
HOUSE BILL 2738

State of Washington

69th Legislature

2026 Regular Session

By Representative Walen

Read first time 02/19/26. Referred to Committee on Finance.

1 AN ACT Relating to establishing an income tax on individuals with
2 Washington taxable income over \$1,000,000 per year and households
3 with income over \$2,000,000 per year, contingent on the passage of a
4 constitutional amendment authorizing such an income tax; amending RCW
5 82.32.050, 82.32.060, 82.32.090, 2.10.180, 2.12.090, 6.15.020,
6 41.24.240, 41.32.052, 41.34.080, 41.35.100, 41.40.052, 41.44.240,
7 41.26.053, 43.43.310, 82.08.0206, 82.04.4451, 82.32.045, 82.04.288,
8 and 1.90.100; amending 2023 c 456 s 3 (uncodified); reenacting and
9 amending RCW 82.08.020; adding a new section to chapter 82.08 RCW;
10 adding a new section to chapter 82.12 RCW; adding a new Title to the
11 Revised Code of Washington to be codified as Title 82A RCW; creating
12 new sections; prescribing penalties; providing an effective date;
13 providing a contingent effective date; and providing an expiration
14 date.

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

16 **PART I**
17 **DEFINITIONS**

18 NEW SECTION. **Sec. 101.** DEFINITIONS. The definitions in this
19 section apply throughout this chapter unless the context clearly
20 requires otherwise.

1 (1) "Capital asset" has the same meaning as provided in chapter
2 82.87 RCW.

3 (2) "Department" means the department of revenue of the state of
4 Washington.

5 (3) "Federal adjusted gross income" means adjusted gross income
6 as determined under section 62 of the internal revenue code.

7 (4) "Individual" means a natural person.

8 (5) "Internal revenue code" means the United States internal
9 revenue code of 1986, as amended and in effect on January 1, 2026, or
10 such subsequent date as the department may provide by rule consistent
11 with the purpose of this chapter.

12 (6) "Long-term capital asset," "long-term capital gain," and
13 "long-term capital loss" have the same meanings as provided in
14 chapter 82.87 RCW.

15 (7) "Pass-through entity" means a disregarded entity for federal
16 tax purposes, such as a partnership, limited liability company, or S
17 corporation.

18 (8)(a) "Resident" means an individual:

19 (i) Who is domiciled in this state during the taxable year,
20 unless the individual (A) maintained no permanent place of abode in
21 this state during the entire taxable year, (B) maintained a permanent
22 place of abode outside of this state during the entire taxable year,
23 and (C) spent in the aggregate not more than 30 days of the taxable
24 year in this state; or

25 (ii) Who is not domiciled in this state during the taxable year,
26 but maintained a place of abode and was physically present in this
27 state for more than 183 days during the taxable year.

28 (b) For purposes of this subsection, "day" means a calendar day
29 or any portion of a calendar day.

30 (c) An individual who is a resident under (a) of this subsection
31 is a resident for that portion of a taxable year in which the
32 individual was domiciled in this state or maintained a place of abode
33 in this state.

34 (9) "Taxable year" means the taxpayer's taxable year as defined
35 under section 7701(a)(23) of the internal revenue code.

36 (10) "Taxpayer" means an individual receiving income subject to
37 tax under this chapter.

38 (11) "Washington base income" means federal adjusted gross income
39 as modified under sections 302 through 305 and 401 through 407 of
40 this act.

1 (12) "Washington taxable income" means Washington base income as
2 further modified by sections 306 through 309 of this act.

3 NEW SECTION. **Sec. 102.** UNDEFINED TERMS—CONFORMITY WITH FEDERAL
4 INTERNAL REVENUE CODE. Any term used in this chapter has the same
5 meaning as when used in a comparable context in the internal revenue
6 code, unless a different meaning is clearly required or the term is
7 specifically defined in this chapter.

8 **PART II**
9 **DETERMINATION OF TAX**

10 NEW SECTION. **Sec. 201.** TAX IMPOSED—RATES. (1) Beginning January
11 1, 2028, a tax is imposed on the receipt of Washington taxable
12 income. Only individuals are subject to payment of the tax, which
13 equals 9.90 percent multiplied by an individual's Washington taxable
14 income.

15 (2) If an individual's Washington taxable income is less than
16 zero for a taxable year, no tax is due under this section and no
17 amount is allowed as a carryover for use in the calculation of that
18 individual's Washington taxable income, for any taxable year. To the
19 extent that a loss carryforward is included in an individual's
20 adjusted gross income and the loss carryforward is derived from or
21 connected with sources in this state, the loss carryforward is
22 included in the calculation of that individual's Washington taxable
23 income.

24 NEW SECTION. **Sec. 202.** DISTRIBUTION OF TAX REVENUES. (1) Taxes
25 collected under this chapter must be deposited as follows:

26 (a) Seven percent to the local government public defense funding
27 stabilization account created in section 711 of this act; and

28 (b) The remainder to the state general fund to fund the sales and
29 use tax relief in sections 903, 904, and 909 of this act, the working
30 families' tax credit program, including its expansion in section 901
31 of this act, and the business and occupation tax relief in sections
32 905 and 906 of this act.

33 (2) All interest and penalties collected under this chapter must
34 be deposited in the state general fund.

1 NEW SECTION. **Sec. 203.** CREDIT FOR INCOME TAXES DUE ANOTHER
2 JURISDICTION. (1) A resident individual is allowed a credit against
3 the tax imposed under this chapter for the amount of any income tax
4 paid to another state, or political subdivision of the state, on
5 income taxed under this chapter, subject to the following conditions,
6 which must be imposed separately with respect to each taxing
7 jurisdiction:

8 (a) The credit is allowed only for taxes paid to the other
9 jurisdiction on net income from sources within that jurisdiction that
10 is included in the individual's Washington base income; and

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

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

14 (ii) The amount of tax due under this chapter before application
15 of credits allowable by this chapter, multiplied by a fraction. The
16 numerator of the fraction is the amount of the taxpayer's federal
17 adjusted gross income subject to tax in the other jurisdiction. The
18 denominator of the fraction is the taxpayer's total Washington base
19 income. The fraction may never be greater than one.

20 (2) If the laws of the other taxing jurisdiction contain a
21 provision exempting a resident of this state from liability for the
22 payment of income taxes on income earned for personal services
23 performed in such jurisdiction, then the department may enter into a
24 reciprocal agreement with such jurisdiction providing a similar tax
25 exemption on income earned for personal services performed in this
26 state.

27 NEW SECTION. **Sec. 204.** CREDIT FOR BUSINESS AND OCCUPATION AND
28 PUBLIC UTILITY TAXES. (1) Beginning in tax year 2028 with taxes due
29 in 2029, to avoid taxing the same Washington taxable income under the
30 business and occupation tax or public utility tax and the tax imposed
31 under this chapter, a nonrefundable credit is allowed against taxes
32 due under this chapter on income that is also subject to the tax
33 imposed under chapter 82.04 or 82.16 RCW. The credit is equal to the
34 amount of tax paid under chapter 82.04 or 82.16 RCW for income
35 included in both the calculation of the tax paid under chapter 82.04
36 or 82.16 RCW and the tax imposed under this chapter.

37 (2) The credit under this section is earned in regard to income
38 reportable for federal income tax purposes and may be claimed against
39 taxes due under this chapter, for the tax reporting period in which

1 the income is reportable for federal income tax purposes. The credit
2 claimed for a tax reporting period may not exceed the tax otherwise
3 due under this chapter for that tax reporting period. Unused credit
4 may not be carried forward or backward to another tax reporting
5 period. No refunds may be granted for unused credit under this
6 section.

7 NEW SECTION. **Sec. 205.** CREDIT FOR WASHINGTON CAPITAL GAINS
8 TAXES. Beginning in tax year 2028 with taxes due in 2029, a
9 nonrefundable credit is allowed against taxes due under this chapter
10 for the amount of tax imposed on Washington capital gains for the
11 same tax year. "Washington capital gains" has the same meaning as
12 provided in RCW 82.87.020.

13 NEW SECTION. **Sec. 206.** CREDIT FOR PASS-THROUGH ENTITY TAX
14 PAYMENTS. Beginning in tax year 2028 for taxes due in 2029, a credit
15 is allowed against taxes due under this chapter for the amount of the
16 tax expense incurred by a pass-through entity under section 502 of
17 this act attributable to the owner as provided in section 502(3) of
18 this act. For a resident, the credit under this section must be
19 reduced by the amount of any credit claimed under section 203 of this
20 act based on the same Washington taxable income.

21 NEW SECTION. **Sec. 207.** CARRYFORWARDS AND CARRYBACKS. The amount
22 of tax credits received by any taxpayer under sections 203 through
23 206 of this act may not exceed the total amount of tax due for that
24 reporting period; however, the carryback or carryforward of any
25 unused excess credits is allowed.

26 **PART III**
27 **ADJUSTED GROSS INCOME MODIFICATIONS**

28 NEW SECTION. **Sec. 301.** INTRODUCTORY. In computing Washington
29 base income for a taxable year, modifications must be made to the
30 taxpayer's federal adjusted gross income as required under sections
31 302 through 305 and 401 through 407 of this act, unless the
32 modification has the effect of duplicating an item of income or
33 deduction. If an item of income is excluded from federal adjusted
34 gross income, including income derived directly from treaty-protected
35 tribal rights, it is excluded from the tax under this chapter unless

1 specifically included as provided in sections 302 through 305 of this
2 act.

3 NEW SECTION. **Sec. 302.** LONG-TERM CAPITAL GAINS AND LOSSES. (1)
4 In computing a taxpayer's Washington base income, the taxpayer must
5 deduct from the taxpayer's federal adjusted gross income any long-
6 term capital gains that have been included in computing federal
7 adjusted gross income.

8 (2) In computing a taxpayer's Washington base income, a taxpayer
9 must add to the taxpayer's federal adjusted gross income any long-
10 term capital losses that have been included in computing federal
11 adjusted gross income.

12 (3) After making the modifications required under subsections (1)
13 and (2) of this section, in computing a taxpayer's Washington base
14 income, a taxpayer must add to the taxpayer's federal adjusted gross
15 income the amount of Washington capital gains subject to tax under
16 chapter 82.87 RCW for the same taxable year, plus the amounts
17 deducted under RCW 82.87.060 (1) and (4). This subsection (3) applies
18 only to taxpayers owing tax under chapter 82.87 RCW for that taxable
19 year. "Washington capital gains" has the same meaning as provided in
20 RCW 82.87.020.

21 NEW SECTION. **Sec. 303.** STATE AND LOCAL OBLIGATIONS. In
22 computing a taxpayer's Washington base income, the taxpayer must add
23 to the taxpayer's federal adjusted gross income any income that has
24 been excluded under section 103 of the internal revenue code in
25 computing federal adjusted gross income, except interest on
26 obligations of the state of Washington or political subdivisions of
27 the state of Washington.

28 NEW SECTION. **Sec. 304.** STATE AND LOCAL INCOME TAXES—BUSINESS
29 AND OCCUPATION AND PUBLIC UTILITY TAXES. In computing a taxpayer's
30 Washington base income, the taxpayer must add to the taxpayer's
31 federal adjusted gross income:

32 (1) Taxes on or measured by net income which have been deducted
33 under the internal revenue code in computing federal adjusted gross
34 income;

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

1 NEW SECTION. **Sec. 305.** FEDERAL OBLIGATIONS. In computing a
2 taxpayer's Washington base income, the taxpayer must deduct, to the
3 extent included, from the taxpayer's federal adjusted gross income,
4 any income derived from obligations of the United States that this
5 state is prohibited by federal law from subjecting to a net income
6 tax. However, the amount deducted under this section must be reduced
7 by any expense, including amortizable bond premiums, incurred in the
8 production of such income to the extent the expense has been deducted
9 in calculating federal adjusted gross income.

10 NEW SECTION. **Sec. 306.** CHARITABLE CONTRIBUTIONS. In determining
11 a taxpayer's Washington taxable income, the taxpayer may deduct from
12 their Washington base income the amount of charitable contributions
13 they claimed for the taxable year under section 170 of the internal
14 revenue code, up to a maximum deduction of \$100,000 per individual,
15 or in the case of spouses or domestic partners, their combined
16 charitable deduction is limited to \$100,000, regardless of whether
17 they file joint or separate returns.

18 NEW SECTION. **Sec. 307.** PASS-THROUGH ENTITY PAYMENTS. (1) In
19 computing a taxpayer's Washington taxable income, the taxpayer must
20 add to the taxpayer's Washington base income the taxpayer's
21 distributive share of the tax expense or loss incurred by a pass-
22 through entity under section 502 of this act to the extent the
23 expense has been deducted in calculating the taxpayer's federal
24 adjusted gross income.

25 (2) The taxpayer must also deduct any income derived from a pass-
26 through entity that was added in calculating the taxpayer's federal
27 adjusted income.

28 (3) The taxpayer must add the taxpayer's distributions from pass-
29 through entities as reported on the taxpayer's federal schedule K-1
30 form and apportioned pursuant to section 402 of this act.

31 NEW SECTION. **Sec. 308.** In determining a taxpayer's Washington
32 taxable income, the taxpayer may deduct from the taxpayer's
33 Washington base income the amount deposited in a capital construction
34 fund under section 7518 of the internal revenue code if the amount
35 has reduced the taxpayer's federal taxable income for the taxable
36 year.

1 NEW SECTION. **Sec. 309.** ONE MILLION DOLLAR STANDARD DEDUCTION.

2 In computing a taxpayer's Washington taxable income, a taxpayer may
3 deduct from the taxpayer's Washington base income a standard
4 deduction of \$1,000,000 per individual, or in the case of spouses or
5 domestic partners, their combined standard deduction is \$2,000,000.
6 The amount of the standard deduction must be annually adjusted
7 pursuant to section 311 of this act. The standard deduction must be
8 adjusted for nonresidents as provided in section 310 of this act.

9 NEW SECTION. **Sec. 310.** ADJUSTMENT OF DEDUCTIONS FOR

10 NONRESIDENTS. The deduction from Washington base income allowed under
11 section 309 of this act for individual taxpayers who are not
12 residents of this state for the entire taxable year must be reduced
13 by multiplying the amount of the deduction by a fraction. The
14 numerator of the fraction is the individual's Washington base income.
15 The denominator of the fraction is the individual's federal adjusted
16 gross income from all sources. The fraction may never be greater than
17 one.

