



**PART II**  
**DEFINITIONS**

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3       NEW SECTION.   **Sec. 201.**   INTRODUCTORY.   Unless the context clearly  
4 requires otherwise, the definitions in sections 202 through 212 of this  
5 act apply throughout this title.

6       NEW SECTION.   **Sec. 202.**   ADJUSTED GROSS INCOME.   "Adjusted gross  
7 income" means adjusted gross income as determined under the internal  
8 revenue code.

9       NEW SECTION.   **Sec. 203.**   DEPARTMENT.   "Department" means the state  
10 department of revenue.

11       NEW SECTION.   **Sec. 204.**   FEDERAL BASE INCOME.   "Federal base  
12 income" means:

- 13       (1) For individuals, adjusted gross income;
- 14       (2) For estates and trusts, taxable income as determined for  
15 estates and trusts consistent with subtitle A, chapter I, subchapter J  
16 of the internal revenue code.

17       NEW SECTION.   **Sec. 205.**   INDIVIDUAL.   "Individual" means a natural  
18 person.

19       NEW SECTION.   **Sec. 206.**   INTERNAL REVENUE CODE.   "Internal revenue  
20 code" means the United States internal revenue code of 1986 and  
21 amendments thereto, as existing and in effect on January 1, 2004.

22       NEW SECTION.   **Sec. 207.**   PERSON.   "Person" includes individuals,  
23 partnerships, firms, companies, fiduciaries, estates, trusts, and any  
24 other group or combination acting as a unit, but does not include  
25 corporations.

26       NEW SECTION.   **Sec. 208.**   RESIDENT.   (1) "Resident" includes an  
27 individual who:

- 28       (a) Has resided in this state for the entire tax year; or  
29       (b) Is domiciled in this state unless the individual:  
30       (i) Maintains no permanent place of abode in this state; and  
31       (ii) Does not maintain a permanent place of abode elsewhere; and

1 (iii) Spends in the aggregate not more than thirty days in the tax  
2 year in this state; or

3 (c) Is not domiciled in this state, but maintains a permanent place  
4 of abode in this state and spends in the aggregate more than one  
5 hundred eighty-three days of the tax year in this state unless the  
6 individual establishes to the satisfaction of the director of revenue  
7 that the individual is in the state only for temporary or transitory  
8 purposes; or

9 (d) Claims the state of Washington as the individual's tax home for  
10 federal income tax purposes.

11 (2) A resident estate means an estate of which a personal  
12 representative was appointed by a Washington court or an estate  
13 administration of which is carried on in this state.

14 (3) A resident trust means a trust whose situs as determined by RCW  
15 11.96A.030 is within the state of Washington.

16 NEW SECTION. **Sec. 209.** S CORPORATION. "S corporation" means an  
17 S corporation as defined in section 1361 of the internal revenue code.

18 NEW SECTION. **Sec. 210.** TAXABLE INCOME. "Taxable income" means  
19 federal base income as modified under sections 401 through 503 of this  
20 act.

21 NEW SECTION. **Sec. 211.** TAXABLE YEAR. "Taxable year" means the  
22 taxpayer's taxable year as defined under the internal revenue code.

23 NEW SECTION. **Sec. 212.** TAXPAYER. "Taxpayer" means a person  
24 receiving income subject to tax under this title.

25 NEW SECTION. **Sec. 213.** DEFINITION OF TERMS GENERALLY. Except as  
26 provided in sections 201 through 212 of this act, any term used in this  
27 title has the same meaning as when used in a comparable context in the  
28 internal revenue code.

29 **PART III**  
30 **DETERMINATION OF TAX**

1 NEW SECTION. Sec. 301. TAX IMPOSED--RATES. (1) A tax is imposed  
2 on all taxable income of resident individuals, estates, and trusts and  
3 on all individuals, estates, and trusts deriving income from sources in  
4 Washington for each taxable year based on the type of return filed and  
5 the amount of income in accordance with this section.

6 (2) For every married individual who makes a single return jointly  
7 with his or her spouse and for every surviving spouse, the tax shall be  
8 determined in accordance with the following table:

9 If taxable income is:	The tax is:
10 Not over \$49,900 .....	2.2% of taxable income
11 Over \$49,900 but not over \$120,650 .....	\$1,098 plus 3.5% of the excess over \$49,900
12 Over \$120,650 .....	\$3,574 plus 6.0% of the excess over \$120,650

13 (3) For every head of a household, the tax shall be determined in  
14 accordance with the following table:

15 If taxable income is:	The tax is:
16 Not over \$37,425 .....	2.2% of taxable income
17 Over \$37,425 but not over \$90,488 .....	\$823 plus 3.5% of the excess over \$37,425
18 Over \$90,488 .....	\$2,681 plus 6.0% of the excess over \$90,488

19 (4) For every individual, other than a surviving spouse or the head  
20 of a household, who is not a married individual and for every married  
21 individual who does not make a single return jointly with his or her  
22 spouse and for every estate and trust, the tax shall be determined in  
23 accordance with the following table:

24 If taxable income is:	The tax is:
25 Not over \$24,950 .....	2.2% of taxable income
26 Over \$24,950 but not over \$60,325 .....	\$549 plus 3.5% of the excess over \$24,950
27 Over \$60,325 .....	\$1,787 plus 6.0% of the excess over \$60,325

28 (5) Taxable income of a taxpayer exempt from taxation by internal  
29 revenue code section 501 is exempt from taxation by this title.

30 NEW SECTION. Sec. 302. CREDIT FOR INCOME TAXES DUE ANOTHER  
31 JURISDICTION. (1) A resident individual, estate, or trust is allowed

1 a credit against the tax imposed under this title for the amount of any  
2 income tax imposed by another state or foreign country, or political  
3 subdivision of the state or foreign country, on income taxed under this  
4 title, subject to the following conditions, which shall be imposed  
5 separately with respect to each taxing jurisdiction:

6 (a) The credit is allowed only for taxes imposed by the other  
7 jurisdiction on net income from sources within that jurisdiction; and

8 (b) The amount of the credit shall not exceed the smaller of:

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

11 (ii) The amount of tax due under this title before application of  
12 credits allowable by this title, multiplied by a fraction. The  
13 numerator of the fraction is the amount of the taxpayer's adjusted  
14 gross income subject to tax in the other jurisdiction. The denominator  
15 of the fraction is the taxpayer's total adjusted gross income as  
16 modified by this title. The fraction shall never be greater than one.

17 (2) If, in lieu of a credit similar to the credit allowed under  
18 subsection (1) of this section, the laws of the other taxing  
19 jurisdiction contain a provision exempting a resident of this state  
20 from liability for the payment of income taxes on income earned for  
21 personal services performed in such jurisdiction, then the director is  
22 authorized to enter into a reciprocal agreement with such jurisdiction  
23 providing a similar tax exemption on income earned for personal  
24 services performed in this state.

25 NEW SECTION. **Sec. 303.** DUAL RESIDENCE. If an individual is  
26 regarded as a resident both of this state and another jurisdiction for  
27 state personal income tax purposes, the department shall reduce the tax  
28 on that portion of the taxpayer's income which is subjected to tax in  
29 both jurisdictions solely by virtue of dual residence, if the other  
30 taxing jurisdiction allows a similar reduction. The reduction shall  
31 equal the lower of the two taxes applicable to the income taxed twice,  
32 multiplied by a fraction. The numerator of the fraction is the tax  
33 imposed by this state on the income taxed twice. The denominator of  
34 the fraction is the tax imposed by both jurisdictions on the income  
35 taxed twice. The fraction shall never be greater than one.





1 However, the amount deducted under this section shall be reduced by any  
2 expense, including amortizable bond premiums, incurred in the  
3 production of such income to the extent the expense has been deducted  
4 in calculating federal base income.

5 NEW SECTION. **Sec. 407.** STANDARD DEDUCTION--PERSONAL EXEMPTION.

6 There shall be allowed from federal base income the following standard  
7 deductions and personal exemption deduction:

8 (1) The standard deduction for an individual shall be:

9 (a) In the case of a joint return or a surviving spouse, seven  
10 thousand dollars if only one spouse has earned income and seven  
11 thousand dollars plus the earned income of the spouse with the lesser  
12 income, not to exceed ten thousand dollars in total, if both spouses  
13 have earned income;

14 (b) In the case of the head of a household, seven thousand dollars;

15 (c) In the case of an individual who is not married and who is not  
16 a surviving spouse or head of a household and in the case of a married  
17 individual filing a separate return, five thousand dollars.

18 (2) A personal exemption deduction in the amount of two thousand  
19 nine hundred dollars shall be allowed for each individual for whom a  
20 personal exemption deduction is allowed for federal income tax  
21 purposes.

