~(of thirty thousand dollars or less)~~)
17 equal to or less than income threshold 1 is exempt from all regular
18 property taxes on the greater of sixty thousand dollars or sixty
19 percent of the valuation of his or her residence;

20 (6) (a) For a person who otherwise qualifies under this section
21 and has a combined disposable income (~~(of forty thousand dollars or~~
22 ~~less)~~) equal or less than income threshold 3, the valuation of the
23 residence is the assessed value of the residence on the later of
24 January 1, 1995, or January 1st of the assessment year the person
25 first qualifies under this section. If the person subsequently fails
26 to qualify under this section only for one year because of high
27 income, this same valuation must be used upon requalification. If the
28 person fails to qualify for more than one year in succession because
29 of high income or fails to qualify for any other reason, the
30 valuation upon requalification is the assessed value on January 1st
31 of the assessment year in which the person requalifies. If the person
32 transfers the exemption under this section to a different residence,
33 the valuation of the different residence is the assessed value of the
34 different residence on January 1st of the assessment year in which
35 the person transfers the exemption.

36 (b) In no event may the valuation under this subsection be
37 greater than the true and fair value of the residence on January 1st
38 of the assessment year.

39 (c) This subsection does not apply to subsequent improvements to
40 the property in the year in which the improvements are made.

1 Subsequent improvements to the property must be added to the value
2 otherwise determined under this subsection at their true and fair
3 value in the year in which they are made.

4 **Sec. 502.** RCW 84.36.383 and 2012 c 10 s 74 are each amended to
5 read as follows:

6 As used in RCW 84.36.381 through 84.36.389, (~~except where the~~
7 ~~context clearly indicates a different meaning~~) unless the context
8 clearly requires otherwise:

9 (1) The term "residence" means a single-family dwelling unit
10 whether such unit be separate or part of a multiunit dwelling,
11 including the land on which such dwelling stands not to exceed one
12 acre, except that a residence includes any additional property up to
13 a total of five acres that comprises the residential parcel if this
14 larger parcel size is required under land use regulations. The term
15 also includes a share ownership in a cooperative housing association,
16 corporation, or partnership if the person claiming exemption can
17 establish that his or her share represents the specific unit or
18 portion of such structure in which he or she resides. The term also
19 includes a single-family dwelling situated upon lands the fee of
20 which is vested in the United States or any instrumentality thereof
21 including an Indian tribe or in the state of Washington, and
22 notwithstanding the provisions of RCW 84.04.080 and 84.04.090, such a
23 residence is deemed real property.

24 (2) The term "real property" also includes a mobile home which
25 has substantially lost its identity as a mobile unit by virtue of its
26 being fixed in location upon land owned or leased by the owner of the
27 mobile home and placed on a foundation (posts or blocks) with fixed
28 pipe, connections with sewer, water, or other utilities. A mobile
29 home located on land leased by the owner of the mobile home is
30 subject, for tax billing, payment, and collection purposes, only to
31 the personal property provisions of chapter 84.56 RCW and RCW
32 84.60.040.

33 (3) "Department" means the state department of revenue.

34 (4) "Combined disposable income" means the disposable income of
35 the person claiming the exemption, plus the disposable income of his
36 or her spouse or domestic partner, and the disposable income of each
37 cotenant occupying the residence for the assessment year, less
38 amounts paid by the person claiming the exemption or his or her
39 spouse or domestic partner during the assessment year for:

1 (a) Drugs supplied by prescription of a medical practitioner
2 authorized by the laws of this state or another jurisdiction to issue
3 prescriptions;

4 (b) The treatment or care of either person received in the home
5 or in a nursing home, assisted living facility, or adult family home;
6 and

7 (c) Health care insurance premiums for medicare under Title XVIII
8 of the social security act.