18 NEW SECTION. **Sec. 311.** INDEX FOR INFLATION. (1) Beginning

19 October 2029 and each October thereafter, the department must adjust
20 the standard deduction under section 309 of this act by multiplying
21 the current standard deduction amount by one plus the percentage by
22 which the most current consumer price index available on October 1st
23 of the current year exceeds the consumer price index for the prior
24 12-month period, and rounding the result to the nearest \$1,000. If an
25 adjustment under this subsection (1) would reduce the standard
26 deduction amount, the department must not adjust the amounts for use
27 in the following year. The department must publish the adjusted
28 standard deduction amount on its public website by October 31st of
29 each year. The adjusted standard deduction amount calculated under
30 this subsection (1) takes effect for taxes due in the following
31 calendar year.

32 (2) For purposes of this section, the following definitions
33 apply:

34 (a) "Consumer price index" means the consumer price index for all
35 urban consumers, all items, for the Seattle area as calculated by the
36 United States bureau of labor statistics or its successor agency.

37 (b) "Seattle area" means the geographic area sample that includes
38 Seattle and surrounding areas.

PART IV
DIVISION OF INCOME

NEW SECTION. **Sec. 401.** ALLOCATION AND APPORTIONMENT OF INCOME.

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

(2) For nonresident individuals, income derived from sources within this state must be allocated to this state. Income derived from sources within this state means:

(a) Wages and other compensation from employment within this state as provided in section 403 of this act;

(b) Compensation attributable to professional athletics as provided in section 404 of this act;

(c) Income of a nonresident student athlete derived from the commercial use of the student athlete's name, image, or likeness as provided in section 407 of this act;

(d) Amounts attributable to any business, trade, profession, or occupation carried on within this state, including an individual's distributive share of income from a pass-through entity operating within this state as provided in section 402 of this act, to the extent determined under section 405 of this act;

(e) Rents, short-term gains, and other amounts attributable to the ownership or disposition of any interest in real or tangible personal property in this state; and

(f) Income from intangible personal property, including annuities, dividends, interest, and gains from the disposition of intangible personal property, to the extent that the intangible personal property was employed in a business, trade, profession, or occupation carried on within this state.

(3) Deductible expenses, capital losses, and net operating losses of a nonresident are based solely on income, gains, losses, and deductible expenses derived from or connected with sources in this state but are otherwise determined in the same manner as the corresponding federal deductions except as provided in this chapter.

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

1 NEW SECTION. **Sec. 402.** PASS-THROUGH ENTITIES—DISTRIBUTIVE

2 SHARE. (1) Income derived from sources within this state include an
3 apportioned share of the individual's distributive share of income,
4 gains, losses, and deductions from pass-through entities that operate
5 in the state, as provided in subsection (2) of this section.

6 (2) The tax due under this chapter for partners, members, or
7 shareholders of a pass-through entity are computed by including a pro
8 rata share of the Washington base income and the credits allowed
9 under sections 203 through 205 of this act, if the modification or
10 credit relates to the income of the pass-through entity. Each
11 member's, partner's, or shareholder's pro rata share of a
12 modification or credit is the amount of modification or credit
13 multiplied by a fraction. The numerator of the fraction is the
14 member's, partner's, or shareholder's distributive share of pass-
15 through income. The denominator of the fraction is the total income
16 of the pass-through entity. The fraction may never be greater than
17 one.

18 (3) The following definitions apply throughout this section.

19 (a) "Pass-through income" includes both distributed and
20 undistributed federal taxable income of the pass-through entity.

21 (b) "Pro rata share" means pro rata share as reflected on the
22 member's, partner's, or shareholder's federal schedule K-1 form.

23 NEW SECTION. **Sec. 403.** GENERAL RULE FOR ALLOCATING NONRESIDENT

24 INCOME DERIVED FROM COMPENSATION TO WASHINGTON. (1) Unless provided
25 otherwise in this chapter, a nonresident individual is subject to tax
26 on the portion of federal adjusted gross income derived from
27 employment within the state of Washington, regardless of the location
28 of the commercial domicile of the employer.

29 (2) Compensation for services performed by a nonresident as part
30 of their employment must be allocated to this state to the extent
31 such services are rendered within the state. If services are
32 performed both within and outside the state, the compensation must be
33 apportioned based on the ratio of days worked in the state to total
34 days worked, or by another reasonable method approved by the
35 department.

36 (3) For the purpose of this section, the following definitions
37 apply:

38 (a) "Compensation" means wages, salaries, commissions, and any
39 other form of remuneration paid to employees for personal services.

1 (b) "Employer" means any individual or type of organization,
2 including any partnership, association, trust, estate, joint stock
3 company, insurance company, limited liability company, or
4 corporation, whether domestic or foreign, or the receiver, trustee in
5 bankruptcy, trustee, or the legal representative of a deceased
6 person, having any person in employment or, having become an
7 employer, has not ceased to be an employer as provided in this
8 chapter.

9 (c) "Employment" means personal service, of whatever nature, as
10 known to the common law or any other legal relationship performed for
11 an employer by an individual for compensation or under any contract
12 calling for the performance of personal services, written or oral,
13 express or implied, where the employer is subject to tax under RCW
14 50.24.010 on any portion of compensation paid by the employer to the
15 individual for the performance of the personal services.

16 NEW SECTION. **Sec. 404.** APPORTIONING INCOME FOR NONRESIDENT
17 MEMBERS OF A PROFESSIONAL ATHLETIC TEAM. (1) For nonresident members
18 of a professional athletic team, the portion of compensation
19 attributable to athletic performances in the state must be
20 apportioned to Washington as provided under this section.

21 (2)(a) The portion of the compensation of a member of a
22 professional athletic team apportioned to Washington is that portion
23 of compensation received for the tax year that bears the same ratio
24 to total compensation received for the tax year as the number of duty
25 days within this state bears to the total number of duty days spent
26 both within and outside this state during the tax year.

27 (b) Notwithstanding the description of the portion of
28 compensation subject to apportionment to the state of Washington
29 under this subsection, the department may provide by rule alternative
30 methodologies for determining the portion of compensation subject to
31 apportionment to the state of Washington that the department
32 determines to be fair and equitable.

33 (3)(a) A person who transacts business in the state of Washington
34 and who pays wages, salary, bonuses, or other taxable income to a
35 member of a professional athletic team, must submit a report to the
36 department each year indicating any member of a professional athletic
37 team who may be reasonably assumed to owe tax under this chapter for
38 the calendar year.

1 (b) The report required under (a) of this subsection (3) must
2 include:

3 (i) The total amount of compensation paid during the year to the
4 members of the professional athletic team for which the report is
5 being made;

6 (ii) A roster of the members of the professional athletic team
7 for which the report is being made who were members at any time
8 during the year, that lists for each member:

9 (A) A taxpayer identification number;

10 (B) Compensation paid to the member; and

11 (C) The number of duty days in this state and the total number of
12 duty days for the year; and

13 (iii) Any other information the department may require by rule.

14 (c) The report must be filed with the department on or before
15 April 15th following the year for which the report is being made or
16 at another time as the department may require by rule.

17 (4) The definitions in this subsection apply throughout this
18 section unless the context clearly requires otherwise.

19 (a) "Compensation" means wages, salaries, bonuses, and any other
20 income included with federal adjusted gross income and paid to a
21 member of a professional athletic team.

22 (b) "Duty days" means the days during the tax year from the
23 beginning of the official preseason training period of a professional
24 athletic team through the last game in which the professional
25 athletic team competes or is scheduled to compete during the tax
26 year.

27 (c) "Member of a professional athletic team" means a nonresident
28 athlete or other individual rendering service to a professional
29 athletic team if the total compensation of the athlete or other
30 individual exceeds \$1,000,000 in a tax year.

31 NEW SECTION. **Sec. 405.** GENERAL RULE FOR APPORTIONING AND
32 ALLOCATING NONRESIDENT INCOME FROM BUSINESS ACTIVITY CONDUCTED IN THE
33 STATE. (1) The portion of federal adjusted gross income of a
34 nonresident derived from or connected with a business, trade, or
35 profession carried on in this state, including a sole proprietorship
36 and any distributive share of a pass-through entity of a business,
37 trade, or profession carried on in this state, must be apportioned
38 and allocated as provided in this section. This section does not

1 apply to compensation received as an employee allocated under section
2 403 of this act.

3 (2) Income from a business, trade, or profession carried on in
4 this state, including any distributive share of a pass-through entity
5 of a business, trade, or profession carried on in this state, must be
6 classified as either apportionable income or nonapportionable income.

7 (3) All apportionable income must be apportioned to this state by
8 multiplying the income by the receipts factor. The receipts factor is
9 a fraction the numerator of which is the total receipts of the
10 taxpayer in this state during the tax period and the denominator of
11 which is the total receipts of the taxpayer everywhere during the tax
12 period.

13 (a) Receipts from the sale of tangible personal property are in
14 this state if:

15 (i) The property is delivered or shipped to a purchaser, other
16 than the United States government, within this state regardless of
17 the free on board point or other conditions of the sale; or

18 (ii) The property is shipped from an office, store, warehouse,
19 factory, or other place of storage in this state and (A) the
20 purchaser is the United States government or (B) the taxpayer is not
21 taxable in the state of the purchaser.

22 (b)(i) Receipts, other than receipts described in (a) of this
23 subsection (3), are in this state if the taxpayer's market for the
24 sales is in this state. The taxpayer's market for sales is in this
25 state:

26 (A) In the case of sale, rental, lease, or license of real
27 property, if and to the extent the property is located in this state;

28 (B) In the case of rental, lease, or license of tangible personal
29 property, if and to the extent the property is located in this state;

30 (C) In the case of sale of a service, if and to the extent the
31 service is delivered to a location in this state; and

32 (D) In the case of intangible property:

33 (I) That is rented, leased, or licensed, if and to the extent the
34 property is used in this state, provided that intangible property
35 used in marketing a good or service to a consumer is "used in this
36 state" if that good or service is purchased by a consumer who is in
37 this state; and

38 (II) That is sold, if and to the extent the property is used in
39 this state, if:

1 (1) A contract right, government license, or similar intangible
2 property that authorizes the holder to conduct a business activity in
3 a specific geographic area is "used in this state" if the geographic
4 area includes all or part of this state;

5 (2) Receipts from intangible property sales that are contingent
6 on the productivity, use, or disposition of the intangible property
7 must be treated as receipts from the rental, lease, or licensing of
8 such intangible property under subsection (4)(a)(i) of this section;
9 and

10 (3) All other receipts from a sale of intangible property must be
11 excluded from the numerator and denominator of the receipts factor.

12 (c) If the state or states of assignment under (b) of this
13 subsection (3) cannot be determined, the state or states of
14 assignment must be reasonably approximated.

15 (d) If the taxpayer is not taxable in a state to which a receipt
16 is assigned under this subsection (3), or if the state of assignment
17 cannot be determined under (b) of this subsection (3) or reasonably
18 approximated under (c) of this subsection (3), the receipt must be
19 excluded from the denominator of the receipts factor.

20 (4)(a) If the allocation and apportionment provisions in
21 subsection (3) of this section do not fairly represent the extent of
22 the taxpayer's business activity in this state, the taxpayer may
23 petition for or the department may require, in respect to all or any
24 part of the taxpayer's business activity, if reasonable:

25 (i) Separate accounting;

26 (ii) The exclusion of any one or more of the factors;

27 (iii) The inclusion of one or more additional factors that will
28 fairly represent the taxpayer's business activity in this state; or

29 (iv) The employment of any other method to effectuate an
30 equitable allocation and apportionment of the taxpayer's income.

31 (b) If the allocation and apportionment provisions of this
32 section do not fairly represent the extent of business activity in
33 this state for taxpayers engaged in a particular industry or in a
34 particular transaction or activity, the department may, in addition
35 to the authority provided in (a) of this subsection (4), adopt rules
36 for determining alternative allocation and apportionment methods for
37 such taxpayers. Rules adopted pursuant to this subsection (4)(b) must
38 be applied uniformly, except that with respect to any taxpayer to
39 whom such rule applies, the taxpayer may petition for, or the
40 department may require, adjustment under (a) of this subsection (4).

1 (c)(i) The party petitioning for, or the department requiring,
2 the use of any method to effectuate an equitable allocation and
3 apportionment of the taxpayer's income pursuant to (a) of this
4 subsection (4) must prove by clear and convincing evidence:

5 (A) That the allocation and apportionment provisions of this
6 section do not fairly represent the extent of the taxpayer's business
7 activity in this state; and

8 (B) That the alternative to such provisions is reasonable.

9 (ii) The same burden of proof applies whether the taxpayer is
10 petitioning for, or the department is requiring, the use of any
11 reasonable method to effectuate an equitable allocation and
12 apportionment of the taxpayer's income. However, if the department
13 can show that in any two of the prior five tax years, the taxpayer
14 had used an allocation or apportionment method at variance with its
15 allocation or apportionment method or methods used for such other tax
16 years, then the department does not bear the burden of proof in
17 imposing a different method pursuant to (a) of this subsection (4).

18 (iii) If the department requires any method to effectuate an
19 equitable allocation and apportionment of the taxpayer's income, the
20 department may not impose any civil or criminal penalty with
21 reference to the tax due that is attributable to the taxpayer's
22 reasonable reliance solely on the allocation and apportionment
23 provisions of this section.

24 (iv) A taxpayer that has received written permission from the
25 department to use a reasonable method to effectuate an equitable
26 allocation and apportionment of the taxpayer's income may not have
27 that permission revoked with respect to transactions and activities
28 that have already occurred unless there has been a material change
29 in, or a material misrepresentation of, the facts provided by the
30 taxpayer upon which the department reasonably relied.

31 (5) Rents and royalties from real or tangible personal property,
32 capital gains, interest, dividends, or patent or copyright royalties,
33 to the extent that they constitute nonapportionable income, must be
34 allocated as provided in subsections (6) through (9) of this section.

35 (6)(a) Net rents and royalties from real property located in this
36 state are allocable to this state.

37 (b) Net rents and royalties from tangible personal property are
38 allocable to this state: (i) If and to the extent that the property
39 is utilized in this state; or (ii) in their entirety if the
40 taxpayer's commercial domicile is in this state and the taxpayer is

1 not organized under the laws of or taxable in the state in which the
2 property is utilized.