22 (3) An additional exemption deduction in the amount of one thousand  
23 dollars shall be allowed:

24 (a) For the individual if the individual has attained age sixty-  
25 five before the close of the taxable year; and

26 (b) For the spouse of the individual if the spouse has attained age  
27 sixty-five before the close of the taxable year if a joint return is  
28 not made by the individual and the individual's spouse and the spouse,  
29 for the calendar year in which the taxable year of the individual  
30 begins, has no gross income and is not the dependent of another  
31 individual.

32 (4) An additional exemption deduction in the amount of one thousand  
33 dollars shall be allowed:

34 (a) For the individual if the individual is blind at the close of  
35 the taxable year; and

36 (b) For the spouse of the individual if the spouse is blind at the  
37 close of the taxable year if a joint return is not made by the



1 individual and the individual's spouse and the spouse, for the calendar  
2 year in which the taxable year of the individual begins, has no gross  
3 income and is not the dependent of another individual.

4 NEW SECTION. **Sec. 408.** ADJUSTMENT OF DEDUCTIONS AND EXEMPTIONS  
5 FOR NONRESIDENTS. The deductions from federal base income allowed  
6 under section 407 of this act for individual taxpayers who are not  
7 residents of this state for the entire taxable year shall be reduced by  
8 multiplying the amount of the deductions by a fraction. The numerator  
9 of the fraction is the individual's adjusted gross income attributable  
10 to sources within the state of Washington. The denominator of the  
11 fraction is the individual's gross income from all sources. The  
12 fraction shall never be greater than one.

13 NEW SECTION. **Sec. 409.** TAX RETURNS FOR FRACTIONAL YEAR. (1) If  
14 the first taxable year of any taxpayer with respect to which a tax is  
15 imposed by this title ends before December 31st of the calendar year in  
16 which this title becomes effective, the taxable income for the  
17 fractional taxable year shall be the taxpayer's taxable income for the  
18 entire taxable year, adjusted by one of the following methods, at the  
19 taxpayer's election:

20 (a) The taxable income shall be multiplied by a fraction. The  
21 numerator of the fraction is the number of days in the fractional  
22 taxable year. The denominator of the fraction is the number of days in  
23 the entire taxable year.

24 (b) The taxable income shall be adjusted, in accordance with rules  
25 of the department, so as to include only such income and be reduced  
26 only by such deductions as can be clearly determined from the permanent  
27 records of the taxpayer to be attributable to the fractional taxable  
28 year.

29 (2) If an individual taxpayer's taxable income is adjusted under  
30 subsection (1) of this section, the deduction amounts allowed under  
31 section 407 of this act for the taxpayer shall be reduced by  
32 multiplying the amount of the exemption by a fraction. The numerator  
33 of the fraction is the number of days in the taxpayer's fractional  
34 taxable year. The denominator of the fraction is the number of days in  
35 the entire taxable year.



1 deductions derived from or connected with sources in this state but  
2 shall otherwise be determined in the same manner as the corresponding  
3 federal deduction except as provided in this title.

4 (d) Income from intangible personal property, including annuities,  
5 dividends, interest, and gains from the disposition of intangible  
6 personal property, constitutes income derived from sources within the  
7 state of Washington only to the extent that such income is from  
8 property employed in a business, trade, profession, or occupation  
9 carried on within this state: PROVIDED, That distributed and  
10 undistributed income of an electing S corporation for federal tax  
11 purposes derived from or connected with sources within this state is  
12 income derived from sources within this state for a nonresident  
13 shareholder. A net operating loss of such corporation does constitute  
14 a loss or deduction connected with sources within this state for a  
15 nonresident shareholder.

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

19 (f) If a business, trade, profession, or occupation is carried on  
20 partly within and partly without this state, the determination of net  
21 income derived or connected with sources within this state as provided  
22 in this section shall be made by apportionment and allocation of  
23 chapter 82.56 RCW.

24 NEW SECTION. **Sec. 502.** PARTNERSHIPS AND S CORPORATIONS. (1)

25 Partnerships are not subject to tax under this title. Partners are  
26 subject to tax in their separate or individual capacities.

27 (2) S corporations are not subject to tax under this title.  
28 Shareholders of S corporations are subject to tax in their separate or  
29 individual capacities.

30 (3) The taxable incomes of partners shall be computed by including  
31 a pro rata share of the modifications under sections 401 through 503 of  
32 this act and the credits allowed under sections 302, 304, and 305 of  
33 this act, if the modification or credit relates to the income of the  
34 partnership. Each partner's pro rata share of a modification or credit  
35 is the amount of modification or credit multiplied by a fraction. The  
36 numerator of the fraction is the partner's distributive share of

1 partnership income. The denominator of the fraction is the total  
2 partnership income. The fraction shall never be greater than one.

3 (4) The taxable incomes of shareholders of S corporations shall be  
4 computed by including a share of the modifications under sections 401  
5 through 503 of this act and the credits allowed under sections 302,  
6 304, and 305 of this act, if the modification or credit relates to the  
7 income of the S corporation. Each shareholder's share of a  
8 modification or credit is the amount of modification or credit  
9 multiplied by a fraction. The numerator of the fraction is the  
10 shareholder's pro rata share of S corporation income. The denominator  
11 of the fraction is the total S corporation income. The fraction shall  
12 never be greater than one.

13 (5) As used in this section:

14 (a) "S corporation income" includes both distributed and  
15 undistributed federal taxable income of the S corporation.

16 (b) "Pro rata share" means pro rata share as determined under  
17 section 1366(a) of the internal revenue code.

18 NEW SECTION. **Sec. 503.** ESTATES, TRUSTS, AND BENEFICIARIES. (1)  
19 The taxable incomes of estates, trusts, and beneficiaries thereof shall  
20 be computed by including a share of the modifications under sections  
21 401 through 503 of this act and the credits allowed under sections 302,  
22 304, and 305 of this act.

23 Each taxpayer's share of a modification or credit is the amount of  
24 modification or credit multiplied by a fraction. The numerator of the  
25 fraction is the taxpayer's share of the distributable net income of the  
26 estate or trust. The denominator of the fraction is the total  
27 distributable net income of the estate or trust. The fraction shall  
28 never be greater than one.

29 (2) As used in this section, "distributable net income" means  
30 distributable net income as defined in the internal revenue code. If  
31 an estate or trust has no federal distributable net income, the term  
32 means the income of the estate or trust which is distributed or is  
33 required to be distributed during the taxable year under local law or  
34 the terms of the estate or trust instrument.

35 (3) Any portion of a modification which is not included in  
36 calculating the taxable incomes of the beneficiaries shall be included  
37 in calculating the taxable income of the trust or estate.



1 by this title to file a return, a refund may be obtained in the amount  
2 of the credit by filing a return, with applicable sections completed,  
3 to claim the refund. No credit or refund is allowed under this section  
4 unless the credit or refund is claimed on a return filed for the  
5 taxable year for which the amount was deducted and withheld.

6 NEW SECTION. **Sec. 604.** WITHHOLDING--EXEMPTION DECLARATIONS. An  
7 employee shall be entitled to use and an employer shall use the  
8 withholding exemption declaration on file with the employer for federal  
9 income tax purposes. The department may redetermine the number of  
10 withholding exemptions to which any employee is entitled, and the  
11 department may require an additional withholding exemption declaration  
12 to be filed on a form prescribed by the department where the department  
13 finds that the exemption declaration filed for federal income tax  
14 purposes does not properly reflect the number of withholding exemptions  
15 to which the employee is entitled.

16 NEW SECTION. **Sec. 605.** WITHHOLDING--FAILURE TO PAY OR COLLECT--  
17 PENALTIES. (1) The tax required by this title to be collected by the  
18 employer shall be deemed to be held in trust by the employer until paid  
19 to the department.

20 (2) In case any employer, or a responsible person within the  
21 meaning of internal revenue code section 6672, fails to collect the tax  
22 herein imposed or having collected the tax, fails to pay it to the  
23 department, the employer or responsible person shall, nevertheless, be  
24 personally liable to the state for the amount of the tax. The interest  
25 and penalty provisions of chapter 82.32 RCW shall apply to this  
26 section.

27 NEW SECTION. **Sec. 606.** ESTIMATED TAX IMPOSED--DUE DATE OF  
28 ESTIMATED TAXES--AMOUNT OF ESTIMATED TAX--UNDERPAYMENT PENALTY. (1)  
29 Each individual, estate, or trust subject to taxation by this title  
30 which is required by the internal revenue code to make payment of  
31 estimated taxes shall pay to the department on forms prescribed by the  
32 department the estimated taxes due under this title.

