
SENATE BILL 5900

State of Washington

63rd Legislature

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

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

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

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

10 **PART I**

11 **GENERAL PROVISIONS**

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

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

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

14 **PART II**

15 **DECREASED STATE SALES TAX RATE**

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

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

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

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

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

28 (d) Extended warranties to consumers; and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 NEW SECTION. **Sec. 310.** TAXABLE YEAR. "Taxable year" means the
2 taxpayer's taxable year as defined under the internal revenue code.

3 NEW SECTION. **Sec. 311.** TAXPAYER. "Taxpayer" means an individual
4 receiving income subject to tax under this title.

5 NEW SECTION. **Sec. 312.** DEFINITION OF TERMS GENERALLY. Except as
6 provided in sections 301 through 311 of this act, any term used in this
7 title has the same meaning as when used in a comparable context in the
8 internal revenue code.

9 **PART IV**
10 **DETERMINATION OF TAX**

11 NEW SECTION. **Sec. 401.** TAX IMPOSED--RATE. For income earned on
12 or after January 1, 2014, a tax is imposed at the rate of four and
13 five-tenths percent on all taxable income of resident individuals and
14 on all individuals deriving income from sources in Washington for each
15 taxable year. Taxable income of a taxpayer exempt from taxation by
16 internal revenue code section 501 is exempt from taxation by this
17 title.

18 NEW SECTION. **Sec. 402.** CREDIT FOR INCOME TAXES DUE ANOTHER
19 JURISDICTION. (1) A resident individual is allowed a credit against
20 the tax imposed under this title for the amount of any income tax
21 imposed by another state or foreign country, or political subdivision
22 of the state or foreign country, on income taxed under this title,
23 subject to the following conditions, which must be imposed separately
24 with respect to each taxing jurisdiction:

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

27 (b) The amount of the credit may not exceed the smaller of:

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

30 (ii) The amount of tax due under this title before application of
31 credits allowable by this title, multiplied by a fraction. The
32 numerator of the fraction is the amount of the taxpayer's taxable

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

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

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

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

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

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

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

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

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

1 NEW SECTION. **Sec. 405.** PUBLIC UTILITY TAX CREDIT. (1) There is
2 allowed a credit against the tax imposed by this title in the amount of
3 the state of Washington public utility tax paid by the taxpayer in the
4 tax year subject to the limitation of subsection (2) of this section.

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

6 (a) The amount of public utility tax paid; or

7 (b) The amount of tax of the taxpayer imposed by this title before
8 the application of credits allowed by this title, multiplied by a
9 fraction:

10 (i) The numerator is the amount of the taxpayer's taxable income
11 attributable to activities subject to public utility tax; and

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

14 NEW SECTION. **Sec. 406.** CARRYFORWARDS AND CARRYBACKS. The amount
15 of tax credits received by any taxpayer under sections 402, 404, and
16 405 of this act may not exceed the total amount of tax due, and there
17 may be no carryback or carryforward of any unused excess credits.

18 PART V

19 TAXABLE INCOME MODIFICATIONS

20 NEW SECTION. **Sec. 501.** INTRODUCTORY. In computing taxable
21 income, modifications must be made to the taxpayer's taxable income as
22 required under sections 401 through 506 of this act, unless the
23 modification has the effect of duplicating an item of income or
24 deduction.

25 NEW SECTION. **Sec. 502.** CARRYOVERS. To taxable income, add
26 amounts which have been deducted in computing taxable income to the
27 extent the amounts have been carried over from taxable years ending
28 before the effective date of this section.

29 NEW SECTION. **Sec. 503.** FEDERAL OBLIGATIONS. From taxable income,
30 deduct, to the extent included in taxable income, income derived from
31 obligations of the United States which this state is prohibited by
32 federal law from subjecting to a net income tax. However, the amount

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

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

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

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

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

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

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

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

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

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

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

11 **PART VI**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

11 (5) As used in this section:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

13 **PART VIII**

14 **CRIMES**

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

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

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

25 **PART IX**

26 **ADMINISTRATIVE PROVISIONS**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 NEW SECTION. **Sec. 908.** REFUNDS OF OVERPAYMENTS--OTHER
2 ADMINISTRATIVE PROVISIONS. (1) The department must refund all taxes
3 improperly paid or collected.

4 (2) The following sections apply to the administration of taxes
5 imposed under this title: RCW 82.32.020, 82.32.050, 82.32.060,
6 82.32.070, 82.32.090, 82.32.100, 82.32.105, 82.32.110, 82.32.120,
7 82.32.130, 82.32.140, 82.32.150, 82.32.160, 82.32.170, 82.32.180,
8 82.32.190, 82.32.200, 82.32.210, 82.32.220, 82.32.230, 82.32.235,
9 82.32.237, 82.32.240, 82.32.245, 82.32.265, 82.32.300, 82.32.310,
10 82.32.320, 82.32.330, 82.32.340, 82.32.350, and 82.32.360.

11 NEW SECTION. **Sec. 909.** RULES. The department may adopt rules
12 under chapter 34.05 RCW for the administration and enforcement of this
13 title. The rules, to the extent possible without being inconsistent
14 with this title, must follow the internal revenue code and the
15 regulations and rulings of the United States treasury department with
16 respect to the federal income tax. The department may adopt as a part
17 of these rules any portions of the internal revenue code and treasury
18 department regulations and rulings, in whole or in part.

19 NEW SECTION. **Sec. 910.** All revenue collected under this title
20 must be deposited in the education legacy trust account created in RCW
21 83.100.230.

22 **PART X**
23 **APPEALS**

24 **Sec. 1001.** RCW 82.03.130 and 2005 c 253 s 7 are each amended to
25 read as follows:

26 (1) The board (~~(shall have))~~ has jurisdiction to decide the
27 following types of appeals:

28 (a) Appeals taken pursuant to RCW 82.03.190.

29 (b) Appeals from a county board of equalization pursuant to RCW
30 84.08.130.

31 (c) Appeals by an assessor or landowner from an order of the
32 director of revenue made pursuant to RCW 84.08.010 and 84.08.060, if
33 filed with the board of tax appeals within thirty days after the

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

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

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

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

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

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

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

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

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

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

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

34 (l) Appeals pursuant to RCW 84.39.020.

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

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

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

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

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

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

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

27 PART XI

28 APPLICATION OF TAX TO PUBLIC PENSIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

9 (3) Subsection (1) of this section does not exempt any pension or
10 other benefit received under this chapter from tax under Title 82A RCW
11 (the new title created in section 1203 of this act), nor does it
12 prohibit the department of retirement systems from complying with the
13 tax withholding requirements of that title.

14 **Sec. 1110.** RCW 41.26.053 and 2012 c 159 s 21 are each amended to
15 read as follows:

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

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

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

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

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

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

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

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

1 (3) Subsection (1) of this section (~~(shall not be deemed to)~~) does
2 not prohibit a beneficiary of a retirement allowance from authorizing
3 deductions therefrom for payment of premiums due on any group insurance
4 policy or plan issued for the benefit of a group comprised of members
5 of the Washington state patrol or other public employees of the state
6 of Washington, or for contributions to the Washington state patrol
7 memorial foundation.

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

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

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

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

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

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

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

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

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