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**SENATE BILL 6017**

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**State of Washington**

**66th Legislature**

**2019 Regular Session**

**By** Senators Nguyen, Wellman, Kuderer, Hasegawa, Lovelett, Salomon, Saldaña, and Hunt

Read first time 04/17/19. Referred to Committee on Ways & Means.

1 AN ACT Relating to providing progressive tax reform by imposing  
2 an excise tax on annual compensation in excess of one million  
3 dollars; adding a new chapter to Title 50A RCW; and prescribing  
4 penalties.

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

6 NEW SECTION. **Sec. 1.** DEFINITIONS. The definitions in this  
7 section apply throughout this chapter unless the context clearly  
8 requires otherwise.

9 (1) "Commissioner" means the commissioner of the department  
10 defined in subsection (2) of this section.

11 (2) "Department" has the same meaning as in RCW 50A.04.010.

12 (3) "Employee" means an individual who is in the employment of an  
13 employer. The term "employee" includes individuals who are self-  
14 employed, sole proprietors, members of a limited liability company,  
15 partners of a partnership, governors as defined in RCW 23.95.105, and  
16 any other employer.

17 (4) "Employer" has the same meaning as in RCW 50A.04.010. For  
18 purposes of this chapter, an individual can be both an employer and  
19 an employee.

20 (5) "Employment" means personal service, of whatever nature, as  
21 known to the common law or any other legal relationship performed for

1 wages or under any contract calling for the performance of personal  
2 services, written or oral, express or implied. The term "employment"  
3 includes an individual's entire service performed within or without  
4 or both within and without this state, if:

5 (a) The service is localized in this state; or

6 (b) The service is not localized in any state, but some of the  
7 service is performed in this state; and

8 (i) The base of operations of the employee is in this state, or  
9 if there is no base of operations, then the place from which such  
10 service is directed or controlled is in this state; or

11 (ii) The base of operations or place from which such service is  
12 directed or controlled is not in any state in which some part of the  
13 service is performed, but the individual's residence is in this  
14 state.

15 (6) "Service is localized in this state" has the same meaning as  
16 provided in RCW 50.04.120.

17 (7) "Wage" or "wages" has the same meaning as provided in RCW  
18 50A.04.010.

19 NEW SECTION. **Sec. 2.** EXCESS COMPENSATION TAX. (1) Beginning

20 January 1, 2020, the department must assess for each employee in  
21 employment of an employer an excess compensation tax on the employer  
22 based on the amount of an employee's wages at the rates established  
23 in subsection (2) of this section. Each employer must remit the tax  
24 to the department in a manner specified by the department.

25 (2) (a) (i) **Tier I.** Wages received by an employee from an employer  
26 during a calendar year that exceed \$999,999.99 but that do not exceed  
27 \$4,999,999.99 must be taxed at a rate of five percent.

28 (ii) **Tier II.** Wages received by an employee from an employer  
29 during a calendar year that exceed \$4,999,999.99 but that do not  
30 exceed \$9,999,999.99 must be taxed at a rate of seven and one-half  
31 percent.

32 (iii) **Tier III.** Wages received by an employee from an employer  
33 during a calendar year that exceed \$9,999,999.99 must be taxed at a  
34 rate of ten percent.

35 (b) In the payment of any taxes, a fractional part of a cent is  
36 disregarded unless it amounts to one-half cent or more, in which case  
37 it is increased to one cent.

1        NEW SECTION.        **Sec. 3.**        EMPLOYER REQUIREMENTS.    Employer  
2 requirements for this chapter are the same as the requirements in RCW  
3 50A.04.080 (1) through (3).

4        NEW SECTION.        **Sec. 4.**        EMPLOYER PENALTIES.    (1) Employers are  
5 subject to the penalties in RCW 50A.04.090 (1), (4), and (5).

6        (2) An employer who willfully fails to remit the full amount of  
7 the tax when due is liable, in addition to the full amount of the tax  
8 due and amounts assessed interest under section 6 of this act to a  
9 penalty equal to the tax and interest.

10       (3) Any moneys under this section must be deposited into the  
11 general fund of the state.

12       NEW SECTION.        **Sec. 5.**        PROCESSES. To the extent not inconsistent  
13 with the provisions of this chapter, the following statutes govern  
14 the administration of the excess compensation tax act: RCW  
15 50A.04.080,        50A.04.090,        50A.04.125,        50A.04.130,        50A.04.135,  
16 50A.04.145,        50A.04.155 through 50A.04.185,        50A.04.265,        50A.04.500,  
17 50A.04.505,        50A.04.515,        50A.04.520,        50A.04.530 through 50A.04.580,  
18 and 50A.04.595.