3 (c) The extent of utilization of tangible personal property in a
4 state is determined by multiplying the rents and royalties by a
5 fraction the numerator of which is the number of days of physical
6 location of the property in the state during the rental or royalty
7 period in the taxable year and the denominator of which is the number
8 of days of physical location of the property everywhere during all
9 rental or royalty periods in the taxable year. If the physical
10 location of the property during the rental or royalty period is
11 unknown or unascertainable by the taxpayer, tangible personal
12 property is utilized in the state in which the property was located
13 at the time the rental or royalty payer obtained possession.

14 (7) (a) Short-term capital gains and losses from sales of real
15 property located in this state are allocable to this state.

16 (b) Short-term capital gains and losses from sales of tangible
17 personal property are allocable to this state if: (i) The property
18 had a situs in this state at the time of the sale; or (ii) the
19 taxpayer's commercial domicile is in this state and the taxpayer is
20 not taxable in the state in which the property had a situs.

21 (c) Short-term capital gains and losses from sales of intangible
22 personal property are allocable to this state if the taxpayer's
23 commercial domicile is in this state.

24 (8) Interest and dividends are allocable to this state if the
25 taxpayer's commercial domicile is in this state.

26 (9) (a) Patent and copyright royalties are allocable to this
27 state: (i) If and to the extent that the patent or copyright is
28 utilized by the payer in this state; or (ii) if and to the extent
29 that the patent or copyright is utilized by the payer in a state in
30 which the taxpayer is not taxable and the taxpayer's commercial
31 domicile is in this state.

32 (b) A patent is utilized in a state to the extent that it is
33 employed in production, fabrication, manufacturing, or other
34 processing in the state or to the extent that a patented product is
35 produced in the state. If the basis of receipts from patent royalties
36 does not permit allocation to states or if the accounting procedures
37 do not reflect states of utilization, the patent is utilized in the
38 state in which the taxpayer's commercial domicile is located.

39 (c) A copyright is utilized in a state to the extent that
40 printing or other publication originates in the state. If the basis

1 of receipts from copyright royalties does not permit allocation to
2 states or if the accounting procedures do not reflect states of
3 utilization, the copyright is utilized in the state in which the
4 taxpayer's commercial domicile is located.

5 (10) The definitions in this subsection apply throughout this
6 section unless the context clearly requires otherwise.

7 (a) "Apportionable income" means:

8 (i) All income that is apportionable under the Constitution of
9 the United States and is not allocated under the laws of this state,
10 including:

11 (A) Income arising from transactions and activity in the regular
12 course of the taxpayer's trade or business; and

13 (B) Income arising from tangible and intangible property if the
14 acquisition, management, employment, development, or disposition of
15 the property is or was related to the operation of the taxpayer's
16 trade or business; and

17 (ii) Any income that would be allocable to this state under the
18 Constitution of the United States, but that is apportioned rather
19 than allocated pursuant to the laws of this state.

20 (b) "Commercial domicile" means the principal place from which
21 the trade or business of the taxpayer is directed or managed.

22 (c) "Nonapportionable income" means all income other than
23 apportionable income.

24 (d) "Receipts" means all gross receipts of the taxpayer that are
25 not allocated under this section, and that are received from
26 transactions and activity in the regular course of the taxpayer's
27 trade or business, except that receipts of a taxpayer from hedging
28 transactions and from the maturity, redemption, sale, exchange, loan,
29 or other disposition of cash or securities, shall be excluded.

30 (e) "State" means any state of the United States, the District of
31 Columbia, the Commonwealth of Puerto Rico, any territory or
32 possession of the United States, and any foreign country or political
33 subdivision thereof.

34 (f) "Taxpayer" means a pass-through entity or individual
35 conducting business activity in the state of Washington.

36 NEW SECTION. **Sec. 406.** PRORATION OF PART-YEAR INCOME. (1)
37 Except as provided in subsection (2) of this section, the adjusted
38 gross income of a part-year resident is the sum of the following:

1 (a) For the portion of the year in which the taxpayer was a
2 resident of Washington, the taxpayer's entire adjusted gross income;
3 and

4 (b) For the portion of the year in which the taxpayer was a
5 nonresident, the taxpayer's adjusted gross income derived from
6 sources within this state, as provided in sections 403 through 405 of
7 this act.

8 (2) The adjusted gross income of a part-year resident with
9 federal adjusted gross income that includes an item of income, gain,
10 loss, deduction, or credit from a pass-through entity must include
11 the sum of the following:

12 (a) The total amount of the item that is taken into account in
13 federal adjusted gross income, multiplied by the ratio of the number
14 of days the taxpayer was a resident of Washington during the tax year
15 of the entity over the total number of days in the tax year of the
16 entity; and

17 (b) The total amount of the item that is taken into account in
18 federal adjusted gross income and that is derived from or connected
19 with sources within this state, as determined under sections 403
20 through 405 of this act, multiplied by the ratio of the number of
21 days the taxpayer was a nonresident of Washington during the tax year
22 of the entity over the total number of days in the tax year of the
23 entity.

24 NEW SECTION. **Sec. 407.** ALLOCATION AND APPORTIONMENT OF
25 NONRESIDENT STUDENT ATHLETE INCOME. (1) The portion of adjusted gross
26 income of a nonresident student athlete derived from the commercial
27 use of the student athlete's name, image, or likeness is allocated to
28 this state if the publicity services provided by the student athlete
29 related to such commercial use of the student athlete's name, image,
30 or likeness primarily occur in Washington.

31 (2) The portion of adjusted gross income of a nonresident student
32 athlete derived from payments by an institution of higher education
33 representing a percentage of institutional athletic revenues shall be
34 apportioned to Washington in a form and manner consistent with a
35 duty-day methodology. By January 1, 2028, the department shall submit
36 proposed legislation to the legislature that would implement an
37 apportionment methodology as specified under this subsection (2).

38 (3) The definitions in this subsection apply throughout this
39 section unless the context clearly requires otherwise.

1 (a) "Commercial use" means the use of an individual's name,
2 image, or likeness for advertising, selling, or soliciting purchases
3 of products, goods, or services.

4 (b) "Name, image, or likeness" means an individual's readily
5 identifiable name, voice, signature, photograph, or likeness.

6 (c) "Publicity services" includes, but is not limited to, the
7 following activities: Appearing in photoshoots; filming commercials;
8 recording audio endorsements; posting sponsored content on social
9 media platforms; attending promotional events; either wearing or
10 using, or both, branded products; and granting rights by the student
11 athlete to use the student athlete's name, image, or likeness in
12 either advertisements or online campaigns, or both.

13 (d) "Student athlete" means an individual who is enrolled at an
14 institution of higher education and eligible to engage in any varsity
15 intercollegiate athletics program at the institution.

16 **PART V**

17 **ESTIMATED TAX PAYMENTS AND PASS-THROUGH ENTITY TAX ELECTION**

18 NEW SECTION. **Sec. 501.** ESTIMATED TAX IMPOSED—DUE DATE OF
19 ESTIMATED TAXES—AMOUNT OF ESTIMATED TAX—UNDERPAYMENT PENALTY. (1)
20 Each individual subject to taxation by this chapter that is required
21 by the internal revenue code to make payment of estimated taxes must
22 pay to the department on forms prescribed by the department the
23 estimated taxes due under this chapter.

24 (2) The provisions of the internal revenue code relating to the
25 determination of reporting periods and due dates of payments of
26 estimated tax applies to the estimated tax payments due under this
27 section.

28 (3) The amount of the estimated tax is the annualized tax divided
29 by the number of months in the reporting period. No estimated tax is
30 due if the annualized tax is less than \$5,000. RCW 82.32.050 and
31 82.32.090 apply to underpayments of estimated tax unless the
32 estimated tax remitted to the department is either at least 90
33 percent of the tax shown on the return required under section 702(1)
34 of this act or 100 percent of the tax shown on the previous year's
35 tax return.

36 (4) For purposes of this section, the annualized tax is the
37 taxpayer's projected tax liability for the tax year as computed

1 pursuant to internal revenue code section 6654 and the regulations
2 thereunder.

3 (5) The department shall adopt rules for making estimated tax
4 payments under this section on wages, salaries, and other
5 compensation subject to federal income tax withholding.

6 (6) Estimated payments are not required under this section before
7 July 1, 2029.

8 NEW SECTION. **Sec. 502.** PASS-THROUGH ENTITY TAX ELECTION. (1) (a)
9 Beginning January 1, 2028, a tax is imposed at a rate of 9.90 percent
10 of the taxable income of an electing entity for each taxable year in
11 which an election under this section is in effect.

12 (b) The tax is paid by the electing entity.

13 (2) (a) A pass-through entity may elect to be subject to the tax
14 imposed under this section by filing an election with the department
15 on or before the due date prescribed by the department for making
16 such election, but no later than April 15th.

17 (b) The election is made annually and is irrevocable for the
18 taxable year once filed.

19 (c) The election must be made by: (i) In the case of a
20 partnership or limited liability company, any person authorized to
21 sign the entity's return; and (ii) in the case of an S corporation,
22 an officer authorized to sign the return.

23 (3) (a) The taxable income of an electing entity consists of:

24 (i) The entire distributive share of income, gain, loss, and
25 deduction attributable to resident owners, regardless of source; and

26 (ii) The state source distributive share of income, gain, loss,
27 and deduction attributable to nonresident owners.

28 (b) Taxable income is determined by applying all state specific
29 additions, subtractions, and modifications that would apply to the
30 owners individually.

31 (c) Guaranteed payments, separately stated items, and investment
32 income is included in taxable income to the same extent these items
33 would be included in an owner's individual Washington taxable income
34 under this chapter.

35 (4) (a) An electing entity shall make estimated tax payments in
36 the same manner and at the same times as required for individual
37 estimated tax payments under section 501 of this act.

38 (b) Estimated tax payments are based on the electing entity's
39 reasonable estimate of taxable income for the taxable year.

1 (c) Estimated tax payments paid by the electing entity under this
2 section are in lieu of the estimated tax payments imposed on owners
3 under section 501 of this act with respect to the income included in
4 the electing entity's taxable income.

5 (d) Estimated tax payments are not required under this subsection
6 before July 1, 2029.

7 (5)(a) Each owner of an electing entity is allowed a credit
8 against the tax imposed under this section equal to the owner's
9 proportionate share of the tax paid by the electing entity under this
10 chapter as provided in section 206 of this act.

11 (b) Resident owners shall include in their Washington taxable
12 income their full distributive share of the electing entity's income,
13 gains, losses, and deductions and shall claim the credit allowed
14 under section 206 of this act.

15 (c) Nonresident owners shall include in their Washington taxable
16 income their distributive share of the electing entity's income,
17 gains, losses, and deductions as allocated and apportioned under
18 section 405 of this act and shall claim the credit allowed under
19 section 206 of this act.

20 (6)(a) The electing entity shall file an annual return reporting
21 taxable income, tax due, estimated payments, and any other
22 information required by the department in a form and manner required
23 by the department.

24 (b) The department may adopt rules necessary to administer this
25 section, which to the extent possible, must be consistent with the
26 requirements under this chapter for individuals. The department may
27 adopt rules to streamline and simplify the process and procedures for
28 making an election under this section.

29 (7) The definitions in this subsection apply throughout this
30 section unless the context clearly requires otherwise.

31 (a) "Distributive share" means the owner's share of income, gain,
32 loss, or deduction as determined under the entity's governing
33 documents and federal income tax law.

34 (b) "Electing entity" means a pass-through entity that has made a
35 valid election under subsection (2)(c) of this section.

36 (c) "Nonresident owner" means an owner who is not a resident of
37 this state for individual income tax purposes.

38 (d) "Owner" means a partner, member, or shareholder of a pass-
39 through entity.

1 (e) "Resident owner" means an owner who is a resident of this
2 state for individual income tax purposes.

3 (f) "State source income" means income, gain, or loss derived
4 from sources within this state, determined under the allocation and
5 apportionment provisions of section 405 of this act.

6 **PART VI**

7 **CRIMES**

8 NEW SECTION. **Sec. 601.** CRIMES. (1) Any person who knowingly
9 attempts to evade the tax imposed under this chapter or payment
10 thereof is guilty of a class C felony as provided in chapter 9A.20
11 RCW.

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

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

18 **PART VII**

19 **ADMINISTRATIVE PROVISIONS**

20 NEW SECTION. **Sec. 701.** METHOD OF ACCOUNTING. (1) A taxpayer's
21 method of accounting for purposes of the tax imposed under this
22 chapter is the same as the taxpayer's method of accounting for
23 federal income tax purposes. If no method of accounting has been
24 regularly used by a taxpayer for federal income tax purposes or if
25 the method used does not clearly reflect income, tax due under this
26 chapter is computed by the cash method of accounting.

27 (2) If a person's method of accounting is changed for federal
28 income tax purposes, it must be similarly changed for purposes of
29 this chapter.

30 NEW SECTION. **Sec. 702.** FILING TAX RETURNS. (1)(a) Except as
31 otherwise provided in this section or RCW 82.32.080, taxpayers owing
32 tax under this chapter must file, on forms prescribed by the
33 department, a return with the department on or before the date the
34 taxpayer's federal income tax return for the taxable year is required

1 to be filed. Individuals not owing tax under this chapter are not
2 required to file a return under this section.

3 (b) (i) Except as provided in (b) (ii) of this subsection (1),
4 returns and all supporting documents must be filed electronically
5 using the department's online tax filing service or other method of
6 electronic reporting as the department may authorize.

7 (ii) The department may waive the electronic filing requirement
8 in this subsection for good cause as provided in RCW 82.32.080.

9 (2) (a) Every taxpayer owing tax under this chapter must include
10 with the Washington return described in subsection (1) of this
11 section a copy of the taxpayer's federal income tax return filed with
12 the internal revenue service of the United States, including:

13 (i) All federal income tax forms, schedules, and other
14 attachments that directly relate to the taxpayer's federal adjusted
15 gross income; and

16 (ii) Any information, returns, and federal tax documents received
17 by the taxpayer that directly relate to the taxpayer's federal
18 adjusted gross income including, but not limited to, form W-2, form
19 1099-INT, form 1099-DIV, form 1099-NEC, form 1099-MISC, form 1099-B,
20 schedule K-1 (form 1065), and schedule K-1 (form 1120-S).

