
SENATE BILL 5057

State of Washington

58th Legislature

2003 Regular Session

By Senators Franklin and Kohl-Welles

Read first time 01/13/2003. Referred to Committee on Ways & Means.

1 AN ACT Relating to fiscal reform; amending RCW 82.03.130,
2 82.03.140, 2.10.180, 2.12.090, 6.13.030, 41.24.240, 41.35.100,
3 41.40.052, 41.44.240, 43.43.310, 82.08.020, 84.52.065, 84.52.068,
4 84.52.043, 84.52.050, 36.58.150, 36.60.040, 36.69.145, 36.73.060,
5 36.83.030, 36.100.050, 67.38.130, 84.69.020, 39.89.020, 43.99H.060,
6 43.99I.040, and 76.12.120; reenacting and amending RCW 6.15.020,
7 41.32.052, 41.26.053, and 84.52.010; adding a new title to the Revised
8 Code of Washington to be codified as Title 82A RCW; creating new
9 sections; recodifying RCW 84.52.068; repealing RCW 6.15.025;
10 prescribing penalties; and providing contingent effective dates.

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

12 PART I

13 GENERAL PROVISIONS

14 NEW SECTION. **Sec. 101.** INTENT. It is the intent of the
15 legislature in adopting this title to provide the necessary revenues
16 for the support of vital state services on a more stable and equitable
17 basis.

PART II
DEFINITIONS

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3 NEW SECTION. **Sec. 201.** INTRODUCTORY. Unless the context clearly
4 requires otherwise, the definitions in sections 202 through 212 of this
5 act apply throughout this title.

6 NEW SECTION. **Sec. 202.** ADJUSTED GROSS INCOME. "Adjusted gross
7 income" means adjusted gross income as determined under the internal
8 revenue code.

9 NEW SECTION. **Sec. 203.** DEPARTMENT. "Department" means the state
10 department of revenue.

11 NEW SECTION. **Sec. 204.** FEDERAL BASE INCOME. "Federal base
12 income" means:

- 13 (1) For individuals, adjusted gross income;
- 14 (2) For estates and trusts, taxable income as determined for
15 estates and trusts consistent with subtitle A, chapter I, subchapter J
16 of the internal revenue code.

17 NEW SECTION. **Sec. 205.** INDIVIDUAL. "Individual" means a natural
18 person.

19 NEW SECTION. **Sec. 206.** INTERNAL REVENUE CODE. "Internal revenue
20 code" means the United States internal revenue code of 1986 and
21 amendments thereto, as existing and in effect on January 1, 2004.

22 NEW SECTION. **Sec. 207.** PERSON. "Person" includes individuals,
23 partnerships, firms, companies, fiduciaries, estates, trusts, and any
24 other group or combination acting as a unit, but does not include
25 corporations.

26 NEW SECTION. **Sec. 208.** RESIDENT. (1) "Resident" includes an
27 individual who:

- 28 (a) Has resided in this state for the entire tax year; or
29 (b) Is domiciled in this state unless the individual:
30 (i) Maintains no permanent place of abode in this state; and
31 (ii) Does not maintain a permanent place of abode elsewhere; and

1 (iii) Spends in the aggregate not more than thirty days in the tax
2 year in this state; or

3 (c) Is not domiciled in this state, but maintains a permanent place
4 of abode in this state and spends in the aggregate more than one
5 hundred eighty-three days of the tax year in this state unless the
6 individual establishes to the satisfaction of the director of revenue
7 that the individual is in the state only for temporary or transitory
8 purposes; or

9 (d) Claims the state of Washington as the individual's tax home for
10 federal income tax purposes.

11 (2) A resident estate means an estate of which a personal
12 representative was appointed by a Washington court or an estate
13 administration of which is carried on in this state.

14 (3) A resident trust means a trust whose situs as determined by RCW
15 11.96A.030 is within the state of Washington.

16 NEW SECTION. **Sec. 209.** S CORPORATION. "S corporation" means an
17 S corporation as defined in section 1361 of the internal revenue code.

18 NEW SECTION. **Sec. 210.** TAXABLE INCOME. "Taxable income" means
19 federal base income as modified under sections 401 through 503 of this
20 act.

21 NEW SECTION. **Sec. 211.** TAXABLE YEAR. "Taxable year" means the
22 taxpayer's taxable year as defined under the internal revenue code.

23 NEW SECTION. **Sec. 212.** TAXPAYER. "Taxpayer" means a person
24 receiving income subject to tax under this title.

25 NEW SECTION. **Sec. 213.** DEFINITION OF TERMS GENERALLY. Except as
26 provided in sections 201 through 212 of this act, any term used in this
27 title has the same meaning as when used in a comparable context in the
28 internal revenue code.

29 **PART III**
30 **DETERMINATION OF TAX**

1 NEW SECTION. **Sec. 301.** TAX IMPOSED--RATE. A tax is imposed at
2 the rate of three and eight-tenths percent on all taxable income of
3 resident individuals, estates, and trusts and on all individuals,
4 estates, and trusts deriving income from sources in Washington for each
5 taxable year. Taxable income of a taxpayer exempt from taxation by
6 internal revenue code section 501 is exempt from taxation by this
7 title.

8 NEW SECTION. **Sec. 302.** CREDIT FOR INCOME TAXES DUE ANOTHER
9 JURISDICTION. (1) A resident individual, estate, or trust is allowed
10 a credit against the tax imposed under this title for the amount of any
11 income tax imposed by another state or foreign country, or political
12 subdivision of the state or foreign country, on income taxed under this
13 title, subject to the following conditions, which shall be imposed
14 separately with respect to each taxing jurisdiction:

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

17 (b) The amount of the credit shall not exceed the smaller of:

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

20 (ii) The amount of tax due under this title before application of
21 credits allowable by this title, multiplied by a fraction. The
22 numerator of the fraction is the amount of the taxpayer's adjusted
23 gross income subject to tax in the other jurisdiction. The denominator
24 of the fraction is the taxpayer's total adjusted gross income as
25 modified by this title. The fraction shall never be greater than one.

26 (2) If, in lieu of a credit similar to the credit allowed under
27 subsection (1) of this section, the laws of the other taxing
28 jurisdiction contain a provision exempting a resident of this state
29 from liability for the payment of income taxes on income earned for
30 personal services performed in such jurisdiction, then the director is
31 authorized to enter into a reciprocal agreement with such jurisdiction
32 providing a similar tax exemption on income earned for personal
33 services performed in this state.

34 NEW SECTION. **Sec. 303.** DUAL RESIDENCE. If an individual is
35 regarded as a resident both of this state and another jurisdiction for
36 state personal income tax purposes, the department shall reduce the tax

1 on that portion of the taxpayer's income which is subjected to tax in
2 both jurisdictions solely by virtue of dual residence, if the other
3 taxing jurisdiction allows a similar reduction. The reduction shall
4 equal the lower of the two taxes applicable to the income taxed twice,
5 multiplied by a fraction. The numerator of the fraction is the tax
6 imposed by this state on the income taxed twice. The denominator of
7 the fraction is the tax imposed by both jurisdictions on the income
8 taxed twice. The fraction shall never be greater than one.

9 NEW SECTION. **Sec. 304.** BUSINESS AND OCCUPATION TAX CREDIT. (1)
10 There shall be allowed a credit against the tax imposed by this title
11 in the amount of the state of Washington business and occupation tax
12 paid by the taxpayer in the tax year subject to the limitation of
13 subsection (2) of this section.

14 (2) The credit shall not exceed the smaller of:

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

16 (b) The amount of tax of the taxpayer imposed by this title before
17 the application of credits allowed by this title, multiplied by a
18 fraction:

19 (i) The numerator is the amount of the taxpayer's adjusted gross
20 income attributable to activities subject to business and occupation
21 tax; and

22 (ii) The denominator is the taxpayer's adjusted gross income as
23 modified by this title. The fraction shall never be greater than one.

24 NEW SECTION. **Sec. 305.** PUBLIC UTILITY TAX CREDIT. (1) There
25 shall be allowed a credit against the tax imposed by this title in the
26 amount of the state of Washington public utility tax paid by the
27 taxpayer in the tax year subject to the limitation of subsection (2) of
28 this section.

29 (2) The credit shall not exceed the smaller of:

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

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

34 (i) The numerator is the amount of the taxpayer's adjusted gross
35 income attributable to activities subject to public utility tax; and

1 (ii) The denominator is the taxpayer's adjusted gross income as
2 modified by this title. The fraction shall never be greater than one.

3 NEW SECTION. **Sec. 306.** CARRYFORWARDS AND CARRYBACKS. The amount
4 of tax credits received by any taxpayer under sections 302, 304, and
5 305 of this act shall not exceed the total amount of tax due, and there
6 shall be no carryback or carryforward of any unused excess credits.

7 **PART IV**

8 **TAXABLE INCOME MODIFICATIONS**

9 NEW SECTION. **Sec. 401.** INTRODUCTORY. In computing taxable
10 income, modifications shall be made to the taxpayer's federal base
11 income as required under sections 301 through 410 of this act, unless
12 the modification has the effect of duplicating an item of income or
13 deduction.

14 NEW SECTION. **Sec. 402.** STATE AND LOCAL OBLIGATIONS. To federal
15 base income, add income which has been excluded under section 103 of
16 the internal revenue code in computing federal base income, except
17 interest on obligations of the state of Washington or political
18 subdivisions of the state of Washington.

19 NEW SECTION. **Sec. 403.** STATE AND LOCAL INCOME TAXES--BUSINESS AND
20 OCCUPATION, PUBLIC UTILITY TAXES. To federal base income, add:

21 (1) Taxes on or measured by net income which have been deducted
22 under the internal revenue code in computing federal base income;

23 (2) The amount of taxes paid or accrued which have been deducted
24 for federal purposes, but for which a business and occupation tax
25 credit or public utility tax credit, or both, is allowed.

26 NEW SECTION. **Sec. 404.** NET OPERATING LOSS. There shall be
27 allowed as a deduction from federal base income the amount of net
28 operating loss as allowed in section 172 of the internal revenue code.
29 The calculation of the loss amount shall reflect the modifications to
30 federal base income as provided in this title and a net operating loss
31 deduction may include a loss carried forward to the tax year but shall
32 not include a loss carried back from a future year.

1 NEW SECTION. **Sec. 405.** CARRYOVERS. To federal base income, add
2 amounts which have been deducted in computing federal base income to
3 the extent the amounts have been carried over from taxable years ending
4 before the effective date of this title.

5 NEW SECTION. **Sec. 406.** FEDERAL OBLIGATIONS. From federal base
6 income, deduct, to the extent included in federal base income, income
7 derived from obligations of the United States which this state is
8 prohibited by federal law from subjecting to a net income tax.
9 However, the amount deducted under this section shall be reduced by any
10 expense, including amortizable bond premiums, incurred in the
11 production of such income to the extent the expense has been deducted
12 in calculating federal base income.