33 (2) The provisions of the internal revenue code relating to the  
34 determination of reporting periods and due dates of payments of

1 estimated tax applies to the estimated tax payments due under this  
2 section.

3 (3) The amount of the estimated tax shall be the annualized tax  
4 divided by the number of months in the reporting period. No estimated  
5 tax shall be due if the annualized tax is less than five hundred  
6 dollars. The provisions of RCW 82.32.050 and 82.32.090 shall apply to  
7 underpayments of estimated tax but shall not apply to underpayments, as  
8 defined by the internal revenue code, if the tax remitted to the  
9 department is either ninety percent of the tax shown on the return or  
10 one hundred percent of the tax shown on the previous year's tax return.

11 (4) For purposes of this section, the annualized tax is the  
12 taxpayer's projected tax liability for the tax year as computed  
13 pursuant to internal revenue code section 6654 and the regulations  
14 thereunder.

15 **PART VII**  
16 **CRIMES**

17 NEW SECTION. **Sec. 701.** CRIMES. (1) Any person who knowingly  
18 attempts to evade the tax imposed under this title or payment thereof  
19 is guilty of a class C felony as provided in chapter 9A.20 RCW.

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

23 (3) Any person who knowingly fails to pay tax, pay estimated tax,  
24 make returns, keep records, or supply information, as required under  
25 this title, is guilty of a gross misdemeanor as provided in chapter  
26 9A.20 RCW.

27 **PART VIII**  
28 **ADMINISTRATIVE PROVISIONS**

29 NEW SECTION. **Sec. 801.** METHOD OF ACCOUNTING. (1) A taxpayer's  
30 method of accounting for purposes of the tax imposed under this title  
31 shall be the same as the taxpayer's method of accounting for federal  
32 income tax purposes. If no method of accounting has been regularly  
33 used by a taxpayer for federal income tax purposes or if the method

1 used does not clearly reflect income, tax due under this title shall be  
2 computed by a method of accounting which in the opinion of the  
3 department fairly reflects income.

4 (2) If a person's method of accounting is changed for federal  
5 income tax purposes, it shall be similarly changed for purposes of this  
6 title.

7 NEW SECTION. **Sec. 802.** PERSONS REQUIRED TO FILE RETURNS. (1) All  
8 taxpayers shall file with the department, on forms prescribed by the  
9 department, an income tax return for each tax year. Each person  
10 required to file a return under this title shall, without assessment,  
11 notice, or demand, pay any tax due thereon to the department on or  
12 before the date fixed for the filing of the return.

13 (2) The department may by rule require that certain taxpayers file,  
14 on forms prescribed by the department, informational returns for any  
15 period. Each person required by rule to file an informational return  
16 shall, without assessment, notice, or demand, pay any tax due thereon  
17 to the department on or before the date fixed for the filing of the  
18 informational return.

19 (3) If an adjustment to a taxpayer's federal return is made by the  
20 taxpayer or the internal revenue service, the taxpayer shall, within  
21 ninety days of the final determination of the adjustment by the  
22 internal revenue service or within thirty days of the filing of a  
23 federal return adjusted by the taxpayer, file with the department on  
24 forms prescribed by the department a corrected return reflecting the  
25 adjustments as finally determined. The taxpayer shall pay any  
26 additional tax due resulting from the finally determined internal  
27 revenue service adjustment or a taxpayer adjustment without notice and  
28 assessment. Notwithstanding any provision of this title or any other  
29 title to the contrary, the period of limitation for the collection of  
30 the additional tax, interest, and penalty due as a result of an  
31 adjustment by the taxpayer or a finally determined internal revenue  
32 service adjustment shall begin at the later of thirty days following  
33 the final determination of the adjustment or the date of the filing of  
34 the corrected return.

35 NEW SECTION. **Sec. 803.** DUE DATE FOR FILING A RETURN--EXTENSIONS--  
36 INTEREST AND PENALTIES. The due date of a return required to be filed



1 with the department shall be the due date of the federal income tax  
2 return or informational return for federal income tax purposes. The  
3 department shall have the authority to grant extensions of times by  
4 which returns required to be filed by this title may be submitted. The  
5 department shall also have the authority to grant extensions of time to  
6 pay tax with regard to taxes imposed by this title. Interest at the  
7 rate as specified in RCW 82.32.050 shall accrue during any extension  
8 period and the interest and penalty provisions of chapter 82.32 RCW  
9 shall apply to late payments and deficiencies. Notwithstanding the  
10 limitation of RCW 82.32.090, in the case of the late filing of an  
11 informational return, there shall be imposed a penalty the amount of  
12 which shall be established by the department by rule. The penalty  
13 shall not exceed fifty dollars per month for a maximum of ten months.  
14 RCW 82.32.105 shall apply to this section.

15 NEW SECTION. **Sec. 804.** JOINT RETURN. (1) If the federal income  
16 tax liabilities of both spouses are determined on a joint federal  
17 return for the taxable year, they shall file a joint return under this  
18 title unless one spouse is a resident and the other is a nonresident.

19 (2) If neither spouse is required to file a federal income tax  
20 return for the taxable year, a joint return may be filed under this  
21 title under the same conditions under which a joint return may be filed  
22 for purposes of the federal income tax.

23 (3) If the federal income tax liability of either spouse is  
24 determined on a separate federal return for the taxable year, they  
25 shall file separate returns under this title.

26 (4) If one spouse is a resident and the other is a nonresident,  
27 they shall file separate returns under this title, unless they elect to  
28 determine their tax liabilities under this title on a joint return as  
29 if they were both residents, and:

30 (a) Their federal tax liability for the taxable year was determined  
31 on a joint federal return; or

32 (b) Neither spouse has filed a federal income tax return for the  
33 taxable year and they would be permitted to file a joint federal return  
34 for the taxable year.

35 (5) In any case in which a joint return is filed under this  
36 section, the liability of the husband and wife is joint and several,

1 unless the spouse is relieved of liability under section 6013 of the  
2 internal revenue code.

3 NEW SECTION. **Sec. 805.** RECORDS--RETURNS. (1) Every taxpayer and  
4 every person required to deduct and withhold the tax imposed under this  
5 title shall keep records, render statements, make returns, file  
6 reports, and perform other acts as the department requires by rule.  
7 Each return shall be made under penalty of perjury and on forms  
8 prescribed by the department. The department may require other  
9 statements and reports be made under penalty of perjury and on forms  
10 prescribed by the department. The department may require any taxpayer  
11 and any person required to deduct and withhold the tax imposed under  
12 this title to furnish to the department a correct copy of any return or  
13 document which the taxpayer has filed with the internal revenue service  
14 or received from the internal revenue service.

15 (2) All books and records and other papers and documents required  
16 to be kept under this title are subject to inspection by the department  
17 at all times during business hours of the day.

18 NEW SECTION. **Sec. 806.** ESTIMATION AGREEMENTS. The department may  
19 reasonably estimate the items of business or nonbusiness income of a  
20 taxpayer having an office within the state and one or more other states  
21 or foreign countries which may be apportioned or allocated to the state  
22 and may enter into estimation agreements with such taxpayers for the  
23 determination of their liability for the tax imposed by this title.

24 NEW SECTION. **Sec. 807.** PROVISIONS OF INTERNAL REVENUE CODE  
25 CONTROL. (1) To the extent possible without being inconsistent with  
26 this title, all of the provisions of the internal revenue code relating  
27 to the following subjects apply to the taxes imposed under this title:

28 (a) Time of payment of tax deducted and withheld under sections 301  
29 through 306 of this act;

30 (b) Liability of transferees;

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

34 (2) The department by rule may provide modifications and exceptions

1 to the provisions listed in subsection (1) of this section, if  
2 reasonably necessary to facilitate the prompt, efficient, and equitable  
3 collection of tax under this title.

4 NEW SECTION. **Sec. 808.** REFUNDS OF OVERPAYMENTS--OTHER  
5 ADMINISTRATIVE PROVISIONS. (1) The department shall refund all taxes  
6 improperly paid or collected.

7 (2) The following sections shall apply to the administration of  
8 taxes imposed under this title: 82.32.020, 82.32.050, 82.32.060,  
9 82.32.070, 82.32.090, 82.32.100, 82.32.105, 82.32.110, 82.32.120,  
10 82.32.130, 82.32.140, 82.32.150, 82.32.160, 82.32.170, 82.32.180,  
11 82.32.190, 82.32.200, 82.32.210, 82.32.220, 82.32.230, 82.32.235,  
12 82.32.237, 82.32.240, 82.32.245, 82.32.265, 82.32.300, 82.32.310,  
13 82.32.320, 82.32.330, 82.32.340, 82.32.350, 82.32.360, and 82.32.380.