21 (b) A taxpayer must provide to the department, upon request,
22 other federal tax return information needed to verify the tax owed
23 under this chapter.

24 (c) The department may prescribe by rule additional reporting or
25 verification requirements under this subsection (2) to substantiate
26 an individual's federal adjusted gross income.

27 (3) Each taxpayer required to file a return under this section
28 must, without assessment, notice, or demand, pay any tax due thereon
29 to the department on or before the date fixed for the filing of the
30 return, regardless of any filing extension. The tax must be paid by
31 electronic funds transfer as defined in RCW 82.32.085 or by other
32 forms of electronic payment as may be authorized by the department.
33 The department may waive the electronic payment requirement for good
34 cause as provided in RCW 82.32.080. If any tax due under this chapter
35 is not paid by the due date, interest and penalties as provided in
36 chapter 82.32 RCW apply to the deficiency.

37 (4) If a taxpayer has obtained an extension of time for filing
38 the federal income tax return for the taxable year and the taxpayer
39 provides the department, on or before the date fixed for the filing
40 of the return, regardless of any filing extension, evidence

1 satisfactory to the department confirming the federal extension, the
2 taxpayer is entitled to the same extension of time for filing the
3 return required under this section. An extension under this
4 subsection for the filing of a return under this chapter is not an
5 extension of time to pay the tax due under this chapter.

6 (5) (a) If any return due under subsection (1) of this section,
7 along with a copy of the federal income tax return, is not filed with
8 the department by the due date or any extension granted by the
9 department, the department must assess a penalty in the amount of
10 five percent of the tax due for the taxable year covered by the
11 return for each month or portion of a month that the return remains
12 unfiled. The total penalty assessed under this subsection may not
13 exceed 25 percent of the tax due for the taxable year covered by the
14 delinquent return. The penalty under this subsection is in addition
15 to any penalties assessed for the late payment of any tax due on the
16 return.

17 (b) The department must waive or cancel the penalty imposed under
18 this subsection if:

19 (i) The department is persuaded that the taxpayer's failure to
20 file the return by the due date was due to circumstances beyond the
21 taxpayer's control; or

22 (ii) The taxpayer has not been delinquent in filing any return
23 due under this section during the preceding five calendar years and
24 the taxpayer has not been contacted by the department for enforcement
25 purposes regarding the reporting period covered by the waiver
26 request.

27 (6) The department must waive or cancel the penalty imposed under
28 RCW 82.32.090(1) on a payment required under this section when the
29 circumstances under which the delinquency occurred do not qualify for
30 waiver or cancellation under RCW 82.32.105(1) if all of the following
31 apply:

32 (a) A taxpayer requests a waiver of penalty for a payment
33 required under this section;

34 (b) The taxpayer has not been contacted by the department for
35 enforcement purposes regarding the reporting period covered by the
36 waiver request; and

37 (c) The taxpayer has timely remitted payment on all tax returns
38 due under this section during the preceding five calendar years.

39 (7) (a) In the event a taxpayer's federal income tax return is
40 changed in a manner that is final after their return required under

1 subsection (1) of this section is filed with the department and the
2 taxpayer's federal income tax return is changed in a manner that
3 impacts either the calculation of their Washington adjusted gross
4 income or their tax liability under this chapter, or both, the
5 taxpayer must amend the taxpayer's return due under subsection (1) of
6 this section for the same tax year in which their federal income tax
7 return is changed. For the purposes of this subsection (7), a federal
8 income tax return is changed in a manner that is final when such
9 change is not subject to either administrative review by the United
10 States internal revenue service or judicial review in a court of
11 competent jurisdiction, or both. A change is also final in the case
12 of an audit finding in the following circumstances:

13 (i) The taxpayer has received audit findings from the internal
14 revenue service for the tax period and the taxpayer does not timely
15 file an administrative appeal with the internal revenue service.

16 (ii) The taxpayer consented to any of the audit findings for the
17 tax period through a form or other written agreement with the United
18 States internal revenue service.

19 (b) If the return is not amended, as required under this
20 subsection (7), with the department within 90 days of the federal
21 income tax return change becoming final, the department must assess
22 on the 91st day a penalty in the amount of five percent of any
23 additional tax due for the taxable year covered by the return for
24 each month or portion of a month that the return is not timely
25 amended as required by this subsection. The total penalty assessed
26 under this subsection (7)(b) may not exceed 25 percent of the
27 additional tax due for the taxable year covered by the delinquent
28 return amendment. The penalty under this subsection (7)(b) is in
29 addition to any penalties assessed under this section.

30 (8)(a) No assessment or correction of an assessment for
31 additional taxes, penalties, or interest due may be made by the
32 department more than four years after the year in which a return is
33 filed under subsection (1) of this section except:

34 (i) When the taxpayer's federal income tax return is changed in a
35 manner that requires an amended return under subsection (7) of this
36 section; or

37 (ii) As provided in RCW 82.32.050(4).

38 (b) In the event the statute of limitations is extended under
39 (a)(i) of this subsection, no assessment or correction of an
40 assessment for additional taxes, penalties, or interest due may be

1 made by the department more than four years after the year in which
2 an amended return is filed with the department as required under
3 subsection (7) of this section. Any assessment or correction of an
4 assessment for additional taxes, penalties, or interest due under
5 this subsection (8)(b) but made by the department more than four
6 years after the year in which a return is filed under subsection (1)
7 of this section must be directly related to the federal income tax
8 return change described in subsection (7) of this section.

9 NEW SECTION. **Sec. 703.** REQUIREMENT FOR SEPARATE OR JOINT
10 RETURNS. (1) If the federal income tax liabilities of both spouses
11 are determined on a joint federal return for the taxable year, they
12 must file a joint return under this chapter.

13 (2) Except as otherwise provided in this subsection (2), if the
14 federal income tax liability of any individual, including either
15 spouse of a marital community, is determined on a separate federal
16 return for the taxable year, they must file separate returns under
17 this chapter. State registered domestic partners may file a joint
18 return under this chapter even if they filed separate federal returns
19 for the taxable year.

20 (3) The liability for tax due under this chapter of each spouse
21 or state registered domestic partner is joint and several, unless:

22 (a) The spouse is relieved of liability for federal tax purposes
23 as provided under 26 U.S.C. Sec. 6015 of the internal revenue code;
24 or

25 (b) The department determines that the state registered domestic
26 partner qualifies for relief as provided by rule of the department.
27 Such rule, to the extent possible without being inconsistent with
28 this chapter, must follow 26 U.S.C. Sec. 6015.

29 (4)(a) Unless the context clearly indicates otherwise,
30 individuals who are spouses or state registered domestic partners are
31 not considered separate taxpayers for the purposes of this chapter
32 regardless of whether they file a joint or separate return for the
33 tax imposed under this chapter. The activities and assets of each
34 spouse or state registered domestic partner are combined as if they
35 were one individual for the purposes of determining the applicability
36 of any threshold amounts, caps, deductions, credits, or any other
37 amounts related to the activities or assets of an individual
38 throughout this chapter.

1 (b) (i) Except as provided in (b) (ii) of this subsection (4), when
2 an individual does not file a joint return for the tax imposed under
3 this chapter, both spouses or state registered domestic partners must
4 allocate between themselves their respective share of the marital
5 community's or domestic partnership's assets and activity. The
6 allocation must be reported to the department on any returns required
7 to be filed pursuant to this chapter in a manner prescribed by the
8 department.

9 (ii) If both spouses or state registered domestic partners cannot
10 agree on an allocation of assets and activity as authorized under
11 (b) (i) of this subsection (4), each spouse is limited to one-half of
12 the total assets and activities of their marital community or
13 domestic partnership.

14 NEW SECTION. **Sec. 704.** ADMINISTRATION OF CHAPTER CONSISTENT
15 WITH CHAPTER 82.32 RCW. Except as otherwise provided by law and to
16 the extent not inconsistent with the provisions of this chapter,
17 chapter 82.32 RCW applies to the administration of taxes imposed
18 under this chapter.

19 **Sec. 705.** RCW 82.32.050 and 2025 c 409 s 12 are each amended to
20 read as follows:

21 (1) If upon examination of any returns or from other information
22 obtained by the department it appears that a tax or penalty has been
23 paid less than that properly due, the department shall assess against
24 the taxpayer such additional amount found to be due and shall add
25 thereto interest on the tax only. The department shall notify the
26 taxpayer by mail, or electronically as provided in RCW 82.32.135, of
27 the additional amount and the additional amount shall become due and
28 shall be paid within 30 days from the date of the notice, or within
29 such further time as the department may provide.

30 (a) For tax liabilities arising before January 1, 1992, interest
31 shall be computed at the rate of nine percent per annum from the last
32 day of the year in which the deficiency is incurred until the earlier
33 of December 31, 1998, or the date of payment. After December 31,
34 1998, the rate of interest shall be variable and computed as provided
35 in subsection (2) of this section. The rate so computed shall be
36 adjusted on the first day of January of each year for use in
37 computing interest for that calendar year.

1 (b) For tax liabilities arising after December 31, 1991, the rate
2 of interest shall be variable and computed as provided in subsection
3 (2) of this section from the last day of the year in which the
4 deficiency is incurred until the date of payment. The rate so
5 computed shall be adjusted on the first day of January of each year
6 for use in computing interest for that calendar year.

7 (c)(i) Except as otherwise provided in this subsection (1)(c),
8 interest imposed after December 31, 1998, shall be computed from the
9 last day of the month following each calendar year included in a
10 notice, and the last day of the month following the final month
11 included in a notice if not the end of a calendar year, until the due
12 date of the notice.

13 (ii) For interest associated with annual tax reporting periods
14 having a due date as prescribed in RCW 82.32.045(3) (~~and~~),
15 82.87.110, and section 702 of this act, interest must be computed
16 from the last day of April immediately following each such annual
17 reporting period included in the notice, until the due date of the
18 notice.

19 (iii) For purposes of computing interest under (c)(i) and (ii) of
20 this subsection (1):

21 (A) The same computation of interest applies regardless of
22 whether the department grants additional time for filing any return
23 under RCW 82.32.080(4)(a)(i).

24 (B) If the department extends a due date under subsection (3) of
25 this section or RCW 82.32.080(4)(b), and payment is not made in full
26 by the extended due date, interest is computed from the last day of
27 the month in which the extended due date occurs until the date of
28 payment.

29 (iv) If payment in full is not made by the due date of the
30 notice, additional interest shall be computed under this subsection
31 (1)(c) until the date of payment. The rate of interest shall be
32 variable and computed as provided in subsection (2) of this section.
33 The rate so computed shall be adjusted on the first day of January of
34 each year for use in computing interest for that calendar year.

35 (2) For the purposes of this section, the rate of interest to be
36 charged to the taxpayer shall be an average of the federal short-term
37 rate as defined in 26 U.S.C. Sec. 1274(d) plus two percentage points.
38 The rate set for each new year shall be computed by taking an
39 arithmetical average to the nearest percentage point of the federal
40 short-term rate, compounded annually. That average shall be

1 calculated using the rates from four months: January, April, and July
2 of the calendar year immediately preceding the new year, and October
3 of the previous preceding year.

4 (3) During a state of emergency declared under RCW 43.06.010(12),
5 the department, on its own motion or at the request of any taxpayer
6 affected by the emergency, may extend the due date of any assessment
7 or correction of an assessment for additional taxes, penalties, or
8 interest as the department deems proper.

9 (4) No assessment or correction of an assessment for additional
10 taxes, penalties, or interest due may be made by the department more
11 than four years after the close of the tax year, except (a) against a
12 taxpayer who has not registered as required by this chapter, (b) upon
13 a showing of fraud or of misrepresentation of a material fact by the
14 taxpayer, or (c) where a taxpayer has executed a written waiver of
15 such limitation. The execution of a written waiver shall also extend
16 the period for making a refund or credit as provided in RCW
17 82.32.060(2).

18 (5) For the purposes of this section, the following definitions
19 apply:

20 (a) "Due date of the notice" means the date indicated in the
21 notice by which the amount due in the notice must be paid, or such
22 later date as provided by RCW 1.12.070(3).

23 (b) "Return" means any document a person is required by the state
24 of Washington to file to satisfy or establish a tax or fee obligation
25 that is administered or collected by the department and that has a
26 statutorily defined due date. "Return" also means an application for
27 refund under RCW 82.08.0206.

28 **Sec. 706.** RCW 82.32.060 and 2025 c 409 s 13 are each amended to
29 read as follows:

30 (1) If, upon receipt of an application by a taxpayer for a refund
31 or for an audit of the taxpayer's records, or upon an examination of
32 the returns or records of any taxpayer, it is determined by the
33 department that within the statutory period for assessment of taxes,
34 penalties, or interest prescribed by RCW 82.32.050 any amount of tax,
35 penalty, or interest has been paid in excess of that properly due,
36 the excess amount paid within, or attributable to, such period must
37 be credited to the taxpayer's account or must be refunded to the
38 taxpayer, at the taxpayer's option. Except as provided in subsection
39 (2) of this section, no refund or credit may be made for taxes,

1 penalties, or interest paid more than four years prior to the
2 beginning of the calendar year in which the refund application is
3 made or examination of records is completed.

4 (2)(a) The execution of a written waiver under RCW 82.32.050 or
5 82.32.100 will extend the time for making a refund or credit of any
6 taxes paid during, or attributable to, the years covered by the
7 waiver if, prior to the expiration of the waiver period, an
8 application for refund of such taxes is made by the taxpayer or the
9 department discovers a refund or credit is due.

10 (b) A refund or credit must be allowed for an excess payment
11 resulting from the failure to claim a bad debt deduction, credit, or
12 refund under RCW 82.04.4284, 82.08.037, 82.12.037, 82.14B.150, or
13 82.16.050(5) for debts that became bad debts under 26 U.S.C. Sec.
14 166, as amended or renumbered as of January 1, 2003, less than four
15 years prior to the beginning of the calendar year in which the refund
16 application is made or examination of records is completed.

17 (3) Any such refunds must be made by means of vouchers approved
18 by the department and by the issuance of state warrants drawn upon
19 and payable from such funds as the legislature may provide. However,
20 taxpayers who are required to pay taxes by electronic funds transfer
21 under RCW 82.32.080 must have any refunds paid by electronic funds
22 transfer if the department has the necessary account information to
23 facilitate a refund by electronic funds transfer.