13 NEW SECTION. **Sec. 407.** STANDARD DEDUCTION--PERSONAL EXEMPTION.
14 There shall be allowed from federal base income the following standard
15 deductions and personal exemption deduction:

16 (1) The standard deduction for an individual shall be:

17 (a) In the case of a joint return or a surviving spouse, seven
18 thousand dollars if only one spouse has earned income and seven
19 thousand dollars plus the earned income of the spouse with the lesser
20 income, not to exceed ten thousand dollars in total, if both spouses
21 have earned income;

22 (b) In the case of the head of a household, seven thousand dollars;

23 (c) In the case of an individual who is not married and who is not
24 a surviving spouse or head of a household and in the case of a married
25 individual filing a separate return, five thousand dollars.

26 (2) A personal exemption deduction in the amount of two thousand
27 nine hundred dollars shall be allowed for each individual for whom a
28 personal exemption deduction is allowed for federal income tax
29 purposes.

30 (3) An additional exemption deduction in the amount of one thousand
31 dollars shall be allowed:

32 (a) For the individual if the individual has attained age sixty-
33 five before the close of the taxable year; and

34 (b) For the spouse of the individual if the spouse has attained age
35 sixty-five before the close of the taxable year if a joint return is
36 not made by the individual and the individual's spouse and the spouse,

1 for the calendar year in which the taxable year of the individual
2 begins, has no gross income and is not the dependent of another
3 individual.

4 (4) An additional exemption deduction in the amount of one thousand
5 dollars shall be allowed:

6 (a) For the individual if the individual is blind at the close of
7 the taxable year; and

8 (b) For the spouse of the individual if the spouse is blind at the
9 close of the taxable year if a joint return is not made by the
10 individual and the individual's spouse and the spouse, for the calendar
11 year in which the taxable year of the individual begins, has no gross
12 income and is not the dependent of another individual.

13 NEW SECTION. **Sec. 408.** ADJUSTMENT OF DEDUCTIONS AND EXEMPTIONS
14 FOR NONRESIDENTS. The deductions from federal base income allowed
15 under section 407 of this act for individual taxpayers who are not
16 residents of this state for the entire taxable year shall be reduced by
17 multiplying the amount of the deductions by a fraction. The numerator
18 of the fraction is the individual's adjusted gross income attributable
19 to sources within the state of Washington. The denominator of the
20 fraction is the individual's gross income from all sources. The
21 fraction shall never be greater than one.

22 NEW SECTION. **Sec. 409.** TAX RETURNS FOR FRACTIONAL YEAR. (1) If
23 the first taxable year of any taxpayer with respect to which a tax is
24 imposed by this title ends before December 31st of the calendar year in
25 which this title becomes effective, the taxable income for the
26 fractional taxable year shall be the taxpayer's taxable income for the
27 entire taxable year, adjusted by one of the following methods, at the
28 taxpayer's election:

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

33 (b) The taxable income shall be adjusted, in accordance with rules
34 of the department, so as to include only such income and be reduced
35 only by such deductions as can be clearly determined from the permanent

1 records of the taxpayer to be attributable to the fractional taxable
2 year.

3 (2) If an individual taxpayer's taxable income is adjusted under
4 subsection (1) of this section, the deduction amounts allowed under
5 section 407 of this act for the taxpayer shall be reduced by
6 multiplying the amount of the exemption by a fraction. The numerator
7 of the fraction is the number of days in the taxpayer's fractional
8 taxable year. The denominator of the fraction is the number of days in
9 the entire taxable year.

10 NEW SECTION. **Sec. 410.** INDEX FOR INFLATION. For each tax year
11 beginning after December 31, 2005, the standard deduction and the
12 personal exemption deduction amounts under section 407 of this act
13 shall be adjusted by the department for inflation by multiplying the
14 standard deduction and the personal exemption deduction amounts of the
15 previous tax year by the cost-of-living adjustment as determined under
16 internal revenue code section 1(f)(3) through (5) for the calendar year
17 in which the tax year begins. No adjustment shall be made which
18 decreases the standard deduction and personal exemption deduction
19 amounts. If any adjustment increase is not a multiple of ten dollars,
20 the increase shall be rounded to the next lowest multiple of ten
21 dollars.

22 **PART V**

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

24 NEW SECTION. **Sec. 501.** APPORTIONMENT AND ALLOCATION OF INCOME.

25 (1) For resident individuals, estates, and trusts, all income shall be
26 apportioned and allocated to this state.

27 (2) For nonresident individuals, estates, and trusts, income
28 derived from sources within this state shall be apportioned and
29 allocated to this state. For purposes of this title:

30 (a) The adjusted gross income of a nonresident derived from sources
31 within this state is the net amount of items of income, gain, loss, and
32 deduction of the nonresident's federal adjusted gross income that are
33 derived from or connected with sources in this state including any
34 distributive share of partnership income and deductions, and any share

1 of estate or trust income and deductions, including any unrelated
2 business income of an otherwise exempt trust or organization.

3 (b) Items of income, gain, loss, and deduction derived from or
4 connected with sources within this state are those items attributable
5 to the ownership or disposition of any interest in real or tangible
6 personal property in this state, and a business, trade, profession, or
7 occupation carried on within this state. The department shall issue
8 rules to provide consistency of this section with the excise tax
9 provisions.

10 (c) Deduction with respect to expenses, capital losses, and net
11 operating losses shall be based solely on income, gains, losses, and
12 deductions derived from or connected with sources in this state but
13 shall otherwise be determined in the same manner as the corresponding
14 federal deduction except as provided in this title.

15 (d) Income from intangible personal property, including annuities,
16 dividends, interest, and gains from the disposition of intangible
17 personal property, constitutes income derived from sources within the
18 state of Washington only to the extent that such income is from
19 property employed in a business, trade, profession, or occupation
20 carried on within this state: PROVIDED, That distributed and
21 undistributed income of an electing S corporation for federal tax
22 purposes derived from or connected with sources within this state is
23 income derived from sources within this state for a nonresident
24 shareholder. A net operating loss of such corporation does constitute
25 a loss or deduction connected with sources within this state for a
26 nonresident shareholder.

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

30 (f) If a business, trade, profession, or occupation is carried on
31 partly within and partly without this state, the determination of net
32 income derived or connected with sources within this state as provided
33 in this section shall be made by apportionment and allocation of
34 chapter 82.56 RCW.

35 NEW SECTION. **Sec. 502.** PARTNERSHIPS AND S CORPORATIONS. (1)
36 Partnerships are not subject to tax under this title. Partners are
37 subject to tax in their separate or individual capacities.

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

4 (3) The taxable incomes of partners shall be computed by including
5 a pro rata share of the modifications under sections 401 through 503 of
6 this act and the credits allowed under sections 302, 304, and 305 of
7 this act, if the modification or credit relates to the income of the
8 partnership. Each partner's pro rata share of a modification or credit
9 is the amount of modification or credit multiplied by a fraction. The
10 numerator of the fraction is the partner's distributive share of
11 partnership income. The denominator of the fraction is the total
12 partnership income. The fraction shall never be greater than one.

13 (4) The taxable incomes of shareholders of S corporations shall be
14 computed by including a share of the modifications under sections 401
15 through 503 of this act and the credits allowed under sections 302,
16 304, and 305 of this act, if the modification or credit relates to the
17 income of the S corporation. Each shareholder's share of a
18 modification or credit is the amount of modification or credit
19 multiplied by a fraction. The numerator of the fraction is the
20 shareholder's pro rata share of S corporation income. The denominator
21 of the fraction is the total S corporation income. The fraction shall
22 never be greater than one.

23 (5) As used in this section:

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

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

28 NEW SECTION. **Sec. 503.** ESTATES, TRUSTS, AND BENEFICIARIES. (1)
29 The taxable incomes of estates, trusts, and beneficiaries thereof shall
30 be computed by including a share of the modifications under sections
31 401 through 503 of this act and the credits allowed under sections 302,
32 304, and 305 of this act.

33 Each taxpayer's share of a modification or credit is the amount of
34 modification or credit multiplied by a fraction. The numerator of the
35 fraction is the taxpayer's share of the distributable net income of the
36 estate or trust. The denominator of the fraction is the total

1 distributable net income of the estate or trust. The fraction shall
2 never be greater than one.

3 (2) As used in this section, "distributable net income" means
4 distributable net income as defined in the internal revenue code. If
5 an estate or trust has no federal distributable net income, the term
6 means the income of the estate or trust which is distributed or is
7 required to be distributed during the taxable year under local law or
8 the terms of the estate or trust instrument.

9 (3) Any portion of a modification which is not included in
10 calculating the taxable incomes of the beneficiaries shall be included
11 in calculating the taxable income of the trust or estate.

12 **PART VI**
13 **WITHHOLDING--ESTIMATED TAX**

14 NEW SECTION. **Sec. 601.** EMPLOYER WITHHOLDING--REQUIREMENTS. (1)
15 Every employer making a payment of wages or salaries earned in this
16 state, regardless of the place where the payment is made, and who is
17 required by the internal revenue code to withhold taxes, shall deduct
18 and withhold a tax as prescribed by the department by rule. The rules
19 prescribed shall reasonably reflect the annual tax liability of the
20 employee under this title. Every employer making such a deduction and
21 withholding shall furnish to the employee a record of the amount of tax
22 deducted and withheld from the employee on forms provided by the
23 department.

24 (2) If the employee is a resident of this state and earns income
25 from personal services entirely performed in another state which
26 imposes an income tax on the income, and the employer withholds income
27 taxes under the laws of the state in which the income is earned, the
28 employer is not required to withhold any tax imposed by this title on
29 the income if the laws of the state in which the income is earned allow
30 a similar exemption for its residents who earn income in this state.

31 NEW SECTION. **Sec. 602.** LIABILITY OF EMPLOYER FOR TAX WITHHELD.
32 Any person required to deduct and withhold the tax imposed by this
33 title is liable to the department for the payment of the amount
34 deducted and withheld, and is not liable to any other person for the

1 amount of tax deducted and withheld under this title or for the act of
2 withholding. The amount of tax so deducted and withheld shall be held
3 to be a special fund in trust for this state.

4 NEW SECTION. **Sec. 603.** CREDIT FOR TAX WITHHELD--HOW CLAIMED. The
5 amount deducted and withheld as tax under sections 601 through 606 of
6 this act during any taxable year shall be allowed as a credit against
7 the tax imposed for the taxable year by this title. If the liability
8 of any individual for taxes, interest, penalties, or other amounts due
9 the state of Washington is less than the total amount of the credit
10 which the individual is entitled to claim under this section, the
11 individual is entitled to a refund from the department in the amount of
12 the excess of the credit over the tax otherwise due. If any individual
13 entitled to claim a credit under this section is not otherwise required
14 by this title to file a return, a refund may be obtained in the amount
15 of the credit by filing a return, with applicable sections completed,
16 to claim the refund. No credit or refund is allowed under this section
17 unless the credit or refund is claimed on a return filed for the
18 taxable year for which the amount was deducted and withheld.