19       NEW SECTION.        **Sec. 6.**        DELINQUENCY—ACCRUAL OF INTEREST. If taxes  
20 are not paid on the date on which they are due and payable as  
21 prescribed by the commissioner, the whole or part thereof remaining  
22 unpaid must bear interest at the rate of one percent per month or  
23 fraction thereof from and after such date until payment plus accrued  
24 interest is received by the commissioner. The date as of which  
25 payment of taxes, if mailed, is deemed to have been received may be  
26 determined by such rules as the commissioner may prescribe. Interest  
27 collected pursuant to this section must be paid into the general fund  
28 of the state. Interest may not accrue on taxes from any estate in the  
29 hands of a receiver, executor, administrator, trustee in bankruptcy,  
30 common law assignee, or other liquidating officer subsequent to the  
31 date when such receiver, executor, administrator, trustee in  
32 bankruptcy, common law assignee, or other liquidating officer  
33 qualifies as such, but taxes accruing with respect to employment of  
34 persons by any receiver, executor, administrator, trustee in  
35 bankruptcy, common law assignee, or other liquidating officer become  
36 due and draw interest in the same manner as taxes due from other  
37 employers. Where adequate information has been furnished to the

1 department and the department has failed to act or has advised the  
2 employer of no liability or inability to decide the issue, interest  
3 may be waived.

4 NEW SECTION. **Sec. 7.** COLLECTION BY DISTRAINT, SEIZURE, AND SALE  
5 —PROCEDURE. The commissioner, upon making a distraint, must seize the  
6 property and must make an inventory of the property distrained, a  
7 copy of which must be mailed to the owner of such property or  
8 personally delivered to him or her, and must specify the time and  
9 place when such property must be sold. A notice specifying the  
10 property to be sold and the time and place of sale must be posted in  
11 at least two public places in the county wherein the seizure has been  
12 made. The time of sale may be not less than ten nor more than twenty  
13 days from the date of posting of such notices. The sale may be  
14 adjourned from time to time at the discretion of the commissioner,  
15 but not for a time to exceed in all sixty days. The sale must be  
16 conducted by the commissioner or his or her authorized representative  
17 who proceeds to sell such property by parcel or by lot at a public  
18 auction, and who may set a minimum price to include the expenses of  
19 making a levy and of advertising the sale, and if the amount bid for  
20 such property at the sale is not equal to the minimum price so fixed,  
21 the commissioner or his or her representative may declare such  
22 property to be purchased by the department for such minimum price. In  
23 such event the delinquent account must be credited with the amount  
24 for which the property has been sold. Property acquired by the  
25 department as prescribed in this section may be sold by the  
26 commissioner or his or her representative at public or private sale,  
27 and the amount realized must be placed in the general fund of the  
28 state. In all cases of sale, as provided in this section, the  
29 commissioner must issue a bill of sale or a deed to the purchaser and  
30 such bill of sale or deed is prima facie evidence of the right of the  
31 commissioner to make such sale and conclusive evidence of the  
32 regularity of his or her proceeding in making the sale, and must  
33 transfer to the purchaser all right, title, and interest of the  
34 delinquent employer in said property. The proceeds of any such sale,  
35 except in those cases wherein the property has been acquired by the  
36 department, must be first applied by the commissioner in satisfaction  
37 of the delinquent account, and out of any sum received in excess of  
38 the amount of delinquent taxes, interest, and penalties the  
39 administration fund must be reimbursed for the costs of distraint and

1 sale. Any excess that thereafter remains in the hands of the  
2 commissioner must be refunded to the delinquent employer. Sums so  
3 refundable to a delinquent employer may be subject to seizure or  
4 distraint in the hands of the commissioner by any other taxing  
5 authority of the state or its political subdivisions.

6 NEW SECTION. **Sec. 8.** UNCOLLECTIBLE ACCOUNTS. The commissioner  
7 may charge off as uncollectible and no longer an asset of the general  
8 fund of the state, any delinquent taxes, interest, penalties, or  
9 credits if the commissioner is satisfied that there are no cost-  
10 effective means of collecting the taxes, interest, penalties,  
11 credits, or benefit overpayments.

12 NEW SECTION. **Sec. 9.** DEPOSITING FUNDS. Moneys received by the  
13 state under this chapter must be deposited in the general fund of the  
14 state.

15 NEW SECTION. **Sec. 10.** PROCUREMENT EXEMPTION. The department is  
16 exempt from the requirements of chapter 39.26 RCW until July 1, 2020,  
17 for purposes of implementing chapter 50A.--- RCW (the new chapter  
18 created in section 12 of this act).

19 NEW SECTION. **Sec. 11.** SHORT TITLE. This act may be known and  
20 cited as the excess compensation tax act.

21 NEW SECTION. **Sec. 12.** CODIFICATION. Sections 1 through 11 of  
22 this act constitute a new chapter in Title 50A RCW.

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