14 NEW SECTION. **Sec. 809.** RULES. The department may adopt rules  
15 under chapter 34.05 RCW for the administration and enforcement of this  
16 title. The rules, to the extent possible without being inconsistent  
17 with this title, shall follow the internal revenue code and the  
18 regulations and rulings of the United States treasury department with  
19 respect to the federal income tax. The department may adopt as a part  
20 of these rules any portions of the internal revenue code and treasury  
21 department regulations and rulings, in whole or in part.

22 **PART IX**  
23 **APPEALS**

24 **Sec. 901.** RCW 82.03.130 and 1998 c 54 s 1 are each amended to read  
25 as follows:

26 BOARD OF TAX APPEALS--JURISDICTION. (1) The board shall have  
27 jurisdiction to decide the following types of appeals:

- 28 (a) Appeals taken pursuant to RCW 82.03.190.
- 29 (b) Appeals from a county board of equalization pursuant to RCW  
30 84.08.130.
- 31 (c) Appeals by an assessor or landowner from an order of the  
32 director of revenue made pursuant to RCW 84.08.010 and 84.08.060, if  
33 filed with the board of tax appeals within thirty days after the

1 mailing of the order, the right to such an appeal being hereby  
2 established.

3 (d) Appeals by an assessor or owner of an intercounty public  
4 utility or private car company from determinations by the director of  
5 revenue of equalized assessed valuation of property and the  
6 apportionment thereof to a county made pursuant to chapter 84.12 and  
7 84.16 RCW, if filed with the board of tax appeals within thirty days  
8 after mailing of the determination, the right to such appeal being  
9 hereby established.

10 (e) Appeals by an assessor, landowner, or owner of an intercounty  
11 public utility or private car company from a determination of any  
12 county indicated ratio for such county compiled by the department of  
13 revenue pursuant to RCW 84.48.075: PROVIDED, That

14 (i) Said appeal be filed after review of the ratio under RCW  
15 84.48.075(3) and not later than fifteen days after the mailing of the  
16 certification; and

17 (ii) The hearing before the board shall be expeditiously held in  
18 accordance with rules prescribed by the board and shall take precedence  
19 over all matters of the same character.

20 (f) Appeals from the decisions of sale price of second class  
21 shorelands on navigable lakes by the department of natural resources  
22 pursuant to RCW 79.94.210.

23 (g) Appeals from urban redevelopment property tax apportionment  
24 district proposals established by governmental ordinances pursuant to  
25 RCW 39.88.060.

26 (h) Appeals from interest rates as determined by the department of  
27 revenue for use in valuing farmland under current use assessment  
28 pursuant to RCW 84.34.065.

29 (i) Appeals from revisions to stumpage value tables used to  
30 determine value by the department of revenue pursuant to RCW 84.33.091.

31 (j) Appeals from denial of tax exemption application by the  
32 department of revenue pursuant to RCW 84.36.850.

33 (k) Appeals pursuant to RCW 84.40.038(3).

34 (l) Appeals relating to income tax deficiencies and refunds,  
35 including penalties and interest, under Title 82A RCW (sections 101  
36 through 809 of this act).

37 (2) Except as otherwise specifically provided by law hereafter, the

1 provisions of RCW 1.12.070 shall apply to all notices of appeal filed  
2 with the board of tax appeals.

3 **Sec. 902.** RCW 82.03.140 and 2000 c 103 s 1 are each amended to  
4 read as follows:

5 ELECTION OF FORMAL OR INFORMAL HEARING. In all appeals over which  
6 the board has jurisdiction under RCW 82.03.130, a party taking an  
7 appeal may elect either a formal or an informal hearing, such election  
8 to be made according to rules of practice and procedure to be  
9 promulgated by the board: PROVIDED, That nothing shall prevent the  
10 assessor or taxpayer, as a party to an appeal pursuant to RCW  
11 84.08.130, within twenty days from the date of the receipt of the  
12 notice of appeal, from filing with the clerk of the board notice of  
13 intention that the hearing be a formal one: PROVIDED, HOWEVER, That  
14 nothing herein shall be construed to modify the provisions of RCW  
15 82.03.190: AND PROVIDED FURTHER, That upon an appeal under RCW  
16 82.03.130(1) (e) or (1), the director of revenue may, within ten days  
17 from the date of its receipt of the notice of appeal, file with the  
18 clerk of the board notice of its (~~intention that the hearing be held~~  
19 ~~pursuant to chapter 34.05 RCW~~) election of a formal hearing. In the  
20 event that appeals are taken from the same decision, order, or  
21 determination, as the case may be, by different parties and only one of  
22 such parties elects a formal hearing, a formal hearing shall be  
23 granted.

24 **PART X**

25 **APPLICATION OF TAX TO PUBLIC PENSIONS**

26 **Sec. 1001.** RCW 2.10.180 and 1991 c 365 s 18 are each amended to  
27 read as follows:

28 JUDICIAL RETIREMENT SYSTEM. (1) Except as provided in subsections  
29 (2), (3), (~~and~~) (4), and (5) of this section, the right of a person  
30 to a retirement allowance, disability allowance, or death benefit, the  
31 retirement, disability or death allowance itself, any optional benefit,  
32 any other right accrued or accruing to any person under the provisions  
33 of this chapter, and the moneys in the fund created under this chapter,  
34 are hereby exempt from any state, county, municipal, or other local tax

1 and shall not be subject to execution, garnishment, or any other  
2 process of law whatsoever.

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

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

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

22 (5) Subsection (1) of this section does not exempt any pension or  
23 other benefit received under this chapter from tax under Title 82A RCW  
24 (sections 101 through 809 of this act), nor does it prohibit the  
25 department of retirement systems from complying with the tax  
26 withholding requirements of that title.

27 **Sec. 1002.** RCW 2.12.090 and 1991 c 365 s 19 are each amended to  
28 read as follows:

29 JUDGES' RETIREMENT. (1) Except as provided in subsections (2),  
30 (3), ~~((and))~~ (4), and (5) of this section, the right of any person to  
31 a retirement allowance or optional retirement allowance under the  
32 provisions of this chapter and all moneys and investments and income  
33 thereof are exempt from any state, county, municipal, or other local  
34 tax and shall not be subject to execution, garnishment, attachment, the  
35 operation of bankruptcy or the insolvency laws, or other processes of  
36 law whatsoever and shall be unassignable except as herein specifically  
37 provided.

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

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

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

20           (5) Subsection (1) of this section does not exempt any pension or  
21 other benefit received under this chapter from tax under Title 82A RCW  
22 (sections 101 through 809 of this act), nor does it prohibit the  
23 department of retirement systems from complying with the tax  
24 withholding requirements of that title.

25           **Sec. 1003.** RCW 6.13.030 and 1999 c 403 s 4 are each amended to  
26 read as follows:

27           HOMESTEADS. A homestead may consist of lands, as described in RCW  
28 6.13.010, regardless of area, but the homestead exemption amount shall  
29 not exceed the lesser of (1) the total net value of the lands, mobile  
30 home, improvements, and other personal property, as described in RCW  
31 6.13.010, or (2) the sum of forty thousand dollars in the case of  
32 lands, mobile home, and improvements, or the sum of fifteen thousand  
33 dollars in the case of other personal property described in RCW  
34 6.13.010(~~(, except where the homestead is subject to execution,~~  
35 ~~attachment, or seizure by or under any legal process whatever to~~  
36 ~~satisfy a judgment in favor of any state for failure to pay that~~

1 ~~state's income tax on benefits received while a resident of the state~~  
2 ~~of Washington from a pension or other retirement plan, in which event~~  
3 ~~there shall be no dollar limit on the value of the exemption)).~~

4 **Sec. 1004.** RCW 6.15.020 and 1999 c 81 s 1 and 1999 c 42 s 603 are  
5 each reenacted and amended to read as follows:

6 EXECUTION OF JUDGMENTS. (1) It is the policy of the state of  
7 Washington to ensure the well-being of its citizens by protecting  
8 retirement income to which they are or may become entitled. For that  
9 purpose generally and pursuant to the authority granted to the state of  
10 Washington under 11 U.S.C. Sec. 522(b)(2), the exemptions in this  
11 section relating to retirement benefits are provided.

12 (2) Unless otherwise provided by federal law, any money received by  
13 any citizen of the state of Washington as a pension from the government  
14 of the United States, whether the same be in the actual possession of  
15 such person or be deposited or loaned, shall be exempt from execution,  
16 attachment, garnishment, or seizure by or under any legal process  
17 whatever, and when a debtor dies, or absconds, and leaves his or her  
18 family any money exempted by this subsection, the same shall be exempt  
19 to the family as provided in this subsection. This subsection shall  
20 not apply to child support collection actions issued under chapter  
21 26.18, 26.23, or 74.20A RCW, if otherwise permitted by federal law, or  
22 to collection actions for taxes imposed under Title 82A RCW (sections  
23 101 through 809 of this act).

