

---

**SENATE BILL 5928**

---

**State of Washington**

**66th Legislature**

**2019 Regular Session**

**By** Senator Hasegawa

1 AN ACT Relating to eliminating the prohibition on local net  
2 income taxes if certain revenue neutrality requirements are met;  
3 adding a new section to chapter 36.65 RCW; and repealing RCW  
4 36.65.030.

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

6 NEW SECTION. **Sec. 1.** A new section is added to chapter 36.65  
7 RCW to read as follows:

8 (1) Subject to subsection (4) of this section, a county, city, or  
9 town that meets the following requirements may levy a graduated tax  
10 on personal or business net income:

11 (a) If a county imposes a personal or business income tax, it  
12 must make a corresponding reduction in the amounts collected by the  
13 jurisdiction in local sales and use taxes, public utility taxes, or  
14 property taxes prior to or in conjunction with levying a tax under  
15 this section; and

16 (b) If a city or town imposes a personal or business income tax,  
17 it must make a corresponding reduction in the amounts collected by  
18 the jurisdiction in local sales and use taxes, property taxes,  
19 business and occupation taxes, or public utility taxes prior to or in  
20 conjunction with levying a tax under this section.

1 (2) The following order of priority must be given to  
2 corresponding reductions made pursuant to subsection (1)(a) of this  
3 section:

4 (a) Sales and use taxes;

5 (b) Public utility taxes exceeding those necessary for regular  
6 maintenance and operation costs; and

7 (c) Property taxes.

8 (3)(a) Once the county, city, or town imposing a tax under  
9 subsection (1)(a) of this section has reduced the amounts collected  
10 by the jurisdiction in sales and use taxes, public utility taxes, and  
11 property taxes by seventy-five percent, then the county, city, or  
12 town may increase the personal income tax schedule under subsection  
13 (4) of this section at a proportional rate of up to five dollars for  
14 every one dollar reduction in the amounts collected under subsection  
15 (2) of this section until the amounts collected under subsection (2)  
16 of this section are eliminated. Thereafter, a county, city, or town  
17 may increase the amount of tax collected under subsection (1)(a) of  
18 this section without a corresponding reduction.

19 (b) Once the city or town imposing a tax under subsection (1)(b)  
20 of this section has eliminated the amounts collected by the  
21 jurisdiction under chapter 35.102 RCW, then the city or town may  
22 increase the tax rate under subsection (1)(b) of this section without  
23 a corresponding reduction.

24 (4) A tax under this subsection must impose graduated rates that  
25 increase as the amount of corresponding taxable income increases. The  
26 graduated income tax rates for any tax imposed under this section  
27 must not exceed the federal income tax rate schedule under Title 26  
28 RCW of the United States Code effective December 31, 1960, with  
29 taxable income adjusted for inflation.

30 NEW SECTION. **Sec. 2.** RCW 36.65.030 (Tax on net income  
31 prohibited) and 1984 c 91 s 3 are each repealed.

--- END ---