
SENATE BILL 5554

State of Washington

67th Legislature

2022 Regular Session

By Senator Hasegawa

Prefiled 12/17/21.

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

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

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

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

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

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

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

4 (a) Sales and use taxes;

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

7 (c) Property taxes.

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

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

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

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

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