19 NEW SECTION. **Sec. 604.** WITHHOLDING--EXEMPTION DECLARATIONS. An
20 employee shall be entitled to use and an employer shall use the
21 withholding exemption declaration on file with the employer for federal
22 income tax purposes. The department may redetermine the number of
23 withholding exemptions to which any employee is entitled, and the
24 department may require an additional withholding exemption declaration
25 to be filed on a form prescribed by the department where the department
26 finds that the exemption declaration filed for federal income tax
27 purposes does not properly reflect the number of withholding exemptions
28 to which the employee is entitled.

29 NEW SECTION. **Sec. 605.** WITHHOLDING--FAILURE TO PAY OR COLLECT--
30 PENALTIES. (1) The tax required by this title to be collected by the
31 employer shall be deemed to be held in trust by the employer until paid
32 to the department.

33 (2) In case any employer, or a responsible person within the
34 meaning of internal revenue code section 6672, fails to collect the tax
35 herein imposed or having collected the tax, fails to pay it to the

1 department, the employer or responsible person shall, nevertheless, be
2 personally liable to the state for the amount of the tax. The interest
3 and penalty provisions of chapter 82.32 RCW shall apply to this
4 section.

5 NEW SECTION. **Sec. 606.** ESTIMATED TAX IMPOSED--DUE DATE OF
6 ESTIMATED TAXES--AMOUNT OF ESTIMATED TAX--UNDERPAYMENT PENALTY. (1)
7 Each individual, estate, or trust subject to taxation by this title
8 which is required by the internal revenue code to make payment of
9 estimated taxes shall pay to the department on forms prescribed by the
10 department the estimated taxes due under this title.

11 (2) The provisions of the internal revenue code relating to the
12 determination of reporting periods and due dates of payments of
13 estimated tax applies to the estimated tax payments due under this
14 section.

15 (3) The amount of the estimated tax shall be the annualized tax
16 divided by the number of months in the reporting period. No estimated
17 tax shall be due if the annualized tax is less than five hundred
18 dollars. The provisions of RCW 82.32.050 and 82.32.090 shall apply to
19 underpayments of estimated tax but shall not apply to underpayments, as
20 defined by the internal revenue code, if the tax remitted to the
21 department is either ninety percent of the tax shown on the return or
22 one hundred percent of the tax shown on the previous year's tax return.

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

27 **PART VII**
28 **CRIMES**

29 NEW SECTION. **Sec. 701.** CRIMES. (1) Any person who knowingly
30 attempts to evade the tax imposed under this title or payment thereof
31 is guilty of a class C felony as provided in chapter 9A.20 RCW.

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

1 (3) Any person who knowingly fails to pay tax, pay estimated tax,
2 make returns, keep records, or supply information, as required under
3 this title, is guilty of a gross misdemeanor as provided in chapter
4 9A.20 RCW.

5 **PART VIII**
6 **ADMINISTRATIVE PROVISIONS**

7 NEW SECTION. **Sec. 801.** METHOD OF ACCOUNTING. (1) A taxpayer's
8 method of accounting for purposes of the tax imposed under this title
9 shall be the same as the taxpayer's method of accounting for federal
10 income tax purposes. If no method of accounting has been regularly
11 used by a taxpayer for federal income tax purposes or if the method
12 used does not clearly reflect income, tax due under this title shall be
13 computed by a method of accounting which in the opinion of the
14 department fairly reflects income.

15 (2) If a person's method of accounting is changed for federal
16 income tax purposes, it shall be similarly changed for purposes of this
17 title.

18 NEW SECTION. **Sec. 802.** PERSONS REQUIRED TO FILE RETURNS. (1) All
19 taxpayers shall file with the department, on forms prescribed by the
20 department, an income tax return for each tax year. Each person
21 required to file a return under this title shall, without assessment,
22 notice, or demand, pay any tax due thereon to the department on or
23 before the date fixed for the filing of the return.

24 (2) The department may by rule require that certain taxpayers file,
25 on forms prescribed by the department, informational returns for any
26 period. Each person required by rule to file an informational return
27 shall, without assessment, notice, or demand, pay any tax due thereon
28 to the department on or before the date fixed for the filing of the
29 informational return.

30 (3) If an adjustment to a taxpayer's federal return is made by the
31 taxpayer or the internal revenue service, the taxpayer shall, within
32 ninety days of the final determination of the adjustment by the
33 internal revenue service or within thirty days of the filing of a
34 federal return adjusted by the taxpayer, file with the department on
35 forms prescribed by the department a corrected return reflecting the

1 adjustments as finally determined. The taxpayer shall pay any
2 additional tax due resulting from the finally determined internal
3 revenue service adjustment or a taxpayer adjustment without notice and
4 assessment. Notwithstanding any provision of this title or any other
5 title to the contrary, the period of limitation for the collection of
6 the additional tax, interest, and penalty due as a result of an
7 adjustment by the taxpayer or a finally determined internal revenue
8 service adjustment shall begin at the later of thirty days following
9 the final determination of the adjustment or the date of the filing of
10 the corrected return.

11 NEW SECTION. **Sec. 803.** DUE DATE FOR FILING A RETURN--EXTENSIONS--
12 INTEREST AND PENALTIES. The due date of a return required to be filed
13 with the department shall be the due date of the federal income tax
14 return or informational return for federal income tax purposes. The
15 department shall have the authority to grant extensions of times by
16 which returns required to be filed by this title may be submitted. The
17 department shall also have the authority to grant extensions of time to
18 pay tax with regard to taxes imposed by this title. Interest at the
19 rate as specified in RCW 82.32.050 shall accrue during any extension
20 period and the interest and penalty provisions of chapter 82.32 RCW
21 shall apply to late payments and deficiencies. Notwithstanding the
22 limitation of RCW 82.32.090, in the case of the late filing of an
23 informational return, there shall be imposed a penalty the amount of
24 which shall be established by the department by rule. The penalty
25 shall not exceed fifty dollars per month for a maximum of ten months.
26 RCW 82.32.105 shall apply to this section.

27 NEW SECTION. **Sec. 804.** JOINT RETURN. (1) If the federal income
28 tax liabilities of both spouses are determined on a joint federal
29 return for the taxable year, they shall file a joint return under this
30 title unless one spouse is a resident and the other is a nonresident.

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

35 (3) If the federal income tax liability of either spouse is

1 determined on a separate federal return for the taxable year, they
2 shall file separate returns under this title.

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

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

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

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

16 NEW SECTION. **Sec. 805.** RECORDS--RETURNS. (1) Every taxpayer and
17 every person required to deduct and withhold the tax imposed under this
18 title shall keep records, render statements, make returns, file
19 reports, and perform other acts as the department requires by rule.
20 Each return shall be made under penalty of perjury and on forms
21 prescribed by the department. The department may require other
22 statements and reports be made under penalty of perjury and on forms
23 prescribed by the department. The department may require any taxpayer
24 and any person required to deduct and withhold the tax imposed under
25 this title to furnish to the department a correct copy of any return or
26 document which the taxpayer has filed with the internal revenue service
27 or received from the internal revenue service.

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

31 NEW SECTION. **Sec. 806.** ESTIMATION AGREEMENTS. The department may
32 reasonably estimate the items of business or nonbusiness income of a
33 taxpayer having an office within the state and one or more other states
34 or foreign countries which may be apportioned or allocated to the state
35 and may enter into estimation agreements with such taxpayers for the
36 determination of their liability for the tax imposed by this title.

1 NEW SECTION. **Sec. 807.** PROVISIONS OF INTERNAL REVENUE CODE
2 CONTROL. (1) To the extent possible without being inconsistent with
3 this title, all of the provisions of the internal revenue code relating
4 to the following subjects apply to the taxes imposed under this title:

5 (a) Time of payment of tax deducted and withheld under sections 301
6 through 306 of this act;

7 (b) Liability of transferees;

8 (c) Time and manner of making returns, extensions of time for
9 filing returns, verification of returns, and the time when a return is
10 deemed filed.

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

15 NEW SECTION. **Sec. 808.** REFUNDS OF OVERPAYMENTS--OTHER
16 ADMINISTRATIVE PROVISIONS. (1) The department shall refund all taxes
17 improperly paid or collected.

18 (2) The following sections shall apply to the administration of
19 taxes imposed under this title: 82.32.020, 82.32.050, 82.32.060,
20 82.32.070, 82.32.090, 82.32.100, 82.32.105, 82.32.110, 82.32.120,
21 82.32.130, 82.32.140, 82.32.150, 82.32.160, 82.32.170, 82.32.180,
22 82.32.190, 82.32.200, 82.32.210, 82.32.220, 82.32.230, 82.32.235,
23 82.32.237, 82.32.240, 82.32.245, 82.32.265, 82.32.300, 82.32.310,
24 82.32.320, 82.32.330, 82.32.340, 82.32.350, 82.32.360, and 82.32.380.

25 NEW SECTION. **Sec. 809.** RULES. The department may adopt rules
26 under chapter 34.05 RCW for the administration and enforcement of this
27 title. The rules, to the extent possible without being inconsistent
28 with this title, shall follow the internal revenue code and the
29 regulations and rulings of the United States treasury department with
30 respect to the federal income tax. The department may adopt as a part
31 of these rules any portions of the internal revenue code and treasury
32 department regulations and rulings, in whole or in part.

33 **PART IX**
34 **APPEALS**

1 **Sec. 901.** RCW 82.03.130 and 1998 c 54 s 1 are each amended to read
2 as follows:

3 BOARD OF TAX APPEALS--JURISDICTION. (1) The board shall have
4 jurisdiction to decide the following types of appeals:

5 (a) Appeals taken pursuant to RCW 82.03.190.

6 (b) Appeals from a county board of equalization pursuant to RCW
7 84.08.130.

8 (c) Appeals by an assessor or landowner from an order of the
9 director of revenue made pursuant to RCW 84.08.010 and 84.08.060, if
10 filed with the board of tax appeals within thirty days after the
11 mailing of the order, the right to such an appeal being hereby
12 established.

13 (d) Appeals by an assessor or owner of an intercounty public
14 utility or private car company from determinations by the director of
15 revenue of equalized assessed valuation of property and the
16 apportionment thereof to a county made pursuant to chapter 84.12 and
17 84.16 RCW, if filed with the board of tax appeals within thirty days
18 after mailing of the determination, the right to such appeal being
19 hereby established.