24 (3) The right of a person to a pension, annuity, or retirement  
25 allowance or disability allowance, or death benefits, or any optional  
26 benefit, or any other right accrued or accruing to any citizen of the  
27 state of Washington under any employee benefit plan, and any fund  
28 created by such a plan or arrangement, shall be exempt from execution,  
29 attachment, garnishment, or seizure by or under any legal process  
30 whatever. This subsection shall not apply to child support collection  
31 actions issued under chapter 26.18, 26.23, or 74.20A RCW if otherwise  
32 permitted by federal law, or to collection actions for taxes imposed  
33 under Title 82A RCW (sections 101 through 809 of this act). This  
34 subsection shall permit benefits under any such plan or arrangement to  
35 be payable to a spouse, former spouse, child, or other dependent of a  
36 participant in such plan to the extent expressly provided for in a  
37 qualified domestic relations order that meets the requirements for such



1 orders under the plan, or, in the case of benefits payable under a plan  
2 described in sections 403(b) or 408 of the internal revenue code of  
3 1986, as amended, or section 409 of such code as in effect before  
4 January 1, 1984, to the extent provided in any order issued by a court  
5 of competent jurisdiction that provides for maintenance or support.  
6 This subsection shall not prohibit actions against an employee benefit  
7 plan, or fund for valid obligations incurred by the plan or fund for  
8 the benefit of the plan or fund.

9 (4) For the purposes of this section, the term "employee benefit  
10 plan" means any plan or arrangement that is described in RCW 49.64.020,  
11 including any Keogh plan, whether funded by a trust or by an annuity  
12 contract, and in sections 401(a) or 403(a) of the internal revenue code  
13 of 1986, as amended; or that is a tax-sheltered annuity described in  
14 section 403(b) of such code or an individual retirement account  
15 described in section 408 of such code; or a Roth individual retirement  
16 account described in section 408A of such code; or a medical savings  
17 account described in section 220 of such code; or an education  
18 individual retirement account described in section 530 of such code; or  
19 a retirement bond described in section 409 of such code as in effect  
20 before January 1, 1984. The term "employee benefit plan" also means  
21 any rights accruing on account of money paid currently or in advance  
22 for purchase of tuition units under the advanced college tuition  
23 payment program in chapter 28B.95 RCW. The term "employee benefit  
24 plan" shall not include any employee benefit plan that is established  
25 or maintained for its employees by the government of the United States,  
26 by the state of Washington under chapter 2.10, 2.12, 41.26, 41.32,  
27 41.34, 41.35, 41.40 or 43.43 RCW or RCW 41.50.770, or by any agency or  
28 instrumentality of the government of the United States.

29 (5) An employee benefit plan shall be deemed to be a spendthrift  
30 trust, regardless of the source of funds, the relationship between the  
31 trustee or custodian of the plan and the beneficiary, or the ability of  
32 the debtor to withdraw or borrow or otherwise become entitled to  
33 benefits from the plan before retirement. This subsection shall not  
34 apply to child support collection actions issued under chapter 26.18,  
35 26.23, or 74.20A RCW, if otherwise permitted by federal law, or to  
36 collection actions for taxes imposed under Title 82A RCW (sections 101  
37 through 809 of this act). This subsection shall permit benefits under  
38 any such plan or arrangement to be payable to a spouse, former spouse,

1 child, or other dependent of a participant in such plan to the extent  
2 expressly provided for in a qualified domestic relations order that  
3 meets the requirements for such orders under the plan, or, in the case  
4 of benefits payable under a plan described in sections 403(b) or 408 of  
5 the internal revenue code of 1986, as amended, or section 409 of such  
6 code as in effect before January 1, 1984, to the extent provided in any  
7 order issued by a court of competent jurisdiction that provides for  
8 maintenance or support.

9 (6) Unless contrary to applicable federal law, nothing contained in  
10 subsection (3), (4), or (5) of this section shall be construed as a  
11 termination or limitation of a spouse's community property interest in  
12 an individual retirement account held in the name of or on account of  
13 the other spouse, the account holder spouse. At the death of the  
14 nonaccount holder spouse, the nonaccount holder spouse may transfer or  
15 distribute the community property interest of the nonaccount holder  
16 spouse in the account holder spouse's individual retirement account to  
17 the nonaccount holder spouse's estate, testamentary trust, inter vivos  
18 trust, or other successor or successors pursuant to the last will of  
19 the nonaccount holder spouse or the law of intestate succession, and  
20 that distributee may, but shall not be required to, obtain an order of  
21 a court of competent jurisdiction, including a nonjudicial dispute  
22 resolution agreement entered into pursuant to RCW 11.96.170 or other  
23 order entered under chapter 11.96A RCW, to confirm the distribution.  
24 For purposes of subsection (3) of this section, the distributee of the  
25 nonaccount holder spouse's community property interest in an individual  
26 retirement account shall be considered a person entitled to the full  
27 protection of subsection (3) of this section. The nonaccount holder  
28 spouse's consent to a beneficiary designation by the account holder  
29 spouse with respect to an individual retirement account shall not,  
30 absent clear and convincing evidence to the contrary, be deemed a  
31 release, gift, relinquishment, termination, limitation, or transfer of  
32 the nonaccount holder spouse's community property interest in an  
33 individual retirement account. For purposes of this subsection, the  
34 term "nonaccount holder spouse" means the spouse of the person in whose  
35 name the individual retirement account is maintained. The term  
36 "individual retirement account" includes an individual retirement  
37 account and an individual retirement annuity both as described in  
38 section 408 of the internal revenue code of 1986, as amended, a Roth

1 individual retirement account as described in section 408A of the  
2 internal revenue code of 1986, as amended, and an individual retirement  
3 bond as described in section 409 of the internal revenue code as in  
4 effect before January 1, 1984. As used in this subsection, an order of  
5 a court of competent jurisdiction includes an agreement, as that term  
6 is used under RCW 11.96A.220.

7 **Sec. 1005.** RCW 41.24.240 and 1995 c 11 s 13 are each amended to  
8 read as follows:

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

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

26 (3) Subsection (1) of this section does not exempt any pension or  
27 other benefit received under this chapter from tax under Title 82A RCW  
28 (sections 101 through 809 of this act), nor does it prohibit the  
29 department of retirement systems from complying with the tax  
30 withholding requirements of that title.

31 **Sec. 1006.** RCW 41.32.052 and 1991 c 365 s 21 and 1991 c 35 s 63  
32 are each reenacted and amended to read as follows:

33 TEACHERS' RETIREMENT SYSTEM. (1) Subject to subsections (2)  
34 ~~((and)),~~ (3), and (4) of this section, the right of a person to a  
35 pension, an annuity, a retirement allowance, or disability allowance,  
36 to the return of contributions, any optional benefit or death benefit,

1 any other right accrued or accruing to any person under the provisions  
2 of this chapter and the moneys in the various funds created by this  
3 chapter shall be unassignable, and 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 other process of law whatsoever.

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

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

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

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

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

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

36 (4) Subsection (1) of this section does not exempt any pension or  
37 other benefit received under this chapter from tax under Title 82A RCW

1 (sections 101 through 809 of this act), nor does it prohibit the  
2 department of retirement systems from complying with the tax  
3 withholding requirements of that title.

4 **Sec. 1007.** RCW 41.35.100 and 1998 c 341 s 11 are each amended to  
5 read as follows:

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

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

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

1 fully complies with RCW 41.50.670 and 41.50.700, or (f) any  
2 administrative or court 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 RCW  
5 (sections 101 through 809 of this act), nor does it prohibit the  
6 department of retirement systems from complying with the tax  
7 withholding requirements of that title.

8 **Sec. 1008.** RCW 41.40.052 and 1999 c 83 s 1 are each amended to  
9 read as follows:

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

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

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

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

11 (4) Subsection (1) of this section does not exempt any pension or  
12 other benefit received under this chapter from tax under Title 82A RCW  
13 (sections 101 through 809 of this act), nor does it prohibit the  
14 department of retirement systems from complying with the tax  
15 withholding requirements of that title.