24 (4) Any judgment for which a recovery is granted by any court of
25 competent jurisdiction, not appealed from, for tax, penalties, and
26 interest which were paid by the taxpayer, and costs, in a suit by any
27 taxpayer must be paid in the same manner, as provided in subsection
28 (3) of this section, upon the filing with the department of a
29 certified copy of the order or judgment of the court.

30 (a) Interest at the rate of three percent per annum must be
31 allowed by the department and by any court on the amount of any
32 refund, credit, or other recovery allowed to a taxpayer for taxes,
33 penalties, or interest paid by the taxpayer before January 1, 1992.
34 This rate of interest applies for all interest allowed through
35 December 31, 1998. Interest allowed after December 31, 1998, must be
36 computed at the rate as computed under RCW 82.32.050(2). The rate so
37 computed must be adjusted on the first day of January of each year
38 for use in computing interest for that calendar year.

39 (b) For refunds or credits of amounts paid or other recovery
40 allowed to a taxpayer after December 31, 1991, the rate of interest

1 must be the rate as computed for assessments under RCW 82.32.050(2)
2 less one percent. This rate of interest applies for all interest
3 allowed through December 31, 1998. Interest allowed after December
4 31, 1998, must be computed at the rate as computed under RCW
5 82.32.050(2). The rate so computed must be adjusted on the first day
6 of January of each year for use in computing interest for that
7 calendar year.

8 (5) Interest allowed on a credit notice or refund issued after
9 December 31, 2003, must be computed as follows:

10 (a) If all overpayments for each calendar year and all reporting
11 periods ending with the final month included in a notice or refund
12 were made on or before the due date of the final return for each
13 calendar year or the final reporting period included in the notice or
14 refund:

15 (i) Interest must be computed from January 31st following each
16 calendar year included in a notice or refund;

17 (ii) Interest must be computed from the last day of the month
18 following the final month included in a notice or refund; or

19 (iii) For interest associated with annual tax reporting periods
20 having a due date as prescribed in RCW 82.32.045(3) (~~and~~),
21 82.87.110, and section 702 of this act, interest must be computed
22 from the last day of April following each such annual reporting
23 period included in a notice or refund.

24 (b) If the taxpayer has not made all overpayments for each
25 calendar year and all reporting periods ending with the final month
26 included in a notice or refund on or before the dates specified by
27 RCW 82.32.045 for the final return for each calendar year or the
28 final month included in the notice or refund, interest must be
29 computed from the last day of the month following the date on which
30 payment in full of the liabilities was made for each calendar year
31 included in a notice or refund, and the last day of the month
32 following the date on which payment in full of the liabilities was
33 made if the final month included in a notice or refund is not the end
34 of a calendar year.

35 (c) Interest included in a credit notice must accrue up to the
36 date the taxpayer could reasonably be expected to use the credit
37 notice, as defined by the department's rules. If a credit notice is
38 converted to a refund, interest must be recomputed to the date the
39 refund is issued, but not to exceed the amount of interest that would
40 have been allowed with the credit notice.

1 **Sec. 707.** RCW 82.32.090 and 2025 c 409 s 14 are each amended to
2 read as follows:

3 (1) If payment of any tax due on a return to be filed by a
4 taxpayer is not received by the department of revenue by the due
5 date, there is assessed a penalty of nine percent of the amount of
6 the tax; and if the tax is not received on or before the last day of
7 the month following the due date, there is assessed a total penalty
8 of 19 percent of the amount of the tax under this subsection; and if
9 the tax is not received on or before the last day of the second month
10 following the due date, there is assessed a total penalty of 29
11 percent of the amount of the tax under this subsection. No penalty so
12 added may be less than \$5.

13 (2) If the department of revenue determines that any tax has been
14 substantially underpaid, there is assessed a penalty of five percent
15 of the amount of the tax determined by the department to be due. If
16 payment of any tax determined by the department to be due is not
17 received by the department by the due date specified in the notice,
18 or any extension thereof, there is assessed a total penalty of 15
19 percent of the amount of the tax under this subsection; and if
20 payment of any tax determined by the department to be due is not
21 received on or before the 30th day following the due date specified
22 in the notice of tax due, or any extension thereof, there is assessed
23 a total penalty of 25 percent of the amount of the tax under this
24 subsection. No penalty so added may be less than \$5. As used in this
25 (~~section~~) subsection, "substantially underpaid" means that the
26 taxpayer has paid less than 80 percent of the amount of tax
27 determined by the department to be due for all of the types of taxes
28 included in, and for the entire period of time covered by, the
29 department's examination, and the amount of underpayment is at least
30 \$1,000.

31 (3) If a warrant is issued by the department of revenue for the
32 collection of taxes, increases, and penalties, there is added thereto
33 a penalty of 10 percent of the amount of the tax, but not less than
34 \$10.

35 (4) If the department finds that a person has engaged in any
36 business or performed any act upon which a tax is imposed under this
37 title and that person has not obtained from the department a
38 registration certificate as required by RCW 82.32.030, the department
39 must impose a penalty of five percent of the amount of tax due from
40 that person for the period that the person was not registered as

1 required by RCW 82.32.030. The department may not impose the penalty
2 under this subsection (4) if a person who has engaged in business
3 taxable under this title without first having registered as required
4 by RCW 82.32.030, prior to any notification by the department of the
5 need to register, obtains a registration certificate from the
6 department.

7 (5) If the department finds that a taxpayer has disregarded
8 specific written instructions as to reporting or tax liabilities, or
9 willfully disregarded the requirement to file returns or remit
10 payment electronically, as provided by RCW 82.32.080, the department
11 must add a penalty of 10 percent of the amount of the tax that should
12 have been reported and/or paid electronically or the additional tax
13 found due if there is a deficiency because of the failure to follow
14 the instructions. A taxpayer disregards specific written instructions
15 when the department has informed the taxpayer in writing of the
16 taxpayer's tax obligations and the taxpayer fails to act in
17 accordance with those instructions unless, in the case of a
18 deficiency, the department has not issued final instructions because
19 the matter is under appeal pursuant to this chapter or departmental
20 regulations. The department may not assess the penalty under this
21 section upon any taxpayer who has made a good faith effort to comply
22 with the specific written instructions provided by the department to
23 that taxpayer. A taxpayer will be considered to have made a good
24 faith effort to comply with specific written instructions to file
25 returns and/or remit taxes electronically only if the taxpayer can
26 show good cause, as defined in RCW 82.32.080, for the failure to
27 comply with such instructions. A taxpayer will be considered to have
28 willfully disregarded the requirement to file returns or remit
29 payment electronically if the department has mailed or otherwise
30 delivered the specific written instructions to the taxpayer on at
31 least two occasions. Specific written instructions may be given as a
32 part of a tax assessment, audit, determination, closing agreement, or
33 other written communication, provided that such specific written
34 instructions apply only to the taxpayer addressed or referenced on
35 such communication. Any specific written instructions by the
36 department must be clearly identified as such and must inform the
37 taxpayer that failure to follow the instructions may subject the
38 taxpayer to the penalties imposed by this subsection. If the
39 department determines that it is necessary to provide specific
40 written instructions to a taxpayer that does not comply with the

1 requirement to file returns or remit payment electronically as
2 provided in RCW 82.32.080, the specific written instructions must
3 provide the taxpayer with a minimum of 45 days to come into
4 compliance with its electronic filing and/or payment obligations
5 before the department may impose the penalty authorized in this
6 subsection.

7 (6) If the department finds that all or any part of a deficiency
8 resulted from engaging in a disregarded transaction, as described in
9 RCW 82.32.655(3), the department must assess a penalty of 35 percent
10 of the additional tax found to be due as a result of engaging in a
11 transaction disregarded by the department under RCW 82.32.655(2). The
12 penalty provided in this subsection may be assessed together with any
13 other applicable penalties provided in this section on the same tax
14 found to be due, except for the evasion penalty provided in
15 subsection (7) of this section. The department may not assess the
16 penalty under this subsection if, before the department discovers the
17 taxpayer's use of a transaction described under RCW 82.32.655(3), the
18 taxpayer discloses its participation in the transaction to the
19 department.

20 (7) If the department finds that all or any part of the
21 deficiency resulted from an intent to evade the tax payable
22 hereunder, a further penalty of 50 percent of the additional tax
23 found to be due must be added.

24 (8) The penalties imposed under subsections (1) through (4) of
25 this section can each be imposed on the same tax found to be due.
26 This subsection does not prohibit or restrict the application of
27 other penalties authorized by law.

28 (9) The department may not impose the evasion penalty in
29 combination with the penalty for disregarding specific written
30 instructions or the penalty provided in subsection (6) of this
31 section on the same tax found to be due.

32 (10) If a taxpayer substantially underpays an estimated payment
33 of tax imposed under RCW 82.87.040 pursuant to RCW 82.87.110(3),
34 there is assessed a penalty of five percent of the amount of the
35 actual tax due for tax imposed under RCW 82.87.040. As used in this
36 (~~section~~) subsection, "substantially underpaid" means that an
37 individual's estimated payment for taxes imposed under RCW 82.87.040
38 was less than 80 percent of the actual tax due, and at least \$1,000.

39 (11) If the total estimated tax payments under section 501 of
40 this act for the tax year are substantially underpaid, there is

1 assessed a penalty of five percent of the amount of the underpaid
2 tax. If a pass-through entity makes an election under section 502 of
3 this act, this subsection (11) applies to the estimated tax payments
4 of the pass-through entity in lieu of the individual. As used in this
5 subsection, "substantially underpaid" means that an individual's
6 total annual estimated tax payments under section 501 of this act
7 were less than 80 percent of the actual annual tax due, and at least
8 \$5,000.

9 (12) For the purposes of this section, "return" means any
10 document a person is required by the state of Washington to file to
11 satisfy or establish a tax or fee obligation that is administered or
12 collected by the department, and that has a statutorily defined due
13 date. "Return" also includes the submission of any estimated payment
14 of tax as provided in RCW 82.87.110(3) and the confirmation of an
15 extension of the filing due date required under RCW 82.87.110(5).

16 NEW SECTION. Sec. 708. ESTIMATION AGREEMENTS. The department
17 may reasonably estimate the items of business or nonbusiness income
18 of a taxpayer having an office within the state and one or more other
19 states or foreign countries which may be apportioned or allocated to
20 the state and may enter into estimation agreements with such
21 taxpayers for the determination of their liability for the tax
22 imposed by this chapter.

23 NEW SECTION. Sec. 709. PROVISIONS OF INTERNAL REVENUE CODE
24 CONTROL. (1) To the extent possible without being inconsistent with
25 this chapter, all of the provisions of subtitle F (procedure and
26 administration) of the internal revenue code relating to the
27 following subjects apply to the taxes imposed under this chapter:

28 (a) Timing and amount of tax prepayments under section 501 of
29 this act;

30 (b) Liability of transferees; and

31 (c) Time and manner of making returns, extensions of time for
32 filing returns, verification of returns, and the time when a return
33 is deemed to be filed by the department.

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

1 NEW SECTION. **Sec. 710.** RULES. The department may adopt rules
2 under chapter 34.05 RCW for the administration and enforcement of
3 this chapter. The rules, to the extent possible without being
4 inconsistent with this chapter, must follow the internal revenue code
5 and the regulations and rulings of the United States treasury
6 department with respect to the federal income tax. The department may
7 adopt as a part of these rules any portions of the internal revenue
8 code and United States treasury department regulations and rulings,
9 in whole or in part.

10 NEW SECTION. **Sec. 711.** LOCAL GOVERNMENT PUBLIC DEFENSE FUNDING
11 STABILIZATION ACCOUNT. (1) The local government public defense
12 funding stabilization account is hereby created in the state
13 treasury. All receipts specified under section 202(1)(a) of this act
14 must be deposited in the account. Moneys in the account may be spent
15 only after appropriation. Expenditures from the account may be used
16 only for distributions to counties and cities for public defense
17 services consistent with chapter 10.101 RCW. Counties and cities
18 receiving funds must comply with the requirements of RCW 10.101.060.

19 (2) On a quarterly basis, the state treasurer shall distribute
20 moneys deposited in the local government public defense funding
21 stabilization account as follows:

22 (a) 10 percent to cities on a pro rata basis, based upon the
23 annual number of misdemeanor criminal cases filed in courts under
24 each city's jurisdiction, as determined by the office of public
25 defense.

26 (b) The remainder to counties as follows:

27 (i) Six percent shall be distributed as a base allocation among
28 the counties. A county's base allocation is equal to the total amount
29 to be distributed under this subsection (2)(b)(i) divided by 39.

30 (ii) 94 percent shall be distributed as follows:

31 (A) 40 percent shall be distributed on a pro rata basis to each
32 county based on the county's personal income ratio as determined
33 under subsection (3) of this section; and

34 (B) 60 percent shall be distributed on a pro rata basis to each
35 county based upon the annual number of criminal cases filed in the
36 county superior court as a percentage of the total annual number of
37 criminal cases filed in the superior courts of all counties, as
38 determined under subsection (5) of this section.

1 (3) The office of financial management shall calculate each
2 county's personal income ratio by December 31, 2028, and December
3 31st of each year thereafter, using the most recent annual county
4 personal income data published by the federal bureau of economic
5 analysis for the state of Washington and notify the state treasurer.
6 The updated county personal income ratio applies to county
7 distributions in the following calendar year.

8 (4) For the purpose of this section, "county's personal income
9 ratio" means the personal income of the county divided by the
10 personal income of the state of Washington, as determined under
11 subsection (3) of this section.

12 (5) For the purposes of this section, the annual number of
13 criminal cases filed in the county superior court is determined by
14 the most recent annual report of the courts of Washington, as
15 published by the office of the administrator for the courts.

16 (6) For the purposes of this section, the annual number of
17 misdemeanor criminal cases filed in courts under the city's
18 jurisdiction is determined by the most recent annual report of the
19 courts of Washington, as published by the office of the administrator
20 for the courts.