20 (e) Appeals by an assessor, landowner, or owner of an intercounty
21 public utility or private car company from a determination of any
22 county indicated ratio for such county compiled by the department of
23 revenue pursuant to RCW 84.48.075: PROVIDED, That

24 (i) Said appeal be filed after review of the ratio under RCW
25 84.48.075(3) and not later than fifteen days after the mailing of the
26 certification; and

27 (ii) The hearing before the board shall be expeditiously held in
28 accordance with rules prescribed by the board and shall take precedence
29 over all matters of the same character.

30 (f) Appeals from the decisions of sale price of second class
31 shorelands on navigable lakes by the department of natural resources
32 pursuant to RCW 79.94.210.

33 (g) Appeals from urban redevelopment property tax apportionment
34 district proposals established by governmental ordinances pursuant to
35 RCW 39.88.060.

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

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

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

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

6 (l) Appeals relating to income tax deficiencies and refunds,
7 including penalties and interest, under Title 82A RCW (sections 101
8 through 809 of this act).

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

12 **Sec. 902.** RCW 82.03.140 and 2000 c 103 s 1 are each amended to
13 read as follows:

14 ELECTION OF FORMAL OR INFORMAL HEARING. In all appeals over which
15 the board has jurisdiction under RCW 82.03.130, a party taking an
16 appeal may elect either a formal or an informal hearing, such election
17 to be made according to rules of practice and procedure to be
18 promulgated by the board: PROVIDED, That nothing shall prevent the
19 assessor or taxpayer, as a party to an appeal pursuant to RCW
20 84.08.130, within twenty days from the date of the receipt of the
21 notice of appeal, from filing with the clerk of the board notice of
22 intention that the hearing be a formal one: PROVIDED, HOWEVER, That
23 nothing herein shall be construed to modify the provisions of RCW
24 82.03.190: AND PROVIDED FURTHER, That upon an appeal under RCW
25 82.03.130(1) (e) or (l), the director of revenue may, within ten days
26 from the date of its receipt of the notice of appeal, file with the
27 clerk of the board notice of its (~~intention that the hearing be held~~
28 ~~pursuant to chapter 34.05 RCW~~) election of a formal hearing. In the
29 event that appeals are taken from the same decision, order, or
30 determination, as the case may be, by different parties and only one of
31 such parties elects a formal hearing, a formal hearing shall be
32 granted.

33 **PART X**

34 **APPLICATION OF TAX TO PUBLIC PENSIONS**

1 **Sec. 1001.** RCW 2.10.180 and 1991 c 365 s 18 are each amended to
2 read as follows:

3 JUDICIAL RETIREMENT SYSTEM. (1) Except as provided in subsections
4 (2), (3), ~~((and))~~ (4), and (5) of this section, the right of a person
5 to a retirement allowance, disability allowance, or death benefit, the
6 retirement, disability or death allowance itself, any optional benefit,
7 any other right accrued or accruing to any person under the provisions
8 of this chapter, and the moneys in the fund created under this chapter,
9 are hereby exempt from any state, county, municipal, or other local tax
10 and shall not be subject to execution, garnishment, or any other
11 process of law whatsoever.

12 (2) Subsection (1) of this section shall not be deemed to prohibit
13 a beneficiary of a retirement allowance from authorizing deductions
14 therefrom for payment of premiums due on any group insurance policy or
15 plan issued for the benefit of a group comprised of public employees of
16 the state of Washington.

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

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

31 (5) Subsection (1) of this section does not exempt any pension or
32 other benefit received under this chapter from tax under Title 82A RCW
33 (sections 101 through 809 of this act), nor does it prohibit the
34 department of retirement systems from complying with the tax
35 withholding requirements of that title.

36 **Sec. 1002.** RCW 2.12.090 and 1991 c 365 s 19 are each amended to
37 read as follows:

1 JUDGES' RETIREMENT. (1) Except as provided in subsections (2),
2 (3), (~~and~~) (4), and (5) of this section, the right of any person to
3 a retirement allowance or optional retirement allowance under the
4 provisions of this chapter and all moneys and investments and income
5 thereof are exempt from any state, county, municipal, or other local
6 tax and shall not be subject to execution, garnishment, attachment, the
7 operation of bankruptcy or the insolvency laws, or other processes of
8 law whatsoever and shall be unassignable except as herein specifically
9 provided.

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

21 (3) Subsection (1) of this section shall not be deemed to prohibit
22 a beneficiary of a retirement allowance from authorizing deductions
23 therefrom for payment of premiums due on any group insurance policy or
24 plan issued for the benefit of a group comprised of public employees of
25 the state of Washington.

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

29 (5) Subsection (1) of this section does not exempt any pension or
30 other benefit received under this chapter from tax under Title 82A RCW
31 (sections 101 through 809 of this act), nor does it prohibit the
32 department of retirement systems from complying with the tax
33 withholding requirements of that title.

34 **Sec. 1003.** RCW 6.13.030 and 1999 c 403 s 4 are each amended to
35 read as follows:

36 HOMESTEADS. A homestead may consist of lands, as described in RCW
37 6.13.010, regardless of area, but the homestead exemption amount shall

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

12 **Sec. 1004.** RCW 6.15.020 and 1999 c 81 s 1 and 1999 c 42 s 603 are
13 each reenacted and amended to read as follows:

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

20 (2) Unless otherwise provided by federal law, any money received by
21 any citizen of the state of Washington as a pension from the government
22 of the United States, whether the same be in the actual possession of
23 such person or be deposited or loaned, shall be exempt from execution,
24 attachment, garnishment, or seizure by or under any legal process
25 whatever, and when a debtor dies, or absconds, and leaves his or her
26 family any money exempted by this subsection, the same shall be exempt
27 to the family as provided in this subsection. This subsection shall
28 not apply to child support collection actions issued under chapter
29 26.18, 26.23, or 74.20A RCW, if otherwise permitted by federal law, or
30 to collection actions for taxes imposed under Title 82A RCW (sections
31 101 through 809 of this act).

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

1 whatever. This subsection shall not apply to child support collection
2 actions issued under chapter 26.18, 26.23, or 74.20A RCW if otherwise
3 permitted by federal law, or to collection actions for taxes imposed
4 under Title 82A RCW (sections 101 through 809 of this act). This
5 subsection shall permit benefits under any such plan or arrangement to
6 be payable to a spouse, former spouse, child, or other dependent of a
7 participant in such plan to the extent expressly provided for in a
8 qualified domestic relations order that meets the requirements for such
9 orders under the plan, or, in the case of benefits payable under a plan
10 described in sections 403(b) or 408 of the internal revenue code of
11 1986, as amended, or section 409 of such code as in effect before
12 January 1, 1984, to the extent provided in any order issued by a court
13 of competent jurisdiction that provides for maintenance or support.
14 This subsection shall not prohibit actions against an employee benefit
15 plan, or fund for valid obligations incurred by the plan or fund for
16 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 sections 401(a) or 403(a) of the internal revenue code
21 of 1986, as amended; or that is a tax-sheltered annuity described in
22 section 403(b) of such code or an individual retirement account
23 described in section 408 of such code; or a Roth individual retirement
24 account described in section 408A of such code; or a medical savings
25 account described in section 220 of such code; or an education
26 individual retirement account described in section 530 of such code; or
27 a retirement bond described in section 409 of such code as in effect
28 before January 1, 1984. The term "employee benefit plan" also means
29 any rights accruing on account of money paid currently or in advance
30 for purchase of tuition units under the advanced college tuition
31 payment program in chapter 28B.95 RCW. The term "employee benefit
32 plan" shall not include any employee benefit plan that is established
33 or maintained for its employees by the government of the United States,
34 by the state of Washington under chapter 2.10, 2.12, 41.26, 41.32,
35 41.34, 41.35, 41.40 or 43.43 RCW or RCW 41.50.770, or by any agency or
36 instrumentality of the government of the United States.

37 (5) An employee benefit plan shall be deemed to be a spendthrift
38 trust, regardless of the source of funds, the relationship between the

1 trustee or custodian of the plan and the beneficiary, or the ability of
2 the debtor to withdraw or borrow or otherwise become entitled to
3 benefits from the plan before retirement. This subsection shall not
4 apply to child support collection actions issued under chapter 26.18,
5 26.23, or 74.20A RCW, if otherwise permitted by federal law, or to
6 collection actions for taxes imposed under Title 82A RCW (sections 101
7 through 809 of this act). This subsection shall permit benefits under
8 any such plan or arrangement to be payable to a spouse, former spouse,
9 child, or other dependent of a participant in such plan to the extent
10 expressly provided for in a qualified domestic relations order that
11 meets the requirements for such orders under the plan, or, in the case
12 of benefits payable under a plan described in sections 403(b) or 408 of
13 the internal revenue code of 1986, as amended, or section 409 of such
14 code as in effect before January 1, 1984, to the extent provided in any
15 order issued by a court of competent jurisdiction that provides for
16 maintenance or support.

17 (6) Unless contrary to applicable federal law, nothing contained in
18 subsection (3), (4), or (5) of this section shall be construed as a
19 termination or limitation of a spouse's community property interest in
20 an individual retirement account held in the name of or on account of
21 the other spouse, the account holder spouse. At the death of the
22 nonaccount holder spouse, the nonaccount holder spouse may transfer or
23 distribute the community property interest of the nonaccount holder
24 spouse in the account holder spouse's individual retirement account to
25 the nonaccount holder spouse's estate, testamentary trust, inter vivos
26 trust, or other successor or successors pursuant to the last will of
27 the nonaccount holder spouse or the law of intestate succession, and
28 that distributee may, but shall not be required to, obtain an order of
29 a court of competent jurisdiction, including a nonjudicial dispute
30 resolution agreement entered into pursuant to RCW 11.96.170 or other
31 order entered under chapter 11.96A RCW, to confirm the distribution.
32 For purposes of subsection (3) of this section, the distributee of the
33 nonaccount holder spouse's community property interest in an individual
34 retirement account shall be considered a person entitled to the full
35 protection of subsection (3) of this section. The nonaccount holder
36 spouse's consent to a beneficiary designation by the account holder
37 spouse with respect to an individual retirement account shall not,
38 absent clear and convincing evidence to the contrary, be deemed a

1 release, gift, relinquishment, termination, limitation, or transfer of
2 the nonaccount holder spouse's community property interest in an
3 individual retirement account. For purposes of this subsection, the
4 term "nonaccount holder spouse" means the spouse of the person in whose
5 name the individual retirement account is maintained. The term
6 "individual retirement account" includes an individual retirement
7 account and an individual retirement annuity both as described in
8 section 408 of the internal revenue code of 1986, as amended, a Roth
9 individual retirement account as described in section 408A of the
10 internal revenue code of 1986, as amended, and an individual retirement
11 bond as described in section 409 of the internal revenue code as in
12 effect before January 1, 1984. As used in this subsection, an order of
13 a court of competent jurisdiction includes an agreement, as that term
14 is used under RCW 11.96A.220.

