

# SENATE BILL REPORT

## SB 5841

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As Passed Senate, March 18, 2003

**Title:** An act relating to the taxation by a county of persons residing outside the state who are employed inside the county.

**Brief Description:** Authorizing counties to tax employees not living in Washington for the value of government services they receive.

**Sponsors:** Senators Benton, Zarelli, Hewitt, Doumit, Swecker, Carlson, Rossi, Poulsen, Oke, Stevens, Honeyford, Prentice, Mulliken, Kohl-Welles, Morton, Schmidt, Roach, Parlette, B. Sheldon, West, Shin, Franklin, Rasmussen and McAuliffe.

**Brief History:**

**Committee Activity:** Government Operations & Elections: 2/26/03, 3/5/03 [DP].  
Passed Senate: 3/18/03, 30-19.

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### SENATE COMMITTEE ON GOVERNMENT OPERATIONS & ELECTIONS

**Majority Report:** Do pass.

Signed by Senators Roach, Chair; Stevens, Vice Chair; Horn and Reardon.

**Staff:** Ronda Larson (786-7429)

**Background:** Washington has no state income tax. Most other states have state income taxes. Consequently, Washington residents who work in such states pay income tax to those states while residents from those states who work in Washington do not pay income taxes to Washington. Counties in Washington are authorized to impose property taxes, sales taxes, and use (i.e., excise) taxes to fund their activities.

In 1983, Oregon changed its method of computing income tax on nonresidents. This caused such taxes to increase. In 1984, Washington passed a statute allowing counties to impose an excise tax on nonresidents working in the county. In 1985, Oregon changed its tax computation method back to the previous method and the Washington Legislature repealed its nonresident excise tax statute.

**Summary of Bill:** Authority is given to counties to impose an excise tax on non-Washington residents who work in the county. The amount of tax is based on the actual benefits that the employee receives from the county, including police protection and road maintenance.

The county allocates the revenue collected to cities in the county based on the amount of taxes paid by nonresident employees working in such cities.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** Benton County residents who work in Oregon pay an income tax of 9.5 percent because their job is across the river. The fourth largest taxing district in Oregon is Clark County Washington county. 100 million Washington residents work in Oregon each year. They do not live in Oregon but are taxed as if they do. The only way to get the attention of the Oregon Legislature is to put a tax on non-Washington residents who utilize roads in Washington. So if their constituents call them and complain, perhaps they will return the calls of Washington legislators. Oregon is once again including Washington employees' spouses' income in their income tax calculation.

**Testimony Against:** The U.S. Constitution's Privileges and Immunities Clause may prohibit the tax in this bill because the clause requires that people be treated equally. This bill would tax residents of another state who drive on Washington's roads, but it would not impose the same tax on residents of Washington who drive on Washington's roads.

**Testified:** PRO: Senator Benton, prime sponsor; CON: Merton Cooper.