21 **PART VIII**

22 **APPLICATION OF TAX TO PUBLIC PENSIONS**

23 **Sec. 801.** RCW 2.10.180 and 2012 c 159 s 17 are each amended to
24 read as follows:

25 (1) Except as provided in subsections (2), (3), ~~((and))~~ (4), and
26 (5) of this section, the right of a person to a retirement allowance,
27 disability allowance, or death benefit, the retirement, disability or
28 death allowance itself, any optional benefit, any other right accrued
29 or accruing to any person under the provisions of this chapter, and
30 the moneys in the fund created under this chapter, are hereby exempt
31 from any state, county, municipal, or other local tax and shall not
32 be subject to execution, garnishment, or any other process of law
33 whatsoever whether the same be in actual possession of the person or
34 be deposited or loaned.

35 (2) Subsection (1) of this section shall not be deemed to
36 prohibit a beneficiary of a retirement allowance from authorizing
37 deductions therefrom for payment of premiums due on any group

1 insurance policy or plan issued for the benefit of a group comprised
2 of public employees of the state of Washington.

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

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

17 (5) Subsection (1) of this section does not exempt any pension or
18 other benefit received under this chapter from tax under Title 82A
19 RCW (the new title created in section 1003 of this act).

20 **Sec. 802.** RCW 2.12.090 and 2012 c 159 s 18 are each amended to
21 read as follows:

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

32 (2) Subsection (1) of this section shall not prohibit the
33 department of retirement systems from complying with (a) a wage
34 assignment order for child support issued pursuant to chapter 26.18
35 RCW, (b) a notice of payroll deduction issued under chapter 26.23
36 RCW, (c) an order to withhold and deliver issued pursuant to chapter
37 74.20A RCW, (d) a mandatory benefits assignment order issued pursuant
38 to chapter 41.50 RCW, (e) a court order directing the department of
39 retirement systems to pay benefits directly to an obligee under a

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

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

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

12 (5) Subsection (1) of this section does not exempt any pension or
13 other benefit received under this chapter from tax under Title 82A
14 RCW (the new title created in section 1003 of this act).

15 **Sec. 803.** RCW 6.15.020 and 2011 c 162 s 3 are each amended to
16 read as follows:

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

23 (2) Unless otherwise provided by federal law, any money received
24 by any citizen of the state of Washington as a pension from the
25 government of the United States, whether the same be in the actual
26 possession of such person or be deposited or loaned, shall be exempt
27 from execution, attachment, garnishment, or seizure by or under any
28 legal process whatever, and when a debtor dies, or absconds, and
29 leaves his or her family any money exempted by this subsection, the
30 same shall be exempt to the family as provided in this subsection.
31 This subsection shall not apply to child support collection actions
32 issued under chapter 26.18, 26.23, or 74.20A RCW, if otherwise
33 permitted by federal law, or to collection actions for taxes imposed
34 under Title 82A RCW (the new title created in section 1003 of this
35 act).

36 (3) The right of a person to a pension, annuity, or retirement
37 allowance or disability allowance, or death benefits, or any optional
38 benefit, or any other right accrued or accruing to any citizen of the
39 state of Washington under any employee benefit plan, and any fund

1 created by such a plan or arrangement, shall be exempt from
2 execution, attachment, garnishment, or seizure by or under any legal
3 process whatever. This subsection shall not apply to child support
4 collection actions issued under chapter 26.18, 26.23, or 74.20A RCW
5 if otherwise permitted by federal law, or to collection actions for
6 taxes imposed under Title 82A RCW (the new title created in section
7 1003 of this act). This subsection shall permit benefits under any
8 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
12 case of benefits payable under a plan described in 26 U.S.C. Sec.
13 403(b) or 408 of the internal revenue code of 1986, as amended, or
14 section 409 of such code as in effect before January 1, 1984, to the
15 extent provided in any order issued by a court of competent
16 jurisdiction that provides for maintenance or support. This
17 subsection does not prohibit actions against an employee benefit
18 plan, or fund for valid obligations incurred by the plan or fund for
19 the benefit of the plan or fund.

20 (4) For the purposes of this section, the term "employee benefit
21 plan" means any plan or arrangement that is described in RCW
22 49.64.020, including any Keogh plan, whether funded by a trust or by
23 an annuity contract, and in 26 U.S.C. Sec. 401(a) or 403(a) of the
24 internal revenue code of 1986, as amended; or that is a tax-sheltered
25 annuity or a custodial account described in section 403(b) of such
26 code or an individual retirement account or an individual retirement
27 annuity described in section 408 of such code; or a Roth individual
28 retirement account described in section 408A of such code; or a
29 medical savings account or a health savings account described in
30 sections 220 and 223, respectively, of such code; or a retirement
31 bond described in section 409 of such code as in effect before
32 January 1, 1984. The term "employee benefit plan" shall not include
33 any employee benefit plan that is established or maintained for its
34 employees by the government of the United States, by the state of
35 Washington under chapter 2.10, 2.12, 41.26, 41.32, 41.34, 41.35,
36 41.37, 41.40, or 43.43 RCW or RCW 41.50.770, or by any agency or
37 instrumentality of the government of the United States.

38 (5) An employee benefit plan shall be deemed to be a spendthrift
39 trust, regardless of the source of funds, the relationship between
40 the trustee or custodian of the plan and the beneficiary, or the

1 ability of the debtor to withdraw or borrow or otherwise become
2 entitled to benefits from the plan before retirement. This subsection
3 shall not apply to child support collection actions issued under
4 chapter 26.18, 26.23, or 74.20A RCW, if otherwise permitted by
5 federal law, or to collection actions for taxes imposed under Title
6 82A RCW (the new title created in section 1003 of this act). This
7 subsection shall permit benefits under any such plan or arrangement
8 to be payable to a spouse, former spouse, child, or other dependent
9 of a participant in such plan to the extent expressly provided for in
10 a qualified domestic relations order that meets the requirements for
11 such orders under the plan, or, in the case of benefits payable under
12 a plan described in 26 U.S.C. Sec. 403(b) or 408 of the internal
13 revenue code of 1986, as amended, or section 409 of such code as in
14 effect before January 1, 1984, to the extent provided in any order
15 issued by a court of competent jurisdiction that provides for
16 maintenance or support.

17 (6) Unless prohibited by 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
20 in an employee benefit plan held in the name of or on account of the
21 other spouse, who is the participant or the account holder spouse.
22 Unless prohibited by applicable federal law, at the death of the
23 nonparticipant, nonaccount holder spouse, the nonparticipant,
24 nonaccount holder spouse may transfer or distribute the community
25 property interest of the nonparticipant, nonaccount holder spouse in
26 the participant or account holder spouse's employee benefit plan to
27 the nonparticipant, nonaccount holder spouse's estate, testamentary
28 trust, inter vivos trust, or other successor or successors pursuant
29 to the last will of the nonparticipant, nonaccount holder spouse or
30 the law of intestate succession, and that distributee may, but shall
31 not be required to, obtain an order of a court of competent
32 jurisdiction, including a nonjudicial binding agreement or order
33 entered under chapter 11.96A RCW, to confirm the distribution. For
34 purposes of subsection (3) of this section, the distributee of the
35 nonparticipant, nonaccount holder spouse's community property
36 interest in an employee benefit plan shall be considered a person
37 entitled to the full protection of subsection (3) of this section.
38 The nonparticipant, nonaccount holder spouse's consent to a
39 beneficiary designation by the participant or account holder spouse
40 with respect to an employee benefit plan shall not, absent clear and

1 convincing evidence to the contrary, be deemed a release, gift,
2 relinquishment, termination, limitation, or transfer of the
3 nonparticipant, nonaccount holder spouse's community property
4 interest in an employee benefit plan. For purposes of this
5 subsection, the term "nonparticipant, nonaccount holder spouse" means
6 the spouse of the person who is a participant in an employee benefit
7 plan or in whose name an individual retirement account is maintained.
8 As used in this subsection, an order of a court of competent
9 jurisdiction entered under chapter 11.96A RCW includes an agreement,
10 as that term is used under RCW 11.96A.220.

11 **Sec. 804.** RCW 41.24.240 and 1995 c 11 s 13 are each amended to
12 read as follows:

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

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

30 (3) Subsection (1) of this section does not exempt any pension or
31 other benefit received under this chapter from tax under Title 82A
32 RCW (the new title created in section 1003 of this act).

33 **Sec. 805.** RCW 41.32.052 and 2012 c 159 s 20 are each amended to
34 read as follows:

35 (1) Subject to subsections (2) ~~((and))~~, (3), and (4) of this
36 section, the right of a person to a pension, an annuity, a retirement
37 allowance, or disability allowance, to the return of contributions,
38 any optional benefit or death benefit, any other right accrued or

1 accruing to any person under the provisions of this chapter and the
2 moneys in the various funds created by this chapter shall be
3 unassignable, and are hereby exempt from any state, county, municipal
4 or other local tax, and shall not be subject to execution,
5 garnishment, attachment, the operation of bankruptcy or insolvency
6 laws, or other process of law whatsoever whether the same be in
7 actual possession of the person or be deposited or loaned.

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

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

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

20 (c) Under this system from authorizing monthly deductions
21 therefrom for payment of dues and other membership fees to any
22 retirement association composed of retired teachers and/or public
23 employees pursuant to a written agreement between the director and
24 the retirement association.

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

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

38 (4) Subsection (1) of this section does not exempt any pension or
39 other benefit received under this chapter from tax under Title 82A
40 RCW (the new title created in section 1003 of this act).

1 **Sec. 806.** RCW 41.34.080 and 2012 c 159 s 23 are each amended to
2 read as follows:

3 (1) Subject to subsections (2) (~~and~~), (3), and (4) of this
4 section, the right of a person to a pension, an annuity, a retirement
5 allowance, any optional benefit, any other right accrued or accruing
6 to any person under the provisions of this chapter, and the various
7 funds created by chapter 239, Laws of 1995; chapter 341, Laws of
8 1998; and chapter 247, Laws of 2000 and all moneys and investments
9 and income thereof, is hereby exempt from any state, county,
10 municipal, or other local tax, and shall not be subject to execution,
11 garnishment, attachment, the operation of bankruptcy or insolvency
12 laws, or other process of law whatsoever, whether the same be in
13 actual possession of the person or be deposited or loaned and shall
14 be unassignable.

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

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

1 (4) Subsection (1) of this section does not exempt any pension or
2 other benefit received under this chapter from tax under Title 82A
3 RCW (the new title created in section 1003 of this act).

4 **Sec. 807.** RCW 41.35.100 and 2012 c 159 s 24 are each amended to
5 read as follows:

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

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

31 (3) Subsection (1) of this section does not prohibit the
32 department from complying with (a) a wage assignment order for child
33 support issued pursuant to chapter 26.18 RCW, (b) an order to
34 withhold and deliver issued pursuant to chapter 74.20A RCW, (c) ~~((a~~
35 ~~notice of payroll deduction))~~ an income withholding order issued
36 pursuant to RCW 26.23.060, (d) a mandatory benefits assignment order
37 issued by the department, (e) a court order directing the department
38 of retirement systems to pay benefits directly to an obligee under a
39 dissolution order as defined in RCW 41.50.500(3) which fully complies

1 with RCW 41.50.670 and 41.50.700, or (f) any administrative or court
2 order expressly authorized by federal law.

3 (4) Subsection (1) of this section does not exempt any pension or
4 other benefit received under this chapter from tax under Title 82A
5 RCW (the new title created in section 1003 of this act).

6 **Sec. 808.** RCW 41.40.052 and 2012 c 159 s 26 are each amended to
7 read as follows:

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

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

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

37 (3) Subsection (1) of this section shall not prohibit the
38 department from complying with (a) a wage assignment order for child
39 support issued pursuant to chapter 26.18 RCW, (b) an order to

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

9 (4) Subsection (1) of this section does not exempt any pension or
10 other benefit received under this chapter from tax under Title 82A
11 RCW (the new title created in section 1003 of this act).

12 **Sec. 809.** RCW 41.44.240 and 2012 c 159 s 27 are each amended to
13 read as follows:

14 (1) The right of a person to a pension, annuity or a retirement
15 allowance, to the return of contribution, the pension, annuity or
16 retirement allowance itself, any optional benefit, any other right
17 accrued or accruing to any person under the provisions of this
18 chapter, and the moneys in the fund created under this chapter shall
19 not be subject to execution, garnishment, or any other process
20 whatsoever whether the same be in actual possession of the person or
21 be deposited or loaned.

22 (2) This section shall not apply to child support collection
23 actions taken under chapter 26.18, 26.23, or 74.20A RCW against
24 benefits payable under any such plan or arrangement. Benefits under
25 this chapter shall be payable to a spouse or ex-spouse to the extent
26 expressly provided for in any court decree of dissolution or legal
27 separation or in any court order or court-approved property
28 settlement agreement incident to any court decree of dissolution or
29 legal separation.

30 (3) Subsection (1) of this section does not exempt any pension or
31 other benefit received under this chapter from tax under Title 82A
32 RCW (the new title created in section 1003 of this act).

33 **Sec. 810.** RCW 41.26.053 and 2012 c 159 s 21 are each amended to
34 read as follows:

35 (1) Subject to subsections (2) (~~and~~), (3), and (4) of this
36 section, the right of a person to a retirement allowance, disability
37 allowance, or death benefit, to the return of accumulated
38 contributions, the retirement, disability or death allowance itself,

1 any optional benefit, any other right accrued or accruing to any
2 person under the provisions of this chapter, and the moneys in the
3 fund created under this chapter, are hereby exempt from any state,
4 county, municipal, or other local tax and shall not be subject to
5 execution, garnishment, attachment, the operation of bankruptcy or
6 insolvency laws, or any other process of law whatsoever, whether the
7 same be in actual possession of the person or be deposited or loaned
8 and shall be unassignable.

9 (2) On the written request of any person eligible to receive
10 benefits under this section, the department may deduct from such
11 payments the premiums for life, health, or other insurance. The
12 request on behalf of any child or children shall be made by the legal
13 guardian of such child or children. The department may provide for
14 such persons one or more plans of group insurance, through contracts
15 with regularly constituted insurance carriers or health care service
16 contractors.

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

28 (4) Subsection (1) of this section does not exempt any pension or
29 other benefit received under this chapter from tax under Title 82A
30 RCW (the new title created in section 1003 of this act).

31 **Sec. 811.** RCW 43.43.310 and 2012 c 159 s 28 are each amended to
32 read as follows:

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

1 the same be in actual possession of the person or be deposited or
2 loaned and shall be unassignable except as herein specifically
3 provided.