15 **Sec. 1005.** RCW 41.24.240 and 1995 c 11 s 13 are each amended to
16 read as follows:

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

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

34 (3) Subsection (1) of this section does not exempt any pension or
35 other benefit received under this chapter from tax under Title 82A RCW
36 (sections 101 through 809 of this act), nor does it prohibit the

1 department of retirement systems from complying with the tax
2 withholding requirements of that title.

3 **Sec. 1006.** RCW 41.32.052 and 1991 c 365 s 21 and 1991 c 35 s 63
4 are each reenacted and amended to read as follows:

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

15 (2) This section shall not be deemed to prohibit a beneficiary of
16 a retirement allowance who is eligible:

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

21 (b) Under a group health care benefit plan approved pursuant to RCW
22 28A.400.350 or 41.05.065 from authorizing monthly deductions therefrom,
23 of the amount or amounts of subscription payments, premiums, or
24 contributions to any person, firm, or corporation furnishing or
25 providing medical, surgical, and hospital care or other health care
26 insurance; or

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

32 Deductions under (a) and (b) of this subsection shall be made in
33 accordance with rules that may be adopted by the director.

34 (3) Subsection (1) of this section shall not prohibit the
35 department from complying with (a) a wage assignment order for child
36 support issued pursuant to chapter 26.18 RCW, (b) an order to withhold
37 and deliver issued pursuant to chapter 74.20A RCW, (c) a notice of

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

7 (4) Subsection (1) of this section does not exempt any pension or
8 other benefit received under this chapter from tax under Title 82A RCW
9 (sections 101 through 809 of this act), nor does it prohibit the
10 department of retirement systems from complying with the tax
11 withholding requirements of that title.

12 **Sec. 1007.** RCW 41.35.100 and 1998 c 341 s 11 are each amended to
13 read as follows:

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

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

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

11 (4) Subsection (1) of this section does not exempt any pension or
12 other benefit received under this chapter from tax under Title 82A RCW
13 (sections 101 through 809 of this act), nor does it prohibit the
14 department of retirement systems from complying with the tax
15 withholding requirements of that title.

16 **Sec. 1008.** RCW 41.40.052 and 1999 c 83 s 1 are each amended to
17 read as follows:

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

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

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

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

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

19 (4) Subsection (1) of this section does not exempt any pension or
20 other benefit received under this chapter from tax under Title 82A RCW
21 (sections 101 through 809 of this act), nor does it prohibit the
22 department of retirement systems from complying with the tax
23 withholding requirements of that title.

24 **Sec. 1009.** RCW 41.44.240 and 1989 c 360 s 28 are each amended to
25 read as follows:

26 STATEWIDE CITY EMPLOYEES' RETIREMENT. (1) The right of a person to
27 a pension, annuity or a retirement allowance, to the return of
28 contribution, the pension, annuity or retirement allowance itself, any
29 optional benefit, any other right accrued or accruing to any person
30 under the provisions of this chapter, and the moneys in the fund
31 created under this chapter shall not be subject to execution,
32 garnishment, or any other process whatsoever.

33 (2) This section shall not apply to child support collection
34 actions taken under chapter 26.18, 26.23, or 74.20A RCW against
35 benefits payable under any such plan or arrangement. Benefits under
36 this chapter shall be payable to a spouse or ex-spouse to the extent
37 expressly provided for in any court decree of dissolution or legal

1 separation or in any court order or court-approved property settlement
2 agreement incident to any court decree of dissolution or legal
3 separation.

4 (3) Subsection (1) of this section does not exempt any pension or
5 other benefit received under this chapter from tax under Title 82A RCW
6 (sections 101 through 809 of this act), nor does it prohibit the
7 department of retirement systems from complying with the tax
8 withholding requirements of that title.

9 **Sec. 1010.** RCW 41.26.053 and 1991 c 365 s 20 and 1991 c 35 s 25
10 are each reenacted and amended to read as follows:

11 LAW ENFORCEMENT OFFICERS' AND FIRE FIGHTERS' RETIREMENT SYSTEM.

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

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

30 (3) Subsection (1) of this section shall not prohibit the
31 department from complying with (a) a wage assignment order for child
32 support issued pursuant to chapter 26.18 RCW, (b) an order to withhold
33 and deliver issued pursuant to chapter 74.20A RCW, (c) a notice of
34 payroll deduction issued pursuant to RCW 26.23.060, (d) a mandatory
35 benefits assignment order issued by the department, (e) a court order
36 directing the department of retirement systems to pay benefits directly

1 to an obligee under a dissolution order as defined in RCW 41.50.500(3)
2 which fully complies with RCW 41.50.670 and 41.50.700, or (f) any
3 administrative or court order expressly authorized by federal law.

4 (4) Subsection (1) of this section does not exempt any pension or
5 other benefit received under this chapter from tax under Title 82A RCW
6 (sections 101 through 809 of this act), nor does it prohibit the
7 department of retirement systems from complying with the tax
8 withholding requirements of that title.

9 **Sec. 1011.** RCW 43.43.310 and 1991 c 365 s 23 are each amended to
10 read as follows:

11 WASHINGTON STATE PATROL RETIREMENT. (1) Except as provided in
12 subsections (2) (~~and~~), (3), and (4) of this section, the right of any
13 person to a retirement allowance or optional retirement allowance under
14 the provisions hereof and all moneys and investments and income thereof
15 are exempt from any state, county, municipal, or other local tax and
16 shall not be subject to execution, garnishment, attachment, the
17 operation of bankruptcy or the insolvency laws, or other processes of
18 law whatsoever and shall be unassignable except as herein specifically
19 provided.

20 (2) Subsection (1) of this section shall not prohibit the
21 department of retirement systems from complying with (a) a wage
22 assignment order for child support issued pursuant to chapter 26.18
23 RCW, (b) an order to withhold and deliver issued pursuant to chapter
24 74.20A RCW, (c) a notice of payroll deduction issued pursuant to RCW
25 26.23.060, (d) a mandatory benefits assignment order issued pursuant to
26 chapter 41.50 RCW, (e) a court order directing the department of
27 retirement systems to pay benefits directly to an obligee under a
28 dissolution order as defined in RCW 41.50.500(3) which fully complies
29 with RCW 41.50.670 and 41.50.700, or (f) any administrative or court
30 order expressly authorized by federal law.

31 (3) Subsection (1) of this section shall not be deemed to prohibit
32 a beneficiary of a retirement allowance from authorizing deductions
33 therefrom for payment of premiums due on any group insurance policy or
34 plan issued for the benefit of a group comprised of members of the
35 Washington state patrol or other public employees of the state of
36 Washington, or for contributions to the Washington state patrol
37 memorial foundation.

1 assessed valuation of all taxable property within the state adjusted to
2 the state equalized value in accordance with the indicated ratio fixed
3 by the state department of revenue. The state shall not levy a tax for
4 collection in calendar year 2005 and thereafter.

5 As used in this section, "the support of common schools" includes
6 the payment of the principal and interest on bonds issued for capital
7 construction projects for the common schools.

8 **Sec. 1202.** RCW 84.52.068 and 2001 c 3 s 5 are each amended to read
9 as follows:

10 (1) A portion of the proceeds of the state property tax levy
11 through calendar year 2004 and the state income tax beginning in
12 calendar year 2005 shall be distributed to school districts in the
13 amounts and in the manner provided in this section.

14 (2) The amount of the distribution to each school district shall be
15 based upon the average number of full-time equivalent students in the
16 school district during the previous school year, and shall be
17 calculated as follows:

18 (a) Out of taxes collected in calendar years 2001 through and
19 including 2003, an annual amount equal to one hundred forty dollars per
20 each full-time equivalent student in all school districts shall be
21 deposited in the student achievement fund to be distributed to each
22 school district based on one hundred forty dollars per full-time
23 equivalent student in the school district for each year beginning with
24 the school year 2001-2002.

25 (b) Out of taxes collected in calendar year 2004, an annual amount
26 equal to four hundred fifty dollars per full-time equivalent student in
27 all school districts shall be deposited in the student achievement fund
28 to be distributed to each school district based on four hundred fifty
29 dollars per full-time equivalent student for each year beginning with
30 the school year 2004-2005. Each subsequent year, the amount deposited
31 shall be adjusted for inflation as defined in RCW 43.135.025(~~(+7)~~)
32 (8).

33 (3) The office of the superintendent of public instruction shall
34 verify the average number of full-time equivalent students in each
35 school district from the previous school year to the state treasurer by
36 August 1st of each year.

1 **Sec. 1203.** RCW 84.52.043 and 1995 c 99 s 3 are each amended to
2 read as follows:

3 Within and subject to the limitations imposed by RCW 84.52.050 as
4 amended, the regular ad valorem tax levies upon real and personal
5 property by the taxing districts hereafter named shall be as follows:

6 (1) Levies of the senior taxing districts shall be as follows: (a)
7 ~~((The levy by the state shall not exceed three dollars and sixty cents~~
8 ~~per thousand dollars of assessed value adjusted to the state equalized~~
9 ~~value in accordance with the indicated ratio fixed by the state~~
10 ~~department of revenue to be used exclusively for the support of the~~
11 ~~common schools; (b))~~ The levy by any county shall not exceed one
12 dollar and eighty cents per thousand dollars of assessed value; ~~((e))~~
13 (b) the levy by any road district shall not exceed two dollars and
14 twenty-five cents per thousand dollars of assessed value; and ~~((d))~~
15 (c) the levy by any city or town shall not exceed three dollars and
16 thirty-seven and one-half cents per thousand dollars of assessed value.
17 However any county is hereby authorized to increase its levy from one
18 dollar and eighty cents to a rate not to exceed two dollars and forty-
19 seven and one-half cents per thousand dollars of assessed value for
20 general county purposes if the total levies for both the county and any
21 road district within the county do not exceed four dollars and five
22 cents per thousand dollars of assessed value, and no other taxing
23 district has its levy reduced as a result of the increased county levy.

24 (2) The aggregate levies of junior taxing districts and senior
25 taxing districts ~~((, other than the state,))~~ shall not exceed five
26 dollars and ninety cents per thousand dollars of assessed valuation.
27 The term "junior taxing districts" includes all taxing districts other
28 than the state, counties, road districts, cities, towns, port
29 districts, and public utility districts. The limitations provided in
30 this subsection shall not apply to: (a) Levies at the rates provided
31 by existing law by or for any port or public utility district; (b)
32 excess property tax levies authorized in Article VII, section 2 of the
33 state Constitution; (c) levies for acquiring conservation futures as
34 authorized under RCW 84.34.230; (d) levies for emergency medical care
35 or emergency medical services imposed under RCW 84.52.069; (e) levies
36 to finance affordable housing for very low-income housing imposed under
37 RCW 84.52.105; and (f) the portions of levies by metropolitan park
38 districts that are protected under RCW 84.52.120.