9 (5) "Disposable income" means adjusted gross income as defined in
10 the federal internal revenue code, as amended prior to January 1,
11 1989, or such subsequent date as the director may provide by rule
12 consistent with the purpose of this section, plus all of the
13 following items to the extent they are not included in or have been
14 deducted from adjusted gross income:

15 (a) Capital gains, other than gain excluded from income under
16 section 121 of the federal internal revenue code to the extent it is
17 reinvested in a new principal residence;

18 (b) Amounts deducted for loss;

19 (c) Amounts deducted for depreciation;

20 (d) Pension and annuity receipts;

21 (e) Military pay and benefits other than attendant-care and
22 medical-aid payments;

23 (f) Veterans benefits, other than:

24 (i) Attendant-care payments;

25 (ii) Medical-aid payments;

26 (iii) Disability compensation, as defined in Title 38, part 3,
27 section 3.4 of the code of federal regulations, as of January 1,
28 2008; and

29 (iv) Dependency and indemnity compensation, as defined in Title
30 38, part 3, section 3.5 of the code of federal regulations, as of
31 January 1, 2008;

32 (g) Federal social security act and railroad retirement benefits;

33 (h) Dividend receipts; and

34 (i) Interest received on state and municipal bonds.

35 (6) "Cotenant" means a person who resides with the person
36 claiming the exemption and who has an ownership interest in the
37 residence.

38 (7) "Disability" has the same meaning as provided in 42 U.S.C.
39 Sec. 423(d)(1)(A) as amended prior to January 1, 2005, or such

1 subsequent date as the department may provide by rule consistent with
2 the purpose of this section.

3 (8) "County median household income" means the median household
4 income estimates for the state of Washington by county of the legal
5 address of the principal place of residence, as published by the
6 office of financial management.

7 (9) "Income threshold 1" means:

8 (a) For taxes levied for collection in calendar years prior to
9 2020, a combined disposable income equal to thirty thousand dollars;
10 and

11 (b) For taxes levied for collection in calendar year 2020 and
12 thereafter, a combined disposable income equal to the greater of
13 "income threshold 1" for the previous year or forty-five percent of
14 the county median household income, adjusted every five years
15 beginning August 1, 2019, as provided in RCW 84.36.385(7).

16 (10) "Income threshold 2" means:

17 (a) For taxes levied for collection in calendar years prior to
18 2020, a combined disposable income equal to thirty-five thousand
19 dollars; and

20 (b) For taxes levied for collection in calendar year 2020 and
21 thereafter, a combined disposable income equal to the greater of
22 "income threshold 2" for the previous year or fifty-five percent of
23 the county median household income, adjusted every five years
24 beginning August 1, 2019, as provided in RCW 84.36.385(7).

25 (11) "Income threshold 3" means:

26 (a) For taxes levied for collection in calendar years prior to
27 2020, a combined disposable income equal to forty thousand dollars;
28 and

29 (b) For taxes levied for collection in calendar year 2020 and
30 thereafter, a combined disposable income equal to the greater of
31 "income threshold 3" for the previous year or sixty-five percent of
32 the county median household income, adjusted every five years
33 beginning August 1, 2019, as provided in RCW 84.36.385(7).

34 **Sec. 503.** RCW 84.36.385 and 2011 c 174 s 106 are each amended to
35 read as follows:

36 (1) A claim for exemption under RCW 84.36.381 as now or hereafter
37 amended, may be made and filed at any time during the year for
38 exemption from taxes payable the following year and thereafter and
39 solely upon forms as prescribed and furnished by the department of

1 revenue. However, an exemption from tax under RCW 84.36.381 continues
2 for no more than six years unless a renewal application is filed as
3 provided in subsection (3) of this section.

4 (2) A person granted an exemption under RCW 84.36.381 must inform
5 the county assessor of any change in status affecting the person's
6 entitlement to the exemption on forms prescribed and furnished by the
7 department of revenue.

8 (3) Each person exempt from taxes under RCW 84.36.381 in 1993 and
9 thereafter((7)) must file with the county assessor a renewal
10 application not later than December 31 of the year the assessor
11 notifies such person of the requirement to file the renewal
12 application. Renewal applications must be on forms prescribed and
13 furnished by the department of revenue.