4 (2) Subsection (1) of this section shall not prohibit the
5 department of retirement systems from complying with (a) a wage
6 assignment order for child support issued pursuant to chapter 26.18
7 RCW, (b) an order to withhold and deliver issued pursuant to chapter
8 74.20A RCW, (c) ~~((a notice of payroll deduction))~~ an income
9 withholding order issued pursuant to RCW 26.23.060, (d) a mandatory
10 benefits assignment order issued pursuant to chapter 41.50 RCW, (e) a
11 court order directing the department of retirement systems to pay
12 benefits directly to an obligee under a dissolution order as defined
13 in RCW 41.50.500(3) which fully complies with RCW 41.50.670 and
14 41.50.700, or (f) any administrative or court order expressly
15 authorized by federal law.

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

23 (4) Subsection (1) of this section does not exempt any pension or
24 other benefit received under this chapter from tax under Title 82A
25 RCW (the new title created in section 1003 of this act).

26
27

PART IX
TAX RELIEF

28 **Sec. 901.** RCW 82.08.0206 and 2024 c 3 s 1 are each amended to
29 read as follows:

30 (1) A working families' tax credit, funded by sales and use tax
31 imposed, is provided to eligible low-income persons for calendar
32 years beginning on or after January 1, 2022. The credit is refundable
33 and is calculated as provided in this section.

34 (2) For purposes of the credit in this section, the following
35 definitions apply:

36 (a) (i) "Eligible low-income person" means an individual who:
37 (A) Is eligible for the credit provided in Title 26 U.S.C. Sec.
38 32 of the internal revenue code;

1 (B) Properly files a federal income tax return for the prior
2 federal tax year, and was a Washington resident during the year for
3 which the credit is claimed; and

4 (C) Has paid either retail sales tax under this chapter or use
5 tax under chapter 82.12 RCW, or both. There is a rebuttable
6 presumption that a person paid either retail sales tax under this
7 chapter or use tax under chapter 82.12 RCW, or both, if they were a
8 Washington resident during the year for which the credit is claimed.

9 (ii) "Eligible low-income person" also means an individual who
10 meets the requirements provided in (a)(i)(B) of this subsection and
11 would otherwise qualify for the credit provided in Title 26 U.S.C.
12 Sec. 32 of the internal revenue code except that one or any
13 combination of the following conditions apply:

14 (A) The individual filed a federal income tax return for the
15 prior federal tax year using a valid individual taxpayer
16 identification number in lieu of a social security number, and the
17 individual's spouse, if any, and all qualifying children, if any,
18 have a valid individual taxpayer identification number or a social
19 security number; ((~~or~~))

20 (B) The individual filed their federal income tax return for the
21 prior federal tax year under the married filing separately status.
22 For purposes of the refund provided in this section, the special rule
23 for separated spouse under Title 26 U.S.C. Sec. 32(d)(2)(B) of the
24 internal revenue code does not apply; or

25 (C) The individual does not meet the age requirement under Title
26 26 U.S.C. Sec. 32(c)(1)(A)(ii)(II) of the internal revenue code, but
27 is at least age 18 by the end of the prior federal tax year.

28 (b) "Income" means earned income as defined by Title 26 U.S.C.
29 Sec. 32 of the internal revenue code.

30 (c) "Individual" means an individual or an individual and that
31 individual's spouse if they file a federal joint income tax return.

32 (d) "Internal revenue code" means the United States internal
33 revenue code of 1986, as amended, as of June 9, 2022, or such
34 subsequent date as the department may provide by rule consistent with
35 the purpose of this section.

36 (e) "Maximum qualifying income" means the maximum federally
37 adjusted gross income for the prior federal tax year.

38 (f) "Qualifying child" means a qualifying child as defined by
39 Title 26 U.S.C. Sec. 32 of the internal revenue code, except the

1 child may have a valid individual taxpayer identification number in
2 lieu of a social security number.

3 (g) "Washington resident" means an individual who is physically
4 present and residing in this state for at least 183 days. "Washington
5 resident" also includes an individual who is not physically present
6 and residing in this state for at least 183 days but is the spouse of
7 a Washington resident. For purposes of this subsection, "day" means a
8 calendar day or any portion of a calendar day.

9 (3) (a) Except as provided in (b) and (c) of this subsection, for
10 calendar year 2023 and thereafter, the working families' tax credit
11 refund amount for the prior calendar year is:

- 12 (i) \$300 for eligible persons with no qualifying children;
- 13 (ii) \$600 for eligible persons with one qualifying child;
- 14 (iii) \$900 for eligible persons with two qualifying children; or
- 15 (iv) \$1,200 for eligible persons with three or more qualifying
16 children.

17 (b) Except as provided in (f) of this subsection, the refund
18 amounts provided in (a) of this subsection will be reduced, rounded
19 to the nearest dollar, as follows:

20 (i) For eligible persons with no qualifying children, beginning
21 at \$2,500 of income below the federal phase-out income for the prior
22 federal tax year, by 18 percent per additional dollar of income until
23 the minimum credit amount as specified in (c) of this subsection is
24 reached.

25 (ii) For eligible persons with one qualifying child, beginning at
26 \$5,000 of income below the federal phase-out income for the prior
27 federal tax year, by 12 percent per additional dollar of income until
28 the minimum credit amount as specified in (c) of this subsection is
29 reached.

30 (iii) For eligible persons with two qualifying children,
31 beginning at \$5,000 of income below the federal phase-out income for
32 the prior federal tax year, by 15 percent per additional dollar of
33 income until the minimum credit amount as specified in (c) of this
34 subsection is reached.

35 (iv) For eligible persons with three or more qualifying children,
36 beginning at \$5,000 of income below the federal phase-out income for
37 the prior federal tax year, by 18 percent per additional dollar of
38 income until the minimum credit amount as specified in (c) of this
39 subsection is reached.

1 (c) If the refund for an eligible person as calculated in this
2 section is greater than zero cents, but less than \$50, the refund
3 amount is \$50.

4 (d) The refund amounts in this section shall be adjusted for
5 inflation every year beginning January 1, 2024, based upon changes in
6 the consumer price index that are published by November 15th of the
7 previous year for the most recent 12-month period. The adjusted
8 refund amounts must be rounded to the nearest \$5.

9 (e) For purposes of this section, "consumer price index" means,
10 for any 12-month period, the average consumer price index for that
11 12-month period for the Seattle, Washington area for urban wage
12 earners and clerical workers, all items, compiled by the bureau of
13 labor statistics, United States department of labor.

14 (f) The percentage rate of remittance reductions in (b) of this
15 subsection must be adjusted every year beginning January 1, 2023,
16 based on calculations by the department that result in the minimum
17 credit being received at the maximum qualifying income level.

18 (4) The working families' tax credit shall be administered as
19 provided in this subsection.

20 (a) The refund paid under this section will be paid to eligible
21 filers who apply pursuant to this subsection.

22 (i) Application must be made to the department in a form and
23 manner determined by the department. If the application process is
24 initially done electronically, the department must provide a paper
25 application upon request. The application must include any
26 information and documentation as required by the department. The
27 department may use the information provided by the individual to
28 calculate the refund amount. Income reported on the application may
29 be rounded to the nearest dollar.

30 (ii) An individual applying for the credit under this section
31 must keep records necessary for the department to verify eligibility
32 under this section. Any information provided by the individual is
33 subject to audit verification by the department.

34 (iii) In addition to information provided on the application, the
35 department may verify that an individual qualifies as a Washington
36 resident through the use of automated verification tools or other
37 reasonable means.

38 (iv) (A) Except as provided in (a) (iv) (B) of this subsection (4),
39 application for a refund under this section must be made in the year
40 following the year for which the federal tax return was filed, but in

1 no case may any refund be provided for any period before January 1,
2 2022.

3 (B)(I) A person may apply for any refund for which they were
4 eligible but did not claim under (a)(iv)(A) of this subsection (4)
5 for up to three additional years. A person must complete an
6 application to claim this refund within the three calendar years
7 after the end of the calendar year in which the federal income tax
8 return for that tax year was legally due for federal income tax
9 purposes, without regard to any federal extension.

10 (II) If a person seeks to increase the amount of a refund that
11 has been made under this subsection (4), the person must apply for
12 the amended refund within the nonclaims period established under RCW
13 82.32.060(1).

14 (v) A person may not claim a credit on behalf of a deceased
15 individual. No individual may claim a credit under this section for
16 any year in a disallowance period under Title 26 U.S.C. Sec. 32(k)(1)
17 of the internal revenue code or for any year for which the individual
18 is ineligible to claim the credit in Title 26 U.S.C. Sec. 32 of the
19 internal revenue code by reason of Title 26 U.S.C. Sec. 32(k)(2) of
20 the internal revenue code.

21 (b) The department shall protect the privacy and confidentiality
22 of personal data of refund recipients in accordance with chapter
23 82.32 RCW.

24 (c) The department shall, in conjunction with other agencies or
25 organizations, design and implement a public information campaign to
26 inform potentially eligible persons of the existence of, and
27 requirements for, the credit provided in this section.

28 (d) The department must work with the internal revenue service of
29 the United States to administer the credit on an automatic basis as
30 soon as practicable.

31 (5) Receipt of a refund under this section may not be used in
32 eligibility determinations for any state income support programs or
33 in making public charge determinations.

34 (6) The department may adopt rules necessary to implement this
35 section. This includes establishing a date by which applications will
36 be accepted, with the aim of accepting applications as soon as
37 possible.

38 (7) The department must review the application and determine
39 eligibility for the working families' tax credit based on information
40 provided by the applicant and through audit and other administrative

1 records, including, when it deems it necessary, verification through
2 information from the internal revenue service of the United States,
3 other federal agencies, Washington state agencies, third-party
4 entities, or other persons. The department may accept a signed
5 attestation in a form and manner determined by the department from an
6 individual to presumptively validate that an individual meets all the
7 eligibility requirements as provided in this section. The signed
8 attestation is subject to audit verification by the department to
9 validate an individual's eligibility for the working families' tax
10 credit.

11 (8) If, upon review of internal revenue service data or other
12 information obtained by the department, it appears that an individual
13 received a refund that the individual was not entitled to, or
14 received a larger refund than the individual was entitled to, the
15 department may assess against the individual the overpaid amount. The
16 department may also assess such overpaid amount against the
17 individual's spouse if the refund in question was based on both
18 spouses filing a joint federal income tax return for the year for
19 which the refund was claimed.

20 (a) Interest as provided under RCW 82.32.050 applies to
21 assessments authorized under this subsection (8) starting six months
22 after the date the department issued the assessment until the amount
23 due under this subsection (8) is paid in full to the department.
24 Except as otherwise provided in this subsection, penalties may not be
25 assessed on amounts due under this subsection.

26 (b) If an amount due under this subsection is not paid in full by
27 the date due, or the department issues a warrant for the collection
28 of amounts due under this subsection, the department may assess the
29 applicable penalties under RCW 82.32.090. Penalties under this
30 subsection (8)(b) may not be made due until six months after the
31 department's issuance of the assessment.

32 (c) If the department finds by clear, cogent, and convincing
33 evidence that an individual knowingly submitted, caused to be
34 submitted, or consented to the submission of, a fraudulent claim for
35 refund under this section, the department must assess a penalty of 50
36 percent of the overpaid amount. This penalty is in addition to any
37 other applicable penalties assessed in accordance with (b) of this
38 subsection (8).

39 (9) If, within the period allowed for refunds under RCW
40 82.32.060, the department finds that an individual received a lesser

1 refund than the individual was entitled to, the department must remit
2 the additional amount due under this section to the individual.

3 (10) Interest does not apply to refunds provided under this
4 section.

5 (11) Chapter 82.32 RCW applies to the administration of this
6 section.

7 **Sec. 902.** 2023 c 456 s 3 (uncodified) is amended to read as
8 follows:

9 (1) This section is the tax preference performance statement for
10 the tax preference contained in section 2, chapter 195, Laws of 2021
11 (~~and~~), section 1, chapter 456, Laws of 2023, and section 901,
12 chapter . . ., Laws of 2026 (section 901 of this act). This
13 performance statement is only intended to be used for subsequent
14 evaluation of the tax preference. It is not intended to create a
15 private right of action by any party or be used to determine
16 eligibility for the preferential tax treatment.

17 (2) The legislature categorizes this tax preference as one
18 intended to provide tax relief for certain individuals as indicated
19 in RCW 82.32.808(2) (e).

20 (3) It is the legislature's specific public policy objective to
21 allow low-income and middle-income workers to recover some or all of
22 the sales tax they pay to support state and local government as a way
23 to increase their economic security and to decrease the regressivity
24 of our state tax code. It is the legislature's intent to provide a
25 sales and use tax credit, in the form of a remittance, to low-income
26 and middle-income working families.

27 (4) The joint legislative audit and review committee shall review
28 this preference in 2028 and every 10 years thereafter. If a review
29 finds that the working families' tax credit does not provide
30 meaningful financial relief to low-income and middle-income
31 households, RCW 82.08.0206 expires at the end of the calendar year
32 two years after the adoption of the final report containing that
33 finding. The joint legislative audit and review committee shall
34 provide written notice of the expiration date of RCW 82.08.0206 to
35 the department of revenue, the chief clerk of the house of
36 representatives, the secretary of the senate, the office of the code
37 reviser, and others as deemed appropriate by the joint legislative
38 audit and review committee. In its review of the program, the joint
39 legislative audit and review committee should use at least the

1 following metrics: Size of the benefit per household, number of
2 household beneficiaries statewide, and demographic information of
3 beneficiaries to include family size, income level, race and
4 ethnicity, and geographic location.(5) In order to obtain the data
5 necessary to perform the review in subsection (4) of this section,
6 the joint legislative audit and review committee may refer to the
7 remittance data prepared by the department of revenue.

8 NEW SECTION. **Sec. 903.** A new section is added to chapter 82.08
9 RCW to read as follows:

10 (1) Beginning January 1, 2029, the tax levied by RCW 82.08.020
11 does not apply to the sales of grooming and hygiene products.

12 (2) For the purpose of this section, "grooming and hygiene
13 products" means soaps and cleaning solutions, shampoo, toothpaste,
14 mouthwash, antiperspirants, and sun tan lotions and screens,
15 regardless of whether the item meets the definition of "over-the-
16 counter drug," as defined in RCW 82.08.0281.