1 **Sec. 1204.** RCW 84.52.050 and 1973 1st ex.s. c 194 s 1 are each
2 amended to read as follows:

3 (1) Except as hereinafter provided, the aggregate of all tax levies
4 upon real and personal property by the state and all taxing districts,
5 now existing or hereafter created, shall not in any year exceed (~~one~~
6 ~~percentum~~) sixty-four one-hundredths of one percent of the true and
7 fair value of such property in money(~~(+ PROVIDED, HOWEVER, That)~~).

8 (2) Nothing herein shall prevent levies at the rates now provided
9 by law by or for any port or public utility district. The term "taxing
10 district" for the purposes of this section shall mean any political
11 subdivision, municipal corporation, district, or other governmental
12 agency authorized by law to levy, or have levied for it, ad valorem
13 taxes on property, other than a port or public utility district. Such
14 aggregate limitation or any specific limitation imposed by law in
15 conformity therewith may be exceeded only as authorized by law and in
16 conformity with the provisions of Article VII, section 2(a), (b), or
17 (c) of the Constitution of the state of Washington.

18 (3) Nothing herein contained shall prohibit the legislature from
19 allocating or reallocating the authority to levy taxes between the
20 taxing districts of the state and its political subdivisions in a
21 manner which complies with the aggregate tax limitation set forth in
22 this section.

23 **Sec. 1205.** RCW 36.58.150 and 1984 c 186 s 25 are each amended to
24 read as follows:

25 (1) A solid waste disposal district shall not have the power to
26 levy an annual levy without voter approval, but it shall have the power
27 to levy a tax, in excess of the (~~one percent~~) limitation in RCW
28 84.52.050, upon the property within the district for a one year period
29 to be used for operating or capital purposes whenever authorized by the
30 electors of the district pursuant to RCW 84.52.052 and Article VII,
31 section 2(a) of the state Constitution.

32 A solid waste disposal district may issue general obligation bonds
33 for capital purposes only, subject to the limitations prescribed in RCW
34 39.36.020(1), and may provide for the retirement of the bonds by voter-
35 approved bond retirement tax levies pursuant to Article VII, section
36 2(b) of the state Constitution and RCW 84.52.056. Such general

1 obligation bonds shall be issued and sold in accordance with chapter
2 39.46 RCW.

3 A solid waste disposal district may issue revenue bonds to fund its
4 activities. Such revenue bonds may be in any form, including bearer
5 bonds or registered bonds as provided in RCW 39.46.030.

6 (2) Notwithstanding subsection (1) of this section, such revenue
7 bonds may be issued and sold in accordance with chapter 39.46 RCW.

8 **Sec. 1206.** RCW 36.60.040 and 1983 c 303 s 11 are each amended to
9 read as follows:

10 A county rail district is not authorized to impose a regular ad
11 valorem property tax levy but may:

12 (1) Levy an ad valorem property tax, in excess of the (~~one~~
13 ~~percent~~) limitation in RCW 84.52.050, upon the property within the
14 district for a one-year period to be used for operating or capital
15 purposes whenever authorized by the voters of the district pursuant to
16 RCW 84.52.052 and Article VII, section 2(a) of the state Constitution.

17 (2) Provide for the retirement of voter approved general obligation
18 bonds, issued for capital purposes only, by levying bond retirement ad
19 valorem property tax levies, in excess of the one percent limitation,
20 whenever authorized by the voters of the district pursuant to Article
21 VII, section 2(b) of the state Constitution and RCW 84.52.056.

22 **Sec. 1207.** RCW 36.69.145 and 1994 c 156 s 3 are each amended to
23 read as follows:

24 (1) A park and recreation district may impose regular property tax
25 levies in an amount equal to sixty cents or less per thousand dollars
26 of assessed value of property in the district in each year for six
27 consecutive years when specifically authorized so to do by a majority
28 of at least three-fifths of the voters thereof approving a proposition
29 authorizing the levies submitted at a special election or at the
30 regular election of the district, at which election the number of
31 voters voting "yes" on the proposition shall constitute three-fifths of
32 a number equal to forty per centum of the number of voters voting in
33 such district at the last preceding general election when the number of
34 voters voting on the proposition does not exceed forty per centum of
35 the number of voters voting in such taxing district in the last
36 preceding general election; or by a majority of at least three-fifths

1 of the voters thereof voting on the proposition if the number of voters
2 voting on the proposition exceeds forty per centum of the number of
3 voters voting in such taxing district in the last preceding general
4 election. A proposition authorizing the tax levies shall not be
5 submitted by a park and recreation district more than twice in any
6 twelve-month period. Ballot propositions shall conform with RCW
7 29.30.111. In the event a park and recreation district is levying
8 property taxes, which in combination with property taxes levied by
9 other taxing districts subject to the (~~one percent~~) limitation
10 provided for in (~~Article 7, section 2, of our state Constitution~~)
11 RCW 84.52.050 result in taxes in excess of the limitation provided for
12 in RCW 84.52.043, the park and recreation district property tax levy
13 shall be reduced or eliminated before the property tax levies of other
14 taxing districts are reduced.

15 (2) The limitation in RCW 84.55.010 shall not apply to the first
16 levy imposed under this section following the approval of the levies by
17 the voters under subsection (1) of this section.

18 **Sec. 1208.** RCW 36.73.060 and 1987 c 327 s 6 are each amended to
19 read as follows:

20 (1) A transportation benefit district may levy an ad valorem
21 property tax in excess of the (~~one percent~~) limitation in RCW
22 84.52.050 upon the property within the district for a one-year period
23 whenever authorized by the voters of the district pursuant to RCW
24 84.52.052 and Article VII, section 2(a) of the state Constitution.

25 (2) A district may provide for the retirement of voter-approved
26 general obligation bonds, issued for capital purposes only, by levying
27 bond retirement ad valorem property tax levies in excess of the one
28 percent limitation whenever authorized by the voters of the district
29 pursuant to Article VII, section 2(b) of the state Constitution and RCW
30 84.52.056.

31 **Sec. 1209.** RCW 36.83.030 and 1983 c 130 s 3 are each amended to
32 read as follows:

33 (1) A service district may levy an ad valorem property tax, in
34 excess of the (~~one percent~~) limitation in RCW 84.52.050, upon the
35 property within the district for a one-year period whenever authorized

1 by the voters of the district pursuant to RCW 84.52.052 and Article
2 VII, section 2(a) of the state Constitution.

3 (2) A service district may provide for the retirement of voter
4 approved general obligation bonds, issued for capital purposes only, by
5 levying bond retirement ad valorem property tax levies, in excess of
6 the one percent limitation, whenever authorized by the voters of the
7 district pursuant to Article VII, section 2(b) of the state
8 Constitution and RCW 84.52.056.

9 **Sec. 1210.** RCW 36.100.050 and 1988 ex.s. c 1 s 15 are each amended
10 to read as follows:

11 (1) A public facilities district may levy an ad valorem property
12 tax, in excess of the (~~one percent~~) limitation in RCW 84.52.050, upon
13 the property within the district for a one-year period to be used for
14 operating or capital purposes whenever authorized by the voters of the
15 district pursuant to RCW 84.52.052 and Article VII, section 2(a) of the
16 state Constitution.

17 (2) A public facilities district may provide for the retirement of
18 voter-approved general obligation bonds, issued for capital purposes
19 only, by levying bond retirement ad valorem property tax levies, in
20 excess of the one percent limitation, whenever authorized by the voters
21 of the district pursuant to Article VII, section 2(b) of the state
22 Constitution and RCW 84.52.056.

23 **Sec. 1211.** RCW 67.38.130 and 1984 c 131 s 4 are each amended to
24 read as follows:

25 The governing body of a cultural arts, stadium and convention
26 district may levy or cause to levy the following ad valorem taxes:

27 (1) Regular ad valorem property tax levies in an amount equal to
28 twenty-five cents or less per thousand dollars of the assessed value of
29 property in the district in each year for six consecutive years when
30 specifically authorized so to do by a majority of at least three-fifths
31 of the electors thereof approving a proposition authorizing the levies
32 submitted at a general or special election, at which election the
33 number of persons voting "yes" on the proposition shall constitute
34 three-fifths of a number equal to forty percentum of the total votes
35 cast in such taxing district at the last preceding general election; or
36 by a majority of at least three-fifths of the electors thereof voting

1 on the proposition when the number of electors voting yes on the
2 proposition exceeds forty percentum of the total votes cast in such
3 taxing district in the last preceding general election. Ballot
4 propositions shall conform with RCW 29.30.111.

5 In the event a cultural arts, stadium and convention district is
6 levying property taxes, which in combination with property taxes levied
7 by other taxing districts subject to the (~~one percent~~) limitation
8 provided for in (~~Article VII, section 2, of our state Constitution~~)
9 RCW 84.52.050 result in taxes in excess of the limitation provided for
10 in RCW 84.52.043, the cultural arts, stadium and convention district
11 property tax levy shall be reduced or eliminated before the property
12 tax levies of other taxing districts are reduced: PROVIDED, That no
13 cultural arts, stadium, and convention district may pledge anticipated
14 revenues derived from the property tax herein authorized as security
15 for payments of bonds issued pursuant to subsection (1) of this
16 section: PROVIDED, FURTHER, That such limitation shall not apply to
17 property taxes approved pursuant to subsections (2) and (3) of this
18 section.

19 The limitation in RCW 84.55.010 shall apply to levies after the
20 first levy authorized under this section following the approval of such
21 levy by voters pursuant to this section.

22 (2) An annual excess ad valorem property tax for general district
23 purposes when authorized by the district voters in the manner
24 prescribed by (~~section 27~~) Article VII, section 2 of the state
25 Constitution and by RCW 84.52.052.

26 (3) Multi-year excess ad valorem property tax levies used to retire
27 general obligation bond issues when authorized by the district voters
28 in the manner prescribed by (~~section 27~~) Article VII, section 2 of
29 the state Constitution and by RCW 84.52.056.

30 The district shall include in its regular property tax levy for
31 each year a sum sufficient to pay the interest and principal on all
32 outstanding general obligation bonds issued without voter approval
33 pursuant to RCW 67.38.110 and may include a sum sufficient to create a
34 sinking fund for the redemption of all outstanding bonds.

35 **Sec. 1212.** RCW 84.52.010 and 2002 c 248 s 15 and 2002 c 88 s 7 are
36 each reenacted and amended to read as follows:

1 Except as is permitted under RCW 84.55.050, all taxes shall be
2 levied or voted in specific amounts.

3 The rate percent of all taxes for state and county purposes, and
4 purposes of taxing districts coextensive with the county, shall be
5 determined, calculated and fixed by the county assessors of the
6 respective counties, within the limitations provided by law, upon the
7 assessed valuation of the property of the county, as shown by the
8 completed tax rolls of the county, and the rate percent of all taxes
9 levied for purposes of taxing districts within any county shall be
10 determined, calculated and fixed by the county assessors of the
11 respective counties, within the limitations provided by law, upon the
12 assessed valuation of the property of the taxing districts
13 respectively.