14 (4) At least once every six years, the county assessor must
15 notify those persons receiving an exemption from taxes under RCW
16 84.36.381 of the requirement to file a renewal application. The
17 county assessor may also require a renewal application following an
18 amendment of the income requirements set forth in RCW 84.36.381.

19 (5) If the assessor finds that the applicant does not meet the
20 qualifications as set forth in RCW 84.36.381, as now or hereafter
21 amended, the claim or exemption must be denied but such denial is
22 subject to appeal under the provisions of RCW 84.48.010 and in
23 accordance with the provisions of RCW 84.40.038. If the applicant had
24 received exemption in prior years based on erroneous information, the
25 taxes must be collected subject to penalties as provided in RCW
26 84.40.130 for a period of not to exceed five years.

27 (6) The department and each local assessor is hereby directed to
28 publicize the qualifications and manner of making claims under RCW
29 84.36.381 through 84.36.389, through communications media, including
30 such paid advertisements or notices as it deems appropriate. Notice
31 of the qualifications, method of making applications, the penalties
32 for not reporting a change in status, and availability of further
33 information must be included on or with property tax statements and
34 revaluation notices for all residential property including mobile
35 homes, except rental properties.

36 (7) Beginning August 1, 2019, and by March 1st every fifth year
37 thereafter, the department must publish updated income thresholds.
38 The adjusted thresholds must be rounded to the nearest one dollar. If
39 the income threshold adjustment is negative, the income threshold for
40 the prior year continues to apply. The department must adjust income

1 thresholds for each county to reflect the most recent year available
2 of estimated county median household incomes, including preliminary
3 estimates or projections, as published by the office of financial
4 management. For the purposes of this subsection, "county median
5 household income" has the same meaning as provided in RCW 84.36.383.

6 **Sec. 504.** RCW 84.38.020 and 2006 c 62 s 2 are each amended to
7 read as follows:

8 ~~((Unless a different meaning is plainly required by the context,~~
9 ~~the following words and phrases as hereinafter used in this chapter~~
10 ~~shall have the following meanings:)) The definitions in this section
11 apply throughout this chapter unless the context clearly requires
12 otherwise.~~

13 (1) (a) "Claimant" means a person who either elects or is required
14 under RCW 84.64.050 to defer payment of the special assessments
15 and/or real property taxes accrued on the claimant's residence by
16 filing a declaration to defer as provided by this chapter.

17 (b) When two or more individuals of a household file or seek to
18 file a declaration to defer, they may determine between them as to
19 who the claimant ((shall be)) is.

20 ~~(("Department" means the state department of revenue.))~~
21 "Devisee" has the same meaning as provided in RCW 21.35.005.

22 (3) "Equity value" means the amount by which the fair market
23 value of a residence as determined from the records of the county
24 assessor exceeds the total amount of any liens or other obligations
25 against the property.

26 (4) "Heir" has the same meaning as provided in RCW 21.35.005.

27 (5) "Income threshold" means: (a) For taxes levied for collection
28 in calendar years prior to 2020, a combined disposable income equal
29 to forty-five thousand dollars; and (b) for taxes levied for
30 collection in calendar year 2020 and thereafter, a combined
31 disposable income equal to the greater of the income threshold for
32 the previous year, or seventy-five percent of the county median
33 household income, adjusted every five years beginning August 1, 2019,
34 as provided in RCW 84.36.385(7).

35 (6) "Local government" means any city, town, county, water-sewer
36 district, public utility district, port district, irrigation
37 district, flood control district, or any other municipal corporation,
38 quasi-municipal corporation, or other political subdivision
39 authorized to levy special assessments.

1 ~~((+5))~~ (7) "Real property taxes" means ad valorem property taxes
2 levied on a residence in this state in the preceding calendar year.
3 ~~((+6))~~ (8) "Residence" has the meaning given in RCW 84.36.383.
4 ~~((+7))~~ (9) "Special assessment" means the charge or obligation
5 imposed by a local government upon property specially benefited.

