

6184

Sponsor(s): Senators T. Sheldon, Rossi, West and Finkbeiner

Brief Description: Clarifying the decision of the Washington state supreme court in *Simpson Investment Co. v. Dept. of Revenue*.

SB 6184 - DIGEST

Finds that the recent state supreme court decision in *Simpson Investment Co. v. Dept. of Revenue* could lead to an unusually restrictive, narrow interpretation of the deductibility of investment income for business and occupation tax purposes. If allowed to stand, this interpretation could be extremely detrimental.

Declares that, through its ruling, the court called into question the application of the state's business and occupation tax to investment income derived by nonfinancial businesses such as family investment vehicles, estate planning entities, personal holding companies, mutual funds, venture capital companies, and other similar entities that have traditionally deducted their investment income pursuant to RCW 82.04.4281. The court's decision could also be read to expand the business and occupation tax to individual citizens' investment earnings even though they have never been considered to be engaging in business.

Declares that the court's decision has the potential of discouraging capital investment in this state's businesses and inhibiting individual citizens, their families, and noncommercial investors from preserving or increasing their financial security. The legislature recognizes that capital and investment income is easily moved out of state. Interpretations that would apply the business and occupation tax to certain investment income will definitely cause a reduction of overall capital available to businesses and could cause some to take their operations and family-wage jobs out of this state.

Finds that a narrow interpretation of RCW 82.04.4281 is clearly not in the best interest of this state or its citizens. Therefore, it is the intent of this act to clarify the deductibility of investment income and to specifically identify persons who may not take the deduction provided in RCW 82.04.4281.