14 When a county assessor finds that the aggregate rate of tax levy on
15 any property, that is subject to the limitations set forth in RCW
16 84.52.043 or 84.52.050, exceeds the limitations provided in either of
17 these sections, the assessor shall recompute and establish a
18 consolidated levy in the following manner:

19 (1) The full certified rates of tax levy for state, county, county
20 road district, and city or town purposes shall be extended on the tax
21 rolls in amounts not exceeding the limitations established by law;
22 however any state levy shall take precedence over all other levies and
23 shall not be reduced for any purpose other than that required by RCW
24 84.55.010. If, as a result of the levies imposed under RCW 84.52.069,
25 84.34.230, the portion of the levy by a metropolitan park district that
26 was protected under RCW 84.52.120, and 84.52.105, the combined rate of
27 regular property tax levies that are subject to the (~~one percent~~)
28 limitation under RCW 84.52.050 exceeds (~~one percent of the true and~~
29 ~~fair value of any property~~) the limitation under RCW 84.52.050, then
30 these levies shall be reduced as follows: (a) The portion of the levy
31 by a metropolitan park district that is protected under RCW 84.52.120
32 shall be reduced until the combined rate no longer exceeds (~~one~~
33 ~~percent of the true and fair value of any property~~) the limitation
34 under RCW 84.52.050 or shall be eliminated; (b) if the combined rate of
35 regular property tax levies that are subject to the (~~one percent~~)
36 limitation under RCW 84.52.050 still exceeds (~~one percent of the true~~
37 ~~and fair value of any property~~) the limitation under RCW 84.52.050,
38 then the levies imposed under RCW 84.34.230, 84.52.105, and any portion

1 of the levy imposed under RCW 84.52.069 that is in excess of thirty
2 cents per thousand dollars of assessed value, shall be reduced on a pro
3 rata basis until the combined rate no longer exceeds one percent of the
4 true and fair value of any property or shall be eliminated; and (c) if
5 the combined rate of regular property tax levies that are subject to
6 the one percent limitation still exceeds one percent of the true and
7 fair value of any property, then the thirty cents per thousand dollars
8 of assessed value of tax levy imposed under RCW 84.52.069 shall be
9 reduced until the combined rate no longer exceeds one percent of the
10 true and fair value of any property or eliminated.

11 (2) The certified rates of tax levy subject to these limitations by
12 all junior taxing districts imposing taxes on such property shall be
13 reduced or eliminated as follows to bring the consolidated levy of
14 taxes on such property within the provisions of these limitations:

15 (a) First, the certified property tax levy rates of those junior
16 taxing districts authorized under RCW 36.68.525, 36.69.145, 35.95A.100,
17 and 67.38.130 shall be reduced on a pro rata basis or eliminated;

18 (b) Second, if the consolidated tax levy rate still exceeds these
19 limitations, the certified property tax levy rates of flood control
20 zone districts shall be reduced on a pro rata basis or eliminated;

21 (c) Third, if the consolidated tax levy rate still exceeds these
22 limitations, the certified property tax levy rates of all other junior
23 taxing districts, other than fire protection districts, library
24 districts, the first fifty cent per thousand dollars of assessed
25 valuation levies for metropolitan park districts, and the first fifty
26 cent per thousand dollars of assessed valuation levies for public
27 hospital districts, shall be reduced on a pro rata basis or eliminated;

28 (d) Fourth, if the consolidated tax levy rate still exceeds these
29 limitations, the first fifty cent per thousand dollars of assessed
30 valuation levies for metropolitan park districts created on or after
31 January 1, 2002, shall be reduced on a pro rata basis or eliminated;

32 (e) Fifth, if the consolidated tax levy rate still exceeds these
33 limitations, the certified property tax levy rates authorized to fire
34 protection districts under RCW 52.16.140 and 52.16.160 shall be reduced
35 on a pro rata basis or eliminated; and

36 (f) Sixth, if the consolidated tax levy rate still exceeds these
37 limitations, the certified property tax levy rates authorized for fire
38 protection districts under RCW 52.16.130, library districts,

1 metropolitan park districts created before January 1, 2002, under their
2 first fifty cent per thousand dollars of assessed valuation levy, and
3 public hospital districts under their first fifty cent per thousand
4 dollars of assessed valuation levy, shall be reduced on a pro rata
5 basis or eliminated.

6 In determining whether the aggregate rate of tax levy on any
7 property, that is subject to the limitations set forth in RCW
8 84.52.050, exceeds the limitations provided in that section, the
9 assessor shall use the hypothetical state levy, as apportioned to the
10 county under RCW 84.48.080, that was computed under RCW 84.48.080
11 without regard to the reduction under RCW 84.55.012.

12 **Sec. 1213.** RCW 84.69.020 and 2002 c 168 s 11 are each amended to
13 read as follows:

14 On the order of the county treasurer, ad valorem taxes paid before
15 or after delinquency shall be refunded if they were:

- 16 (1) Paid more than once;
- 17 (2) Paid as a result of manifest error in description;
- 18 (3) Paid as a result of a clerical error in extending the tax
19 rolls;
- 20 (4) Paid as a result of other clerical errors in listing property;
- 21 (5) Paid with respect to improvements which did not exist on
22 assessment date;
- 23 (6) Paid under levies or statutes adjudicated to be illegal or
24 unconstitutional;
- 25 (7) Paid as a result of mistake, inadvertence, or lack of knowledge
26 by any person exempted from paying real property taxes or a portion
27 thereof pursuant to RCW 84.36.381 through 84.36.389, as now or
28 hereafter amended;
- 29 (8) Paid as a result of mistake, inadvertence, or lack of knowledge
30 by either a public official or employee or by any person with respect
31 to real property in which the person paying the same has no legal
32 interest;
- 33 (9) Paid on the basis of an assessed valuation which was appealed
34 to the county board of equalization and ordered reduced by the board;
- 35 (10) Paid on the basis of an assessed valuation which was appealed
36 to the state board of tax appeals and ordered reduced by the board:
37 PROVIDED, That the amount refunded under subsections (9) and (10) of

1 this section shall only be for the difference between the tax paid on
2 the basis of the appealed valuation and the tax payable on the
3 valuation adjusted in accordance with the board's order;

4 (11) Paid as a state property tax levied upon property, the
5 assessed value of which has been established by the state board of tax
6 appeals for the year of such levy: PROVIDED, HOWEVER, That the amount
7 refunded shall only be for the difference between the state property
8 tax paid and the amount of state property tax which would, when added
9 to all other property taxes within the (~~one percent~~) limitation of
10 Article VII, section 2 of the state Constitution equal (~~one percent~~)
11 the percentage under RCW 84.52.050 of the assessed value established by
12 the board;

13 (12) Paid on the basis of an assessed valuation which was
14 adjudicated to be unlawful or excessive: PROVIDED, That the amount
15 refunded shall be for the difference between the amount of tax which
16 was paid on the basis of the valuation adjudged unlawful or excessive
17 and the amount of tax payable on the basis of the assessed valuation
18 determined as a result of the proceeding;

19 (13) Paid on property acquired under RCW 84.60.050, and canceled
20 under RCW 84.60.050(2);

21 (14) Paid on the basis of an assessed valuation that was reduced
22 under RCW 84.48.065;

23 (15) Paid on the basis of an assessed valuation that was reduced
24 under RCW 84.40.039; or

25 (16) Abated under RCW 84.70.010.

26 No refunds under the provisions of this section shall be made
27 because of any error in determining the valuation of property, except
28 as authorized in subsections (9), (10), (11), and (12) of this section
29 nor may any refunds be made if a bona fide purchaser has acquired
30 rights that would preclude the assessment and collection of the
31 refunded tax from the property that should properly have been charged
32 with the tax. Any refunds made on delinquent taxes shall include the
33 proportionate amount of interest and penalties paid. However, refunds
34 as a result of an incorrect payment authorized under subsection (8) of
35 this section made by a third party payee shall not include refund
36 interest. The county treasurer may deduct from moneys collected for
37 the benefit of the state's levy, refunds of the state levy including
38 interest on the levy as provided by this section and chapter 84.68 RCW.

1 The county treasurer of each county shall make all refunds
2 determined to be authorized by this section, and by the first Monday in
3 February of each year, report to the county legislative authority a
4 list of all refunds made under this section during the previous year.
5 The list is to include the name of the person receiving the refund, the
6 amount of the refund, and the reason for the refund.

7 **Sec. 1214.** RCW 39.89.020 and 2001 c 212 s 2 are each amended to
8 read as follows:

9 The definitions in this section apply throughout this chapter
10 unless the context clearly requires otherwise.

11 (1) "Assessed value of real property" means the valuation of real
12 property as placed on the last completed assessment roll.

13 (2) "Local government" means any city, town, county, port district,
14 or any combination thereof.

15 (3) "Ordinance" means any appropriate method of taking legislative
16 action by a local government.

17 (4) "Public improvements" means:

18 (a) Infrastructure improvements within the increment area that
19 include:

20 (i) Street and road construction and maintenance;

21 (ii) Water and sewer system construction and improvements;

22 (iii) Sidewalks and streetlights;

23 (iv) Parking, terminal, and dock facilities;

24 (v) Park and ride facilities of a transit authority;

25 (vi) Park facilities and recreational areas; and

26 (vii) Storm water and drainage management systems; and

27 (b) Expenditures for any of the following purposes:

28 (i) Providing environmental analysis, professional management,
29 planning, and promotion within the increment area, including the
30 management and promotion of retail trade activities in the increment
31 area;

32 (ii) Providing maintenance and security for common or public areas
33 in the increment area; or

34 (iii) Historic preservation activities authorized under RCW
35 35.21.395.

36 (5) "Public improvement costs" means the costs of: (a) Design,
37 planning, acquisition, site preparation, construction, reconstruction,

1 rehabilitation, improvement, and installation of public improvements;
2 (b) relocating, maintaining, and operating property pending
3 construction of public improvements; (c) relocating utilities as a
4 result of public improvements; (d) financing public improvements,
5 including interest during construction, legal and other professional
6 services, taxes, insurance, principal and interest costs on general
7 indebtedness issued to finance public improvements, and any necessary
8 reserves for general indebtedness; (e) assessments incurred in
9 revaluing real property for the purpose of determining the tax
10 allocation base value that are in excess of costs incurred by the
11 assessor in accordance with the revaluation plan under chapter 84.41
12 RCW, and the costs of apportioning the taxes and complying with this
13 chapter and other applicable law; and (f) administrative expenses and
14 feasibility studies reasonably necessary and related to these costs,
15 including related costs that may have been incurred before adoption of
16 the ordinance authorizing the public improvements and the use of
17 community revitalization financing to fund the costs of the public
18 improvements.