16 **Sec. 1009.** RCW 41.44.240 and 1989 c 360 s 28 are each amended to  
17 read as follows:

18 STATEWIDE CITY EMPLOYEES' RETIREMENT. (1) The right of a person to  
19 a pension, annuity or a retirement allowance, to the return of  
20 contribution, the pension, annuity or retirement allowance itself, any  
21 optional benefit, any other right accrued or accruing to any person  
22 under the provisions of this chapter, and the moneys in the fund  
23 created under this chapter shall not be subject to execution,  
24 garnishment, or any other process whatsoever.

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

33 (3) Subsection (1) of this section does not exempt any pension or  
34 other benefit received under this chapter from tax under Title 82A RCW  
35 (sections 101 through 809 of this act), nor does it prohibit the  
36 department of retirement systems from complying with the tax  
37 withholding requirements of that title.

1       **Sec. 1010.** RCW 41.26.053 and 1991 c 365 s 20 and 1991 c 35 s 25  
2 are each reenacted and amended to read as follows:

3       LAW ENFORCEMENT OFFICERS' AND FIRE FIGHTERS' RETIREMENT SYSTEM.

4       (1) Subject to subsections (2) (~~and~~), (3), and (4) of this section,  
5 the right of a person to a retirement allowance, disability allowance,  
6 or death benefit, to the return of accumulated contributions, the  
7 retirement, disability or death allowance itself, any optional benefit,  
8 any other right accrued or accruing to any person under the provisions  
9 of this chapter, and the moneys in the fund created under this chapter,  
10 are hereby exempt from any state, county, municipal, or other local tax  
11 and shall not be subject to execution, garnishment, attachment, the  
12 operation of bankruptcy or insolvency laws, or any other process of law  
13 whatsoever, and shall be unassignable.

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

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

32       (4) Subsection (1) of this section does not exempt any pension or  
33 other benefit received under this chapter from tax under Title 82A RCW  
34 (sections 101 through 809 of this act), nor does it prohibit the  
35 department of retirement systems from complying with the tax  
36 withholding requirements of that title.



1       **Sec. 1011.** RCW 43.43.310 and 1991 c 365 s 23 are each amended to  
2 read as follows:

3       WASHINGTON STATE PATROL RETIREMENT. (1) Except as provided in  
4 subsections (2) (~~and~~), (3), and (4) of this section, the right of any  
5 person to a retirement allowance or optional retirement allowance under  
6 the provisions hereof and all moneys and investments and income thereof  
7 are exempt from any state, county, municipal, or other local tax and  
8 shall not be subject to execution, garnishment, attachment, the  
9 operation of bankruptcy or the insolvency laws, or other processes of  
10 law whatsoever and shall be unassignable except as herein specifically  
11 provided.

12       (2) Subsection (1) of this section shall not prohibit the  
13 department of retirement systems from complying with (a) a wage  
14 assignment order for child support issued pursuant to chapter 26.18  
15 RCW, (b) an order to withhold and deliver issued pursuant to chapter  
16 74.20A RCW, (c) a notice of payroll deduction issued pursuant to RCW  
17 26.23.060, (d) a mandatory benefits assignment order issued pursuant to  
18 chapter 41.50 RCW, (e) a court order directing the department of  
19 retirement systems to pay benefits directly to an obligee under a  
20 dissolution order as defined in RCW 41.50.500(3) which fully complies  
21 with RCW 41.50.670 and 41.50.700, or (f) any administrative or court  
22 order expressly authorized by federal law.

23       (3) Subsection (1) of this section shall not be deemed to prohibit  
24 a beneficiary of a retirement allowance from authorizing deductions  
25 therefrom for payment of premiums due on any group insurance policy or  
26 plan issued for the benefit of a group comprised of members of the  
27 Washington state patrol or other public employees of the state of  
28 Washington, or for contributions to the Washington state patrol  
29 memorial foundation.

30       (4) Subsection (1) of this section does not exempt any pension or  
31 other benefit received under this chapter from tax under Title 82A RCW  
32 (sections 101 through 809 of this act), nor does it prohibit the  
33 department of retirement systems from complying with the tax  
34 withholding requirements of that title.

35       NEW SECTION. **Sec. 1012.** RCW 6.15.025 (Exemption of pension or  
36 retirement plan benefits from execution for judgment for out-of-state  
37 income tax) and 1991 c 123 s 3 are each repealed.



1 assessed valuation of all taxable property within the state adjusted to  
2 the state equalized value in accordance with the indicated ratio fixed  
3 by the state department of revenue. The state shall not levy a tax for  
4 collection in calendar year 2007 and thereafter.

5 As used in this section, "the support of common schools" includes  
6 the payment of the principal and interest on bonds issued for capital  
7 construction projects for the common schools.

8 **Sec. 1202.** RCW 84.52.068 and 2003 1st sp.s. c 19 s 1 are each  
9 amended to read as follows:

10 (1) A portion of the proceeds of the state property tax levy  
11 through calendar year 2006 and the state income tax beginning in  
12 calendar year 2007 shall be distributed to school districts in the  
13 amounts and in the manner provided in this section.

14 (2) The amount of the distribution to each school district shall be  
15 based upon the average number of full-time equivalent students in the  
16 school district during the previous school year, and shall be  
17 calculated as follows:

18 (a) Out of taxes collected in calendar years 2001 through and  
19 including 2003, an annual amount equal to one hundred forty dollars per  
20 each full-time equivalent student in all school districts shall be  
21 deposited in the student achievement fund to be distributed to each  
22 school district based on one hundred forty dollars per full-time  
23 equivalent student in the school district for each year beginning with  
24 the school year 2001-2002 and through the end of the 2003-2004 school  
25 year.

26 (b) For the 2004-2005 school year, an annual amount equal to two  
27 hundred fifty-four dollars per full-time equivalent student in all  
28 school districts shall be deposited in the student achievement fund to  
29 be distributed to each school district based on two hundred fifty-four  
30 dollars per full-time equivalent student.

31 (c) For the 2005-2006 school year, an amount equal to three hundred  
32 dollars per full-time equivalent student in all school districts shall  
33 be deposited in the student achievement fund to be distributed to each  
34 school district based on three hundred dollars per full-time equivalent  
35 student.

36 (d) For the 2006-2007 school year, an amount equal to three hundred  
37 seventy-five dollars per full-time equivalent student in all school

1 districts shall be deposited in the student achievement fund to be  
2 distributed to each school district based on three hundred seventy-five  
3 dollars per full-time equivalent student.

4 (e) For the 2007-2008 school year, an amount equal to four hundred  
5 fifty dollars per full-time equivalent student in all school districts  
6 shall be deposited in the student achievement fund to be distributed to  
7 each school district based on four hundred fifty dollars per full-time  
8 equivalent student.

9 (f) Each subsequent year following the 2007-2008 school year, the  
10 amount deposited and distributed shall be adjusted for inflation as  
11 defined in RCW 43.135.025(8).

12 (3) For the 2001-2002 through 2003-2004 school years, the office of  
13 the superintendent of public instruction shall verify the average  
14 number of full-time equivalent students in each school district from  
15 the previous school year to the state treasurer by August 1st of each  
16 year.

17 (4) Beginning with the 2004-2005 school year:

18 (a) The annual distributions to each school district shall be based  
19 on the average number of full-time equivalent students in the school  
20 district from the previous school year as reported to the office of the  
21 superintendent of public instruction by August 31st of the previous  
22 school year; and

23 (b) The school district annual amounts as defined in subsection (2)  
24 of this section shall be distributed on the monthly apportionment  
25 schedule as defined in RCW 28A.510.250. The office of the  
26 superintendent of public instruction shall notify the department of the  
27 monthly amounts to be deposited into the student achievement fund to  
28 meet the apportionment schedule distributions.

29 **Sec. 1203.** RCW 84.52.043 and 2004 c 80 s 4 are each amended to  
30 read as follows:

31 Within and subject to the limitations imposed by RCW 84.52.050 as  
32 amended, the regular ad valorem tax levies upon real and personal  
33 property by the taxing districts hereafter named shall be as follows:

34 (1) Levies of the senior taxing districts shall be as follows: (a)  
35 ~~((The levy by the state shall not exceed three dollars and sixty cents~~  
36 ~~per thousand dollars of assessed value adjusted to the state equalized~~  
37 ~~value in accordance with the indicated ratio fixed by the state~~

1 ~~department of revenue to be used exclusively for the support of the~~  
2 ~~common schools; (b))~~ The levy by any county shall not exceed one  
3 dollar and eighty cents per thousand dollars of assessed value; ~~((e))~~  
4 (b) the levy by any road district shall not exceed two dollars and  
5 twenty-five cents per thousand dollars of assessed value; and ~~((d))~~  
6 (c) the levy by any city or town shall not exceed three dollars and  
7 thirty-seven and one-half cents per thousand dollars of assessed value.  
8 However any county is hereby authorized to increase its levy from one  
9 dollar and eighty cents to a rate not to exceed two dollars and forty-  
10 seven and one-half cents per thousand dollars of assessed value for  
11 general county purposes if the total levies for both the county and any  
12 road district within the county do not exceed four dollars and five  
13 cents per thousand dollars of assessed value, and no other taxing  
14 district has its levy reduced as a result of the increased county levy.