17 NEW SECTION. **Sec. 904.** A new section is added to chapter 82.12
18 RCW to read as follows:

19 (1) Beginning January 1, 2029, the tax levied by RCW 82.12.020
20 does not apply to the use of grooming and hygiene products.

21 (2) For purposes of this section, "grooming and hygiene products"
22 has the same meaning as provided in section 903 of this act.

23 **Sec. 905.** RCW 82.04.4451 and 2022 c 295 s 1 are each amended to
24 read as follows:

25 (1) In computing the tax imposed under this chapter, a credit is
26 allowed against the amount of tax otherwise due under this chapter,
27 as provided in this section. Except for taxpayers that report at
28 least 50 percent of their taxable amount under RCW 82.04.255,
29 82.04.290(2)(a), and 82.04.285, the maximum credit for a taxpayer for
30 a reporting period is (~~(\$55)~~) \$125 multiplied by the number of months
31 in the reporting period, as determined under RCW 82.32.045. For a
32 taxpayer that reports at least 50 percent of its taxable amount under
33 RCW 82.04.255, 82.04.290(2)(a), and 82.04.285, the maximum credit for
34 a reporting period is (~~(\$160)~~) \$375 multiplied by the number of
35 months in the reporting period, as determined under RCW 82.32.045.

1 (2) When the amount of tax otherwise due under this chapter is
2 equal to or less than the maximum credit, a credit is allowed equal
3 to the amount of tax otherwise due under this chapter.

4 (3) When the amount of tax otherwise due under this chapter
5 exceeds the maximum credit, a reduced credit is allowed equal to
6 twice the maximum credit, minus the tax otherwise due under this
7 chapter, but not less than zero.

8 (4) The department may prepare a tax credit table consisting of
9 tax ranges using increments of no more than five dollars and a
10 corresponding tax credit to be applied to those tax ranges. The table
11 shall be prepared in such a manner that no taxpayer will owe a
12 greater amount of tax by using the table than would be owed by
13 performing the calculation under subsections (1) through (3) of this
14 section. A table prepared by the department under this subsection
15 must be used by all taxpayers in taking the credit provided in this
16 section.

17 **Sec. 906.** RCW 82.32.045 and 2023 c 374 s 12 are each amended to
18 read as follows:

19 (1) Except as otherwise provided in this chapter and subsection
20 (6) of this section, payments of the taxes imposed under chapters
21 82.04, 82.08, 82.12, 82.14, 82.16, and 82.27 RCW, along with reports
22 and returns on forms prescribed by the department, are due monthly
23 within 25 days after the end of the month in which the taxable
24 activities occur.

25 (2) The department of revenue may relieve any taxpayer or class
26 of taxpayers from the obligation of remitting monthly and may require
27 the return to cover other longer reporting periods, but in no event
28 may returns be filed for a period greater than one year. Except as
29 provided in subsection (3) of this section, for these taxpayers, tax
30 payments are due on or before the last day of the month next
31 succeeding the end of the period covered by the return.

32 (3) For annual filers, tax payments, along with reports and
33 returns on forms prescribed by the department, are due on or before
34 April 15th of the year immediately following the end of the period
35 covered by the return.

36 (4) The department of revenue may also require verified annual
37 returns from any taxpayer, setting forth such additional information
38 as it may deem necessary to correctly determine tax liability.

1 (5) Notwithstanding subsections (1) and (2) of this section, the
2 department may relieve any person of the requirement to file returns
3 if the following conditions are met:

4 (a) The person's value of products, gross proceeds of sales, or
5 gross income of the business, from all business activities taxable
6 under chapter 82.04 RCW, is less than (~~(\$125,000)~~) \$250,000 per year;

7 (b) The person's gross income of the business from all activities
8 taxable under chapter 82.16 RCW is less than \$24,000 per year; and

9 (c) The person is not required to collect or pay to the
10 department of revenue any other tax or fee which the department is
11 authorized to collect.

12 (6)(a) Taxes imposed under chapter 82.08 or 82.12 RCW on taxable
13 events that occur beginning January 1, 2019, through June 30, 2019,
14 and payable by a consumer directly to the department are due, on
15 returns prescribed by the department, by July 25, 2019.

16 (b) This subsection (6) does not apply to the reporting and
17 payment of taxes imposed under chapters 82.08 and 82.12 RCW:

18 (i) On the retail sale or use of motor vehicles, vessels, or
19 aircraft; or

20 (ii) By consumers who are engaged in business, unless the
21 department has relieved the consumer of the requirement to file
22 returns pursuant to subsection (5) of this section.

23 **Sec. 907.** RCW 82.04.288 and 2025 c 420 s 201 are each amended to
24 read as follows:

25 (1) Beginning January 1, 2026, in addition to all other taxes
26 imposed under this chapter, persons must pay a surcharge on
27 Washington taxable income over \$250,000,000 in a calendar year.

28 (2) The rate of the tax is 0.5 percent of the amount of
29 Washington taxable income over \$250,000,000.

30 (3)(a) Any Washington taxable income subject to the tax in RCW
31 82.04.29004 is exempt from the surcharge imposed in this section.

32 (b)(i) Any Washington taxable income subject to the manufacturing
33 tax rates in RCW 82.04.240, 82.04.2404, 82.04.241, 82.04.260,
34 82.04.2602, 82.04.287, 82.04.2909, or 82.04.294(1) is exempt from the
35 surcharge imposed in this section.

36 (ii) Any Washington taxable income attributable to the wholesale
37 or retail sale of products so manufactured by a person subject to the
38 manufacturing tax rates specified in (b)(i) of this subsection (3) is
39 exempt from the surcharge imposed in this section.

1 (iii) Any Washington taxable income attributable to retail sales
2 that are exempt from the imposition of sales tax in RCW 82.08.0293,
3 82.08.0297, and 82.08.0281 is exempt from the surcharge imposed in
4 this section.

5 (iv) Any Washington taxable income subject to the tax rates in
6 RCW 82.04.260(12) is exempt from the surcharge imposed in this
7 section.

8 (v) Any Washington taxable income attributable to the wholesale
9 or retail sale of petroleum products by a person who is both located
10 in a state other than Washington and the owner of such materials
11 processed for it in Washington by an affiliated processor for hire
12 subject to the rate in RCW 82.04.280(1)(c), is exempt from the
13 surcharge imposed in this section. For the purposes of this
14 subsection (3)(b)(v), the following definitions apply:

15 (A) "Affiliated" means a person that directly or indirectly,
16 through one or more intermediaries, controls, is controlled by, or is
17 under common control with another person;

18 (B) "Control" means the possession, directly or indirectly, of
19 more than 50 percent of the power to direct or cause the direction of
20 the management and policies of a person, whether through the
21 ownership of voting shares, by contract, or otherwise; and

22 (C) "Petroleum product" has the same meaning as in RCW 82.21.020.

23 (4)(a) The surcharge imposed under this section does not apply to
24 taxable income for which a credit is allowed under RCW 82.04.440.

25 (b) The surcharge imposed under this section does not apply to a
26 person engaged in business primarily as a farmer or eligible apiarist
27 as defined in RCW 82.04.213.

28 (c) The surcharge imposed under this section does not apply to a
29 person subject to the tax imposed pursuant to RCW 82.04.299.

30 (d) The surcharge imposed under this section does not apply to
31 taxable income for wholesale and retail transactions of fuel as
32 defined in RCW 82.38.020.

33 (5) Any income that is exempt from the surcharge imposed under
34 this section is not included in the calculation of Washington taxable
35 income in subsection (1) of this section.

36 (6) This section expires December 31, (~~2029~~) 2028.

37 NEW SECTION. **Sec. 908.** Sections 905 and 906 of this act apply
38 to taxes initially due and payable on or after January 1, 2029.

1 **Sec. 909.** RCW 82.08.020 and 2025 c 418 s 3 and 2025 c 417 s 201
2 are each reenacted and amended to read as follows:

3 (1) There is levied and collected a tax equal to (~~six and five-~~
4 ~~tenths~~) 5.75 percent of the selling price on each retail sale in
5 this state of:

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

8 (b) Digital goods, digital codes, and digital automated services,
9 if the sale is included within the RCW 82.04.050 definition of retail
10 sale;

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

13 (d) Extended warranties to consumers; and

14 (e) Anything else, the sale of which is included within the RCW
15 82.04.050 definition of retail sale.

16 (2)(a) There is levied and collected an additional tax on each
17 retail car rental, regardless of whether the vehicle is licensed in
18 this state, equal to:

19 (i) Eleven and nine-tenths percent of the selling price from
20 January 1, 2026, through December 31, 2026; and

21 (ii)(A) Nine and nine-tenths percent of the selling price
22 beginning January 1, 2027.

23 (B) The revenue collected under (a) of this subsection must be
24 deposited in the multimodal transportation account created in RCW
25 47.66.070.

26 (b)(i) Beginning January 1, 2027, there is levied and collected
27 an additional tax on peer-to-peer car sharing transactions equal to
28 the selling price multiplied by the rate of tax imposed under (a) of
29 this subsection. This subsection (2)(b) applies only to peer-to-peer
30 car sharing transactions where the vehicle owner obtained the shared
31 vehicle as a vehicle for resale using a reseller permit or an
32 approved exemption certificate under RCW 82.04.470. The revenue
33 collected under this subsection (2)(b) must be deposited in the
34 multimodal transportation account created in RCW 47.66.070.

35 (ii) For purposes of this subsection (2)(b), "peer-to-peer car
36 sharing" has the same meaning as in RCW 46.74A.010. "Peer-to-peer car
37 sharing" does not mean:

38 (A) "Retail car rental" as defined in RCW 82.08.011; or

39 (B) "Rental car" as defined in RCW 46.04.465 or 48.115.005.

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

7 (4)(a) Beginning July 1, 2026, in addition to taxes required
8 under this chapter and chapters 82.12 and 82.49 RCW, there is levied
9 and collected an additional tax of five-tenths of one percent on the
10 selling price, plus trade-in property of like kind, for purchased
11 recreational vessels.

12 (b) In the case of a lease requiring periodic payments, the tax
13 is imposed on the fair market value of the recreational vessel at the
14 inception of the lease.

15 (c) The revenue collected under this subsection must be deposited
16 in the multimodal transportation account created in RCW 47.66.070.

17 (d) For purposes of this subsection, "recreational vessel" means
18 a vessel as defined in RCW 88.02.310 that is subject to watercraft
19 excise tax under chapter 82.49 RCW.

20 (5) For purposes of subsection (3) of this section, "motor
21 vehicle" has the meaning provided in RCW 46.04.320, but does not
22 include:

23 (a) Farm tractors or farm vehicles as defined in RCW 46.04.180
24 and 46.04.181, unless the farm tractor or farm vehicle is for use in
25 the production of cannabis;

26 (b) Off-road vehicles as defined in RCW 46.04.365;

27 (c) Nonhighway vehicles as defined in RCW 46.09.310; and

28 (d) Snowmobiles as defined in RCW 46.04.546.

29 (6) Beginning on December 8, 2005, 0.16 percent of the taxes
30 collected under subsection (1) of this section must be dedicated to
31 funding comprehensive performance audits required under RCW
32 43.09.470. The revenue identified in this subsection must be
33 deposited in the performance audits of government account created in
34 RCW 43.09.475.

35 (7) Beginning July 1, 2027, the portion of taxes collected by the
36 state under subsection (1) of this section equal to 0.1 percent of
37 the selling price on each retail sale in this state must be deposited
38 in the multimodal transportation account created in RCW 47.66.070.

39 (8) The taxes imposed under this chapter apply to successive
40 retail sales of the same property.

1 (9) The rates provided in this section apply to taxes imposed
2 under chapter 82.12 RCW as provided in RCW 82.12.020.

3 **PART X**
4 **MISCELLANEOUS**

5 **Sec. 1001.** RCW 1.90.100 and 2024 c 5 s 1 (Initiative Measure No.
6 2111) are each amended to read as follows:

7 (1) Neither the state nor any county, city, or other local
8 jurisdiction in the state of Washington may tax any individual person
9 on any form of personal income. For the purposes of this chapter,
10 "income" has the same meaning as "gross income" in 26 U.S.C. Sec. 61.

11 (2) Subsection (1) of this section does not apply to the tax
12 authorized in chapter 82A.--- RCW (the new chapter created in section
13 1003 of this act).

14 NEW SECTION. **Sec. 1002.** NULL AND VOID. If a court of final
15 jurisdiction invalidates section 201 of this act, this act is null
16 and void in its entirety.

17 NEW SECTION. **Sec. 1003.** CODIFICATION. Sections 101 through 704
18 and 708 through 711 of this act constitute a new chapter in a new
19 title in the Revised Code of Washington, to be codified as Title 82A
20 RCW.

21 NEW SECTION. **Sec. 1004.** CONFORMING AMENDMENTS. If any
22 amendments in this act, or any sections enacted or affected by
23 chapter . . ., Laws of 2026 (this act), are enacted in a 2026
24 legislative session that do not take cognizance of chapter . . .,
25 Laws of 2026 (this act), the code reviser must prepare a bill for
26 introduction in the 2027 or 2028 legislative session that
27 incorporates any such amendments into the reorganization adopted by
28 chapter . . ., Laws of 2026 (this act) and corrects any incorrect
29 cross-references.

30 NEW SECTION. **Sec. 1005.** Refunds may not be provided under
31 section 901 of this act for any period before January 1, 2028.

32 NEW SECTION. **Sec. 1006.** Except as provided in section 902 of
33 this act, RCW 82.32.805 and 82.32.808 do not apply to this act.

1 NEW SECTION. **Sec. 1007.** It is the intent of the legislature for
2 the department of revenue to spend appropriated amounts to implement
3 this act regardless of litigation.

4 NEW SECTION. **Sec. 1008.** Except for section 901 of this act,
5 which takes effect January 1, 2029, this act takes effect January 1,
6 2028, if the proposed amendment to Article VII of the state
7 Constitution (House Joint Resolution No. . . . (H-3433/26)),
8 authorizing the imposition of an income tax, is validly submitted to
9 and is approved and ratified by the voters at the next general
10 election. If the proposed amendment is not approved and ratified,
11 this act is void in its entirety.

--- END ---