6 **Sec. 505.** RCW 84.38.030 and 2015 3rd sp.s. c 30 s 3 and 2015 c
7 86 s 313 are each reenacted and amended to read as follows:

8 A claimant may defer payment of special assessments and/or real
9 property taxes on up to eighty percent of the amount of the
10 claimant's equity value in the claimant's residence if the following
11 conditions are met:

12 (1) The claimant must meet all requirements for an exemption for
13 the residence under RCW 84.36.381, other than the age and income
14 limits under RCW 84.36.381.

15 (2) The claimant must be sixty years of age or older on December
16 31st of the year in which the deferral claim is filed, or must have
17 been, at the time of filing, retired from regular gainful employment
18 by reason of disability as defined in RCW 84.36.383. However, any
19 surviving spouse ~~((+))~~, surviving domestic partner, heir, or devisee
20 of a person who was receiving a deferral at the time of the person's
21 death qualifies if the surviving spouse ~~((+))~~, surviving domestic
22 partner, heir, or devisee is fifty-seven years of age or older and
23 otherwise meets the requirements of this section.

24 (3) The claimant must have a combined disposable income, as
25 defined in RCW 84.36.383, ~~((of forty-five thousand dollars or less))~~
26 equal to or less than the income threshold.

27 (4) The claimant must have owned, at the time of filing, the
28 residence on which the special assessment and/or real property taxes
29 have been imposed. For purposes of this subsection, a residence owned
30 by a marital community, owned by domestic partners, or owned by
31 cotenants is deemed to be owned by each spouse, each domestic
32 partner, or each cotenant. A claimant who has only a share ownership
33 in cooperative housing, a life estate, a lease for life, or a
34 revocable trust does not satisfy the ownership requirement.

35 (5) The claimant must have and keep in force fire and casualty
36 insurance in sufficient amount to protect the interest of the state
37 in the claimant's equity value. However, if the claimant fails to
38 keep fire and casualty insurance in force to the extent of the
39 state's interest in the claimant's equity value, the amount deferred

1 may not exceed one hundred percent of the claimant's equity value in
2 the land or lot only.

3 (6) In the case of special assessment deferral, the claimant must
4 have opted for payment of such special assessments on the installment
5 method if such method was available.

6 **Sec. 506.** RCW 84.38.070 and 2008 c 6 s 703 are each amended to
7 read as follows:

8 If the claimant declaring his or her intention to defer special
9 assessments or real property tax obligations under this chapter
10 ceases to reside permanently on the property for which the
11 declaration to defer is made between the date of filing the
12 declaration and December 15th of that year, the deferral otherwise
13 allowable under this chapter (~~shall~~) is not (~~be~~) allowed on such
14 tax roll. However, this section (~~shall~~) does not apply where the
15 claimant dies, leaving a spouse (~~or~~), domestic partner, heir, or
16 devisee surviving, who is also eligible for deferral of special
17 assessment and/or property taxes.

18 **Sec. 507.** RCW 84.38.130 and 2008 c 6 s 704 are each amended to
19 read as follows:

20 Special assessments and/or real property tax obligations deferred
21 under this chapter (~~shall~~) become payable together with interest as
22 provided in RCW 84.38.100:

23 (1) Upon the sale of property which has a deferred special
24 assessment and/or real property tax lien upon it.

25 (2) Upon the death of the claimant with an outstanding deferred
26 special assessment and/or real property tax lien except a surviving
27 spouse (~~or~~), surviving domestic partner, heir, or devisee who is
28 qualified under this chapter may elect to incur the special
29 assessment and/or real property tax lien, which (~~shall~~) is then
30 (~~be~~) payable by that spouse (~~or that~~), domestic partner, heir, or
31 devisee as provided in this section.

32 (3) Upon the condemnation of property with a deferred special
33 assessment and/or real property tax lien upon it by a public or
34 private body exercising eminent domain power, except as otherwise
35 provided in RCW 84.60.070.

36 (4) At such time as the claimant ceases to reside permanently in
37 the residence upon which the deferral has been granted.

38 (5) Upon the failure of any condition set forth in RCW 84.38.030.