15 (2) The aggregate levies of junior taxing districts and senior  
16 taxing districts ~~((, other than the state,))~~ shall not exceed five  
17 dollars and ninety cents per thousand dollars of assessed valuation.  
18 The term "junior taxing districts" includes all taxing districts other  
19 than the state, counties, road districts, cities, towns, port  
20 districts, and public utility districts. The limitations provided in  
21 this subsection shall not apply to: (a) Levies at the rates provided  
22 by existing law by or for any port or public utility district; (b)  
23 excess property tax levies authorized in Article VII, section 2 of the  
24 state Constitution; (c) levies for acquiring conservation futures as  
25 authorized under RCW 84.34.230; (d) levies for emergency medical care  
26 or emergency medical services imposed under RCW 84.52.069; (e) levies  
27 to finance affordable housing for very low-income housing imposed under  
28 RCW 84.52.105; (f) the portions of levies by metropolitan park  
29 districts that are protected under RCW 84.52.120; (g) levies imposed by  
30 ferry districts under RCW 36.54.130; and (h) levies for criminal  
31 justice purposes under RCW 84.52.135.

32 **Sec. 1204.** RCW 84.52.050 and 1973 1st ex.s. c 194 s 1 are each  
33 amended to read as follows:

34 (1) Except as hereinafter provided, the aggregate of all tax levies  
35 upon real and personal property by the state and all taxing districts,  
36 now existing or hereafter created, shall not in any year exceed ~~((one~~

1 ~~percentum~~) sixty-four one-hundredths of one percent of the true and  
2 fair value of such property in money(~~(+ PROVIDED, HOWEVER, That)~~).

3 (2) Nothing herein shall prevent levies at the rates now provided  
4 by law by or for any port or public utility district. The term "taxing  
5 district" for the purposes of this section shall mean any political  
6 subdivision, municipal corporation, district, or other governmental  
7 agency authorized by law to levy, or have levied for it, ad valorem  
8 taxes on property, other than a port or public utility district. Such  
9 aggregate limitation or any specific limitation imposed by law in  
10 conformity therewith may be exceeded only as authorized by law and in  
11 conformity with the provisions of Article VII, section 2(a), (b), or  
12 (c) of the Constitution of the state of Washington.

13 (3) Nothing herein contained shall prohibit the legislature from  
14 allocating or reallocating the authority to levy taxes between the  
15 taxing districts of the state and its political subdivisions in a  
16 manner which complies with the aggregate tax limitation set forth in  
17 this section.

18 **Sec. 1205.** RCW 36.58.150 and 1984 c 186 s 25 are each amended to  
19 read as follows:

20 (1) A solid waste disposal district shall not have the power to  
21 levy an annual levy without voter approval, but it shall have the power  
22 to levy a tax, in excess of the (~~one percent~~) limitation in RCW  
23 84.52.050, upon the property within the district for a one year period  
24 to be used for operating or capital purposes whenever authorized by the  
25 electors of the district pursuant to RCW 84.52.052 and Article VII,  
26 section 2(a) of the state Constitution.

27 A solid waste disposal district may issue general obligation bonds  
28 for capital purposes only, subject to the limitations prescribed in RCW  
29 39.36.020(1), and may provide for the retirement of the bonds by voter-  
30 approved bond retirement tax levies pursuant to Article VII, section  
31 2(b) of the state Constitution and RCW 84.52.056. Such general  
32 obligation bonds shall be issued and sold in accordance with chapter  
33 39.46 RCW.

34 A solid waste disposal district may issue revenue bonds to fund its  
35 activities. Such revenue bonds may be in any form, including bearer  
36 bonds or registered bonds as provided in RCW 39.46.030.

1 (2) Notwithstanding subsection (1) of this section, such revenue  
2 bonds may be issued and sold in accordance with chapter 39.46 RCW.

3 **Sec. 1206.** RCW 36.60.040 and 1983 c 303 s 11 are each amended to  
4 read as follows:

5 A county rail district is not authorized to impose a regular ad  
6 valorem property tax levy but may:

7 (1) Levy an ad valorem property tax, in excess of the (~~one~~  
8 ~~percent~~) limitation in RCW 84.52.050, upon the property within the  
9 district for a one-year period to be used for operating or capital  
10 purposes whenever authorized by the voters of the district pursuant to  
11 RCW 84.52.052 and Article VII, section 2(a) of the state Constitution.

12 (2) Provide for the retirement of voter approved general obligation  
13 bonds, issued for capital purposes only, by levying bond retirement ad  
14 valorem property tax levies, in excess of the one percent limitation,  
15 whenever authorized by the voters of the district pursuant to Article  
16 VII, section 2(b) of the state Constitution and RCW 84.52.056.

17 **Sec. 1207.** RCW 36.69.145 and 1994 c 156 s 3 are each amended to  
18 read as follows:

19 (1) A park and recreation district may impose regular property tax  
20 levies in an amount equal to sixty cents or less per thousand dollars  
21 of assessed value of property in the district in each year for six  
22 consecutive years when specifically authorized so to do by a majority  
23 of at least three-fifths of the voters thereof approving a proposition  
24 authorizing the levies submitted at a special election or at the  
25 regular election of the district, at which election the number of  
26 voters voting "yes" on the proposition shall constitute three-fifths of  
27 a number equal to forty per centum of the number of voters voting in  
28 such district at the last preceding general election when the number of  
29 voters voting on the proposition does not exceed forty per centum of  
30 the number of voters voting in such taxing district in the last  
31 preceding general election; or by a majority of at least three-fifths  
32 of the voters thereof voting on the proposition if the number of voters  
33 voting on the proposition exceeds forty per centum of the number of  
34 voters voting in such taxing district in the last preceding general  
35 election. A proposition authorizing the tax levies shall not be  
36 submitted by a park and recreation district more than twice in any

1 twelve-month period. Ballot propositions shall conform with RCW  
2 ((~~29.30.111~~)) 29A.36.210. In the event a park and recreation district  
3 is levying property taxes, which in combination with property taxes  
4 levied by other taxing districts subject to the ((~~one percent~~))  
5 limitation provided for in ((~~Article 7, section 2, of our state~~  
6 ~~Constitution~~)) RCW 84.52.050 result in taxes in excess of the  
7 limitation provided for in RCW 84.52.043, the park and recreation  
8 district property tax levy shall be reduced or eliminated before the  
9 property tax levies of other taxing districts are reduced.

10 (2) The limitation in RCW 84.55.010 shall not apply to the first  
11 levy imposed under this section following the approval of the levies by  
12 the voters under subsection (1) of this section.

13 **Sec. 1208.** RCW 36.73.060 and 1987 c 327 s 6 are each amended to  
14 read as follows:

15 (1) A transportation benefit district may levy an ad valorem  
16 property tax in excess of the ((~~one percent~~)) limitation in RCW  
17 84.52.050 upon the property within the district for a one-year period  
18 whenever authorized by the voters of the district pursuant to RCW  
19 84.52.052 and Article VII, section 2(a) of the state Constitution.

20 (2) A district may provide for the retirement of voter-approved  
21 general obligation bonds, issued for capital purposes only, by levying  
22 bond retirement ad valorem property tax levies in excess of the one  
23 percent limitation whenever authorized by the voters of the district  
24 pursuant to Article VII, section 2(b) of the state Constitution and RCW  
25 84.52.056.

26 **Sec. 1209.** RCW 36.83.030 and 1983 c 130 s 3 are each amended to  
27 read as follows:

28 (1) A service district may levy an ad valorem property tax, in  
29 excess of the ((~~one percent~~)) limitation in RCW 84.52.050, upon the  
30 property within the district for a one-year period whenever authorized  
31 by the voters of the district pursuant to RCW 84.52.052 and Article  
32 VII, section 2(a) of the state Constitution.

33 (2) A service district may provide for the retirement of voter  
34 approved general obligation bonds, issued for capital purposes only, by  
35 levying bond retirement ad valorem property tax levies, in excess of



1 the one percent limitation, whenever authorized by the voters of the  
2 district pursuant to Article VII, section 2(b) of the state  
3 Constitution and RCW 84.52.056.