19 (6) "Regular property taxes" means regular property taxes as
20 defined in RCW 84.04.140, except(~~(a)~~) regular property taxes
21 levied by port districts or public utility districts specifically for
22 the purpose of making required payments of principal and interest on
23 general indebtedness(~~(a) and (b) regular property taxes levied by the~~
24 ~~state for the support of the common schools under RCW 84.52.065~~).
25 Regular property taxes do not include excess property tax levies that
26 are exempt from the aggregate limits for junior and senior taxing
27 districts as provided in RCW 84.52.043.

28 (7) "Tax allocation base value" means the true and fair value of
29 real property located within an increment area for taxes imposed in the
30 year in which the increment area is created, plus twenty-five percent
31 of any increase in the true and fair value of real property located
32 within an increment area that is placed on the assessment rolls after
33 the increment area is created.

34 (8) "Tax allocation revenues" means those tax revenues derived from
35 the imposition of regular property taxes on the increment value and
36 distributed to finance public improvements.

37 (9) "Increment area" means the geographic area from which taxes are

1 to be appropriated to finance public improvements authorized under this
2 chapter.

3 (10) "Increment value" means seventy-five percent of any increase
4 in the true and fair value of real property in an increment area that
5 is placed on the tax rolls after the increment area is created.

6 (11) "Taxing districts" means a governmental entity that levies or
7 has levied for it regular property taxes upon real property located
8 within a proposed or approved increment area.

9 (12) "Value of taxable property" means the value of the taxable
10 property as defined in RCW 39.36.015.

11 **Sec. 1215.** RCW 43.99H.060 and 1991 sp.s. c 31 s 15 are each
12 amended to read as follows:

13 (1) For bonds issued for the purposes of RCW 43.99H.020(16), on
14 each date on which any interest or principal and interest payment is
15 due, the board of regents or the board of trustees of Washington State
16 University shall cause the amount computed in RCW 43.99H.040(1) to be
17 paid out of the appropriate building account or capital projects
18 account to the state treasurer for deposit into the general fund of the
19 state treasury.

20 (2) For bonds issued for the purposes of RCW 43.99H.020(15), on
21 each date on which any interest or principal and interest payment is
22 due, the state treasurer shall transfer the amount computed in RCW
23 43.99H.040(2) from the capitol campus reserve account, hereby created
24 in the state treasury, to the general fund of the state treasury. At
25 the time of sale of the bonds issued for the purposes of RCW
26 43.99H.020(15), and on or before June 30th of each succeeding year
27 while such bonds remain outstanding, the state finance committee shall
28 determine, based on current balances and estimated receipts and
29 expenditures from the capitol campus reserve account, that portion of
30 principal and interest on such RCW 43.99H.020(15) bonds which will, by
31 virtue of payments from the capitol campus reserve account, be
32 reimbursed from sources other than "general state revenues" as that
33 term is defined in Article VIII, section 1 of the state Constitution.
34 The amount so determined by the state finance committee, as from time
35 to time adjusted in accordance with this subsection, shall not
36 constitute indebtedness for purposes of the limitations set forth in
37 RCW 39.42.060.

1 (3) For bonds issued for the purposes of RCW 43.99H.020(17), on
2 each date on which any interest or principal and interest payment is
3 due, the director of the department of labor and industries shall cause
4 fifty percent of the amount computed in RCW 43.99H.040(3) to be
5 transferred from the accident fund created in RCW 51.44.010 and fifty
6 percent of the amount computed in RCW 43.99H.040(3) to be transferred
7 from the medical aid fund created in RCW 51.44.020, to the general fund
8 of the state treasury.

9 (4) For bonds issued for the purposes of RCW 43.99H.020(18), on
10 each date on which any interest or principal and interest payment is
11 due, the board of regents of the University of Washington shall cause
12 the amount computed in RCW 43.99H.040(4) to be paid out of University
13 of Washington nonappropriated local funds to the state treasurer for
14 deposit into the general fund of the state treasury.

15 (5) For bonds issued for the purposes of RCW 43.99H.020(20), on
16 each date on which any interest or principal and interest payment is
17 due, the state treasurer shall transfer the amount computed in RCW
18 43.99H.040(5) from the public safety and education account created in
19 RCW 43.08.250 to the general fund of the state treasury.

20 ~~((6) For bonds issued for the purposes of RCW 43.99H.020(4), on
21 each date on which any interest or principal and interest payment is
22 due, the state treasurer shall transfer from property taxes in the
23 state general fund levied for the support of the common schools under
24 RCW 84.52.065 to the general fund of the state treasury for
25 unrestricted use the amount computed in RCW 43.99H.040(6).))~~

26 **Sec. 1216.** RCW 43.99I.040 and 1997 c 456 s 39 are each amended to
27 read as follows:

28 ~~(1) ((On each date on which any interest or principal and interest
29 payment is due on bonds issued for the purposes of RCW 43.99I.020(4),
30 the state treasurer shall transfer from property taxes in the state
31 general fund levied for this support of the common schools under RCW
32 84.52.065 to the general fund of the state treasury for unrestricted
33 use the amount computed in RCW 43.99I.030 for the bonds issued for the
34 purposes of RCW 43.99I.020(4)).~~

35 ~~(2))~~ On each date on which any interest or principal and interest
36 payment is due on bonds issued for the purposes of RCW 43.99I.020(5),
37 the state treasurer shall transfer from higher education operating fees

1 deposited in the general fund to the general fund of the state treasury
2 for unrestricted use, or if chapter 231, Laws of 1992 (Senate Bill No.
3 6285) becomes law and changes the disposition of higher education
4 operating fees from the general fund to another account, the state
5 treasurer shall transfer the proportional share from the University of
6 Washington operating fees account, the Washington State University
7 operating fees account, and the Central Washington University operating
8 fees account the amount computed in RCW 43.99I.030 for the bonds issued
9 for the purposes of RCW 43.99I.020(6).

10 ~~((+3))~~ (2) On each date on which any interest or principal and
11 interest payment is due on bonds issued for the purposes of RCW
12 43.99I.020(6), the state treasurer shall transfer from the data
13 processing revolving fund created in RCW 43.105.080 to the general fund
14 of the state treasury the amount computed in RCW 43.99I.030 for the
15 bonds issued for the purposes of RCW 43.99I.020(6).

16 ~~((+4))~~ (3) On each date on which any interest or principal and
17 interest payment is due on bonds issued for the purpose of RCW
18 43.99I.020(7), the Washington state dairy products commission shall
19 cause the amount computed in RCW 43.99I.030 for the bonds issued for
20 the purposes of RCW 43.99I.020(7) to be paid out of the commission's
21 general operating fund to the state treasurer for deposit into the
22 general fund of the state treasury.

23 ~~((+5))~~ (4) The higher education operating fee accounts for the
24 University of Washington, Washington State University, and Central
25 Washington University established by chapter 231, Laws of 1992 and
26 repealed by chapter 18, Laws of 1993 1st sp. sess. are reestablished in
27 the state treasury for purposes of fulfilling debt service
28 reimbursement transfers to the general fund required by bond
29 resolutions and covenants for bonds issued for purposes of RCW
30 43.99I.020(5).

31 ~~((+6))~~ (5) For bonds issued for purposes of RCW 43.99I.020(5), on
32 each date on which any interest or principal and interest payment is
33 due, the board of regents or board of trustees of the University of
34 Washington, Washington State University, or Central Washington
35 University shall cause the amount as determined by the state treasurer
36 to be paid out of the local operating fee account for deposit by the
37 universities into the state treasury higher education operating fee
38 accounts. The state treasurer shall transfer the proportional share

1 from the University of Washington operating fees account, the
2 Washington State University operating fees account, and the Central
3 Washington University operating fees account the amount computed in RCW
4 43.99I.030 for the bonds issued for the purposes of RCW 43.99I.020(6)
5 to reimburse the general fund.

6 **Sec. 1217.** RCW 76.12.120 and 2000 c 148 s 2 are each amended to
7 read as follows:

8 Except as provided in RCW 76.12.125, all land, acquired or
9 designated by the department as state forest land, shall be forever
10 reserved from sale, but the timber and other products thereon may be
11 sold or the land may be leased in the same manner and for the same
12 purposes as is authorized for state granted land if the department
13 finds such sale or lease to be in the best interests of the state and
14 approves the terms and conditions thereof.

15 Except as provided in RCW 79.12.035, all money derived from the
16 sale of timber or other products, or from lease, or from any other
17 source from the land, except where the Constitution of this state or
18 RCW 76.12.030 requires other disposition, shall be disposed of as
19 follows:

20 (1) Fifty percent shall be placed in the forest development
21 account.

22 (2) Fifty percent shall be prorated and distributed to the state
23 general fund, to be dedicated for the benefit of the public schools,
24 and the county in which the land is located according to the relative
25 proportions of tax levies of all taxing districts in the county. The
26 portion to be distributed to the state general fund shall be based on
27 the (~~regular school levy rate under RCW 84.52.065 as now or hereafter~~
28 ~~amended and the levy rate for any maintenance and operation special~~
29 ~~school levies~~) amounts appropriated for common schools by the
30 legislature. With regard to the portion to be distributed to the
31 counties, the department shall certify to the state treasurer the
32 amounts to be distributed within seven working days of receipt of the
33 money. The state treasurer shall distribute funds to the counties four
34 times per month, with no more than ten days between each payment date.
35 The money distributed to the county shall be paid, distributed, and
36 prorated to the various other funds in the same manner as general taxes
37 are paid and distributed during the year of payment.

1 **PART XIII**
2 **MISCELLANEOUS**

3 NEW SECTION. **Sec. 1301.** SEVERABILITY. If any provision of this
4 act or its application to any person or circumstance is held invalid,
5 the remainder of the act or the application of the provision to other
6 persons or circumstances is not affected.

7 NEW SECTION. **Sec. 1302.** CAPTIONS AND PART HEADINGS. Captions and
8 part headings as used in this act constitute no part of the law.

9 NEW SECTION. **Sec. 1303.** CODIFICATION. Sections 101 through 809
10 of this act constitute a new title in the Revised Code of Washington,
11 to be codified as Title 82A RCW.

12 NEW SECTION. **Sec. 1304.** CONTINGENT EFFECTIVE DATE. If the
13 proposed amendment to Article VII of the state Constitution authorizing
14 income taxes (SJR) is validly submitted and is approved and
15 ratified by the voters at a general election held in November 2003,
16 then section 1201 of this act takes effect January 1, 2004, and the
17 remainder of this act takes effect January 1, 2005. If the proposed
18 amendment is not approved and ratified, this entire act shall be null
19 and void in its entirety.

20 NEW SECTION. **Sec. 1305.** Sections 1201 through 1217 of this act
21 apply to taxes levied for collection in 2005.

22 NEW SECTION. **Sec. 1306.** RCW 84.52.068 is recodified as a section
23 in Title 82A RCW, created in section 1303 of this act.

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