1 (2) The work group must also include the following nonvoting
2 members:

3 (a) One representative of the department of revenue;

4 (b) One representative of the association of Washington cities;
5 and

6 (c) One representative of the Washington state association of
7 counties.

8 (3) All voting members of the work group must indicate, in
9 writing, their interest in serving on the tax structure work group
10 and provide a statement of understanding that the commitment to serve
11 on the tax structure work group is through December 31, 2024. Elected
12 officials not reelected to their respective offices may be relieved
13 of their responsibilities on the tax structure work group.

14 (4) Vacancies on the tax structure work group must be filled
15 within sixty days of notice of the vacancy.

16 (5) The work group must choose a chair or cochairs from among its
17 legislative membership. The chair is, or cochairs are, responsible
18 for convening the meetings of the work group no less than quarterly
19 each year.

20 (6) Voting on recommendations and other decisions of the work
21 group are to be agreed upon by a simple majority vote. All work group
22 members may have a representative attend meetings of the tax
23 structure work group in lieu of the member, but voting by proxy is
24 not permitted.

25 (7) The duties of the department of revenue, with assistance of a
26 technical advisory group(s), are to:

27 (a) With respect to the final report of findings and alternatives
28 submitted by the Washington state tax structure study committee to
29 the legislature under section 138, chapter 7, Laws of 2001 2nd sp.
30 sess.:

31 (i) Update the data and research that informed the
32 recommendations and other analysis contained in the final report;

33 (ii) Estimate how much revenue all the revenue replacement
34 alternatives recommended in the final report would have generated for
35 the 2017-2019 biennium if the state had implemented the alternatives
36 on January 1, 2003;

37 (iii) Estimate the tax rates necessary to implement all
38 recommended revenue replacement alternatives in order to achieve the
39 revenues generated during the 2017-2019 biennium as reported by the
40 economic and revenue forecast council;

1 (iv) Estimate the impact on taxpayers, including tax paid as a
2 share of household income for various income levels, and tax paid as
3 a share of total business revenue for various business activities,
4 for (a)(ii) and (iii) of this subsection; and

5 (v) Estimate how much revenue would have been generated in the
6 2017-2019 biennium, if the incremental revenue alternatives
7 recommended in the final report would have been implemented on
8 January 1, 2003, excluding any recommendations implemented before the
9 effective date of this section;

10 (b) With respect to the recommendations in the final report of
11 the 2018 tax structure work group:

12 (i) Conduct economic modeling or comparable analysis of replacing
13 the business and occupation tax with an alternative, such as
14 corporate income tax or margins tax, and estimate the impact on
15 taxpayers, such as tax paid as a share of total business revenue for
16 various business activities, assuming the same revenues generated by
17 business and occupation taxes during the 2017-2019 biennium as
18 reported by the economic and revenue forecast council; and

19 (ii) Estimate how much revenue would have been generated for the
20 2017-2019 biennium if the one percent revenue growth limit on regular
21 property taxes was replaced with a limit based on population growth
22 and inflation if the state had implemented this policy on January 1,
23 2003;

24 (c) To analyze our economic competitiveness with border states:

25 (i) Estimate the revenues that would have been generated during
26 the 2017-2019 biennium, had Washington adopted the tax structure of
27 those states, assuming the economic tax base for the 2017-2019
28 biennium as reported by the economic and revenue forecast council;
29 and

30 (ii) Estimate the impact on taxpayers, including tax paid as a
31 share of household income for various income levels, and tax paid as
32 a share of total business revenue for various business activities for
33 (c)(i) of this subsection;

34 (d) To analyze our economic competitiveness in the context of a
35 national and global economy, provide comparisons of the effective
36 state and local tax rate of the tax structure during the 2017-2019
37 biennium and various alternatives under consideration, as they
38 compare to other states and the federal government, as well as
39 consider implications of recent changes to federal tax law;

1 (e) To the degree it is practicable, conduct tax incidence
2 analysis of the various alternatives under consideration to account
3 for the impacts of tax shifting, such as business taxes passed along
4 to consumers and property taxes passed along to renters;

5 (f) To the degree it is practicable, present findings and
6 alternatives by geographic area, in addition to statewide; and

7 (g) Conduct other analysis as directed by the work group.