4 **Sec. 1210.** RCW 36.100.050 and 1988 ex.s. c 1 s 15 are each amended  
5 to read as follows:

6 (1) A public facilities district may levy an ad valorem property  
7 tax, in excess of the (~~one percent~~) limitation in RCW 84.52.050, upon  
8 the property within the district for a one-year period to be used for  
9 operating or capital purposes whenever authorized by the voters of the  
10 district pursuant to RCW 84.52.052 and Article VII, section 2(a) of the  
11 state Constitution.

12 (2) A public facilities district may provide for the retirement of  
13 voter-approved general obligation bonds, issued for capital purposes  
14 only, by levying bond retirement ad valorem property tax levies, in  
15 excess of the one percent limitation, whenever authorized by the voters  
16 of the district pursuant to Article VII, section 2(b) of the state  
17 Constitution and RCW 84.52.056.

18 **Sec. 1211.** RCW 67.38.130 and 1984 c 131 s 4 are each amended to  
19 read as follows:

20 The governing body of a cultural arts, stadium and convention  
21 district may levy or cause to levy the following ad valorem taxes:

22 (1) Regular ad valorem property tax levies in an amount equal to  
23 twenty-five cents or less per thousand dollars of the assessed value of  
24 property in the district in each year for six consecutive years when  
25 specifically authorized so to do by a majority of at least three-fifths  
26 of the electors thereof approving a proposition authorizing the levies  
27 submitted at a general or special election, at which election the  
28 number of persons voting "yes" on the proposition shall constitute  
29 three-fifths of a number equal to forty percentum of the total votes  
30 cast in such taxing district at the last preceding general election; or  
31 by a majority of at least three-fifths of the electors thereof voting  
32 on the proposition when the number of electors voting yes on the  
33 proposition exceeds forty percentum of the total votes cast in such  
34 taxing district in the last preceding general election. Ballot  
35 propositions shall conform with RCW (~~(29-30-111)~~) 29A.36.210.

1 In the event a cultural arts, stadium and convention district is  
2 levying property taxes, which in combination with property taxes levied  
3 by other taxing districts subject to the (~~one percent~~) limitation  
4 provided for in (~~Article VII, section 2, of our state Constitution~~)  
5 RCW 84.52.050 result in taxes in excess of the limitation provided for  
6 in RCW 84.52.043, the cultural arts, stadium and convention district  
7 property tax levy shall be reduced or eliminated before the property  
8 tax levies of other taxing districts are reduced: PROVIDED, That no  
9 cultural arts, stadium, and convention district may pledge anticipated  
10 revenues derived from the property tax herein authorized as security  
11 for payments of bonds issued pursuant to subsection (1) of this  
12 section: PROVIDED, FURTHER, That such limitation shall not apply to  
13 property taxes approved pursuant to subsections (2) and (3) of this  
14 section.

15 The limitation in RCW 84.55.010 shall apply to levies after the  
16 first levy authorized under this section following the approval of such  
17 levy by voters pursuant to this section.

18 (2) An annual excess ad valorem property tax for general district  
19 purposes when authorized by the district voters in the manner  
20 prescribed by (~~section 2~~) Article VII, section 2 of the state  
21 Constitution and by RCW 84.52.052.

22 (3) Multi-year excess ad valorem property tax levies used to retire  
23 general obligation bond issues when authorized by the district voters  
24 in the manner prescribed by (~~section 2~~) Article VII, section 2 of  
25 the state Constitution and by RCW 84.52.056.

26 The district shall include in its regular property tax levy for  
27 each year a sum sufficient to pay the interest and principal on all  
28 outstanding general obligation bonds issued without voter approval  
29 pursuant to RCW 67.38.110 and may include a sum sufficient to create a  
30 sinking fund for the redemption of all outstanding bonds.

31 **Sec. 1212.** RCW 84.52.010 and 2004 c 129 s 21 and 2004 c 80 s 3 are  
32 each reenacted and amended to read as follows:

33 Except as is permitted under RCW 84.55.050, all taxes shall be  
34 levied or voted in specific amounts.

35 The rate percent of all taxes for state and county purposes, and  
36 purposes of taxing districts coextensive with the county, shall be  
37 determined, calculated and fixed by the county assessors of the

1 respective counties, within the limitations provided by law, upon the  
2 assessed valuation of the property of the county, as shown by the  
3 completed tax rolls of the county, and the rate percent of all taxes  
4 levied for purposes of taxing districts within any county shall be  
5 determined, calculated and fixed by the county assessors of the  
6 respective counties, within the limitations provided by law, upon the  
7 assessed valuation of the property of the taxing districts  
8 respectively.

9 When a county assessor finds that the aggregate rate of tax levy on  
10 any property, that is subject to the limitations set forth in RCW  
11 84.52.043 or 84.52.050, exceeds the limitations provided in either of  
12 these sections, the assessor shall recompute and establish a  
13 consolidated levy in the following manner:

14 (1) The full certified rates of tax levy for state, county, county  
15 road district, and city or town purposes shall be extended on the tax  
16 rolls in amounts not exceeding the limitations established by law;  
17 however any state levy shall take precedence over all other levies and  
18 shall not be reduced for any purpose other than that required by RCW  
19 84.55.010. If, as a result of the levies imposed under RCW 84.52.135,  
20 36.54.130, 84.52.069, 84.34.230, the portion of the levy by a  
21 metropolitan park district that was protected under RCW 84.52.120, and  
22 84.52.105, the combined rate of regular property tax levies that are  
23 subject to the ~~((one percent))~~ limitation under RCW 84.52.050 exceeds  
24 ~~((one percent of the true and fair value of any property))~~ the  
25 limitation under RCW 84.52.050, then these levies shall be reduced as  
26 follows:

27 (a) The levy imposed by a county under RCW 84.52.135 must be  
28 reduced until the combined rate no longer exceeds ~~((one percent of the~~  
29 ~~true and fair value of any property))~~ the limitation under RCW  
30 84.52.050 or must be eliminated;

31 (b) If the combined rate of regular property tax levies that are  
32 subject to the ~~((one percent))~~ limitation under RCW 84.52.050 still  
33 exceeds ~~((one percent of the true and fair value of any property))~~ the  
34 limitation under RCW 84.52.050, the levy imposed by a ferry district  
35 under RCW 36.54.130 must be reduced until the combined rate no longer  
36 exceeds ~~((one percent of the true and fair value of any property))~~ the  
37 limitation under RCW 84.52.050 or must be eliminated;

1 (c) If the combined rate of regular property tax levies that are  
2 subject to the (~~one percent~~) limitation under RCW 84.52.050 still  
3 exceeds (~~one percent of the true and fair value of any property~~) the  
4 limitation under RCW 84.52.050, the portion of the levy by a  
5 metropolitan park district that is protected under RCW 84.52.120 shall  
6 be reduced until the combined rate no longer exceeds (~~one percent of~~  
7 ~~the true and fair value of any property~~) the limitation under RCW  
8 84.52.050 or shall be eliminated;

9 (d) If the combined rate of regular property tax levies that are  
10 subject to the (~~one percent~~) limitation under RCW 84.52.050 still  
11 exceeds (~~one percent of the true and fair value of any property~~) the  
12 limitation under RCW 84.52.050, then the levies imposed under RCW  
13 84.34.230, 84.52.105, and any portion of the levy imposed under RCW  
14 84.52.069 that is in excess of thirty cents per thousand dollars of  
15 assessed value, shall be reduced on a pro rata basis until the combined  
16 rate no longer exceeds (~~one percent of the true and fair value of any~~  
17 ~~property~~) the limitation under RCW 84.52.050 or shall be eliminated;  
18 and

19 (e) If the combined rate of regular property tax levies that are  
20 subject to the (~~one percent~~) limitation under RCW 84.52.050 still  
21 exceeds (~~one percent of the true and fair value of any property~~) the  
22 limitation under RCW 84.52.050, then the thirty cents per thousand  
23 dollars of assessed value of tax levy imposed under RCW 84.52.069 shall  
24 be reduced until the combined rate no longer exceeds (~~one percent of~~  
25 ~~the true and fair value of any property~~) the limitation under RCW  
26 84.52.050 or eliminated.

27 (2) The certified rates of tax levy subject to these limitations by  
28 all junior taxing districts imposing taxes on such property shall be  
29 reduced or eliminated as follows to bring the consolidated levy of  
30 taxes on such property within the provisions of these limitations:

31 (a) First, the certified property tax levy rates of those junior  
32 taxing districts authorized under RCW 36.68.525, 36.69.145, 35.95A.100,  
33 and 67.38.130 shall be reduced on a pro rata basis or eliminated;

34 (b) Second, if the consolidated tax levy rate still exceeds these  
35 limitations, the certified property tax levy rates of flood control  
36 zone districts shall be reduced on a pro rata basis or eliminated;

37 (c) