S-3269.1

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**SENATE BILL 5554**

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**State of Washington 67th Legislature 2022 Regular Session**

**By** Senator Hasegawa

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

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

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

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

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

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

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

(a) Sales and use taxes;

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

(c) Property taxes.

(3)(a) Once the county, city, or town imposing a tax under subsection (1)(a) of this section has reduced the amounts collected by the jurisdiction in sales and use taxes, public utility taxes, and property taxes by 75 percent, then the county, city, or town may increase the personal income tax schedule under subsection (4) of this section at a proportional rate of up to $5 for every one dollar reduction in the amounts collected under subsection (2) of this section until the amounts collected under subsection (2) of this section are eliminated. Thereafter, a county, city, or town may increase the amount of tax collected under subsection (1)(a) of this section without a corresponding reduction.

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

(4) A tax under this subsection must impose graduated rates that increase as the amount of corresponding taxable income increases. The graduated income tax rates for any tax imposed under this section must not exceed the federal income tax rate schedule under the federal internal revenue code effective December 31, 1960, with taxable income adjusted for inflation.

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

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