8 (8) To assist the work group with its duties, the department of
9 revenue must create one or more technical advisory group(s) that:

10 (a) Must include at least one:

11 (i) Academic scholar from research institutions in the fields of
12 economics, taxation, business administration, public administration,
13 public policy, or other relevant disciplines as determined by the
14 work group;

15 (ii) Academic scholar or other recognized expert in the fields of
16 artificial intelligence, the automated economy, or labor primarily
17 provided on a freelance or temporary basis;

18 (iii) Expert in international trade;

19 (iv) Expert in economic theory; and

20 (v) Tax law practitioner, such as a certified public accountant,
21 tax attorney, or other tax preparation professional; and

22 (b) May include academic scholars and experts from regional
23 universities and community and technical colleges from diverse
24 regions across the state in the fields of economics, taxation,
25 business administration, public administration, and public policy.
26 The department must ensure that the perspective of different regional
27 economies are represented by members of the technical advisory group.

28 (9) Per the recommendations of the 2018 tax structure work group,
29 the work group is required to develop policy proposals for
30 consideration by the appropriate fiscal committees of the
31 legislature. Any policy proposals developed by the work group may
32 include the analysis done under subsection (7) of this section but
33 proposals are not limited to only the analysis done by the
34 department. Any policy proposals made to the legislature may not
35 result in a loss of revenue to the state as compared to the most
36 recent biennial revenue forecast published by the economic and
37 revenue forecast council. In developing the policy proposals, the
38 work group must be guided by principles for a well-designed tax
39 system, namely, equity, adequacy, stability, and transparency, and
40 address the following key challenges of the Washington state tax

1 structure, as identified by the 2018 report of the tax structure work
2 group:

- 3 (a) Regressive nature of the tax code;
- 4 (b) Negative impact of the business and occupation tax on small,
5 start-up, and low-margin businesses;
- 6 (c) Need to modernize the tax structure to reflect the changing
7 economy; and
- 8 (d) Excessive number of tax preferences and exemptions.

9 (10) The work group must complete its duties on the following
10 schedule:

11 (a) By December 31, 2019, convene no less than one meeting to
12 elect a chair, or cochairs, and conduct other business of the work
13 group;

14 (b) By December 1, 2020, the department of revenue and technical
15 advisory group must prepare a summary report of their preliminary
16 findings and alternatives as described in subsection (7) of this
17 section.

18 (c) By May 1, 2021, the work group must:

19 (i) Hold no less than one meeting in Olympia to review the
20 preliminary findings described in subsection (7) of this section. At
21 least one meeting must engage stakeholder groups. These stakeholder
22 groups must include, at a minimum, organizations and individuals
23 representing the following:

24 (A) Small, start-up, or low-margin business owners and employees
25 and/or associations expressly dedicated to representing these
26 businesses; and

27 (B) Individual taxpayers with income at or below one hundred
28 percent of area median income in their county of residence and/or
29 organizations expressly dedicated to representing low-income and
30 middle-income taxpayers;

31 (ii) Begin to plan strategies to engage taxpayers and key
32 stakeholder groups to encourage participation in the public meetings
33 described in (d) of this subsection;

34 (iii) Present the summary report described in (b) of this
35 subsection in compliance with RCW 43.01.036 to the appropriate
36 committees of the legislature;

37 (iv) Be available to deliver a presentation to the appropriate
38 committees of the legislature including:

39 (A) The findings and alternatives included in the summary report
40 described in (b) of this subsection; and

1 (B) The preliminary plan to engage taxpayers directly in a robust
2 conversation about the state's tax structure, including presenting
3 the findings and alternatives described in (b) of this subsection,
4 and collecting feedback to inform development of recommendations; and

5 (v) Finalize the logistics of the engagement strategies described
6 in (d) of this subsection;

7 (d) Between the conclusion of the 2021 legislative session and
8 December 31, 2021, the work group must:

9 (i) Hold no less than five public meetings in geographically
10 dispersed areas of the state;

11 (ii) Present the findings described in (b) of this subsection and
12 alternatives to the state's current tax structure at the public
13 meetings;

14 (iii) Provide an opportunity at the public meetings for taxpayers
15 to engage in a conversation about the state tax structure, including
16 but not limited to, providing feedback on possible recommendations
17 for changes to the state tax structure and asking questions about the
18 report and findings and alternatives to the state's current tax
19 structure presented by the work group;

20 (iv) Utilize methods to collect taxpayer feedback before, during,
21 or after the public meetings that may include, but is not limited to:
22 Small group discussions, in-person written surveys, in-person visual
23 surveys, online surveys, written testimony, and public testimony;

24 (v) Encourage legislators to inform their constituents about the
25 public meetings that occur within and near their legislative
26 districts;

27 (vi) Inform local elected officials about the public meetings
28 that occur within and near their communities; and

29 (vii) Summarize the feedback that taxpayers and other
30 stakeholders communicated during the public meetings and other public
31 engagement methods, and submit a final summary report, in accordance
32 with RCW 43.01.036, to the appropriate committees of the legislature.
33 This report may be submitted as an appendix or update to the summary
34 report described in (b) of this subsection;

35 (e) During the 2022 legislative session, the work group must:

36 (i) Present the findings and reports described in (b) and (d) of
37 this subsection to the appropriate committees of the legislature; and

38 (ii) Be available to deliver a presentation to and/or participate
39 in a work session for the appropriate committees of the legislature;

1 (f) (i) Between the conclusion of the 2022 legislative session and
2 December 31, 2022, the work group is directed to finalize policy
3 recommendations and develop legislation to implement modifications to
4 the tax structure, informed by the findings described in (b) of this
5 subsection and the feedback received from taxpayers as reflected in
6 the report described in (d) of this subsection;

7 (ii) During the 2023 legislative session, it is the intent of the
8 legislature to consider the proposal described in (f) (i) of this
9 subsection;

10 (iii) If the proposal is not adopted during the 2023 legislative
11 session, the work group is directed to host no less than three public
12 meetings to collect feedback on the legislation proposed in the 2023
13 session, and may also collect feedback on other proposals under
14 consideration by the work group. The work group is directed to modify
15 the proposal to address the feedback collected during the public
16 meetings;

17 (iv) During the 2024 legislative session, it is the intent of the
18 legislature to consider the modified proposal described in (f) (iii)
19 of this subsection; and

20 (g) By December 31, 2024, the work group is directed to submit a
21 final report that is a compilation of all other reports previously
22 submitted since July 1, 2019, and may include additional content to
23 summarize final activities of the tax structure work group and
24 related legislation, in compliance with RCW 43.01.036, to the
25 appropriate committees of the legislature.

26 (11) Staff support for the work group must be provided by the
27 department of revenue, subject to the degree such support is funded
28 through appropriation. The department of revenue may engage one or
29 more outside consultant(s) to assist in providing support for the
30 work group.

31 (12) Members of the work group must serve without compensation
32 but may be reimbursed for travel expenses under RCW 44.04.120,
33 43.03.050, and 43.03.060.

34 (13) This section expires December 31, 2024.

35 Part VII

36 Miscellaneous Provisions

37 NEW SECTION. **Sec. 701.** Part V of this act applies for taxes
38 levied for collection in 2020 and thereafter.

1 NEW SECTION. **Sec. 702.** The provisions of RCW 82.32.805 and
2 82.32.808 do not apply to this act.

3 NEW SECTION. **Sec. 703.** Part II of this act takes effect October
4 1, 2019.

5 NEW SECTION. **Sec. 704.** Parts III, IV, and VI of this act are
6 necessary for the immediate preservation of the public peace, health,
7 or safety, or support of the state government and its existing public
8 institutions, and take effect July 1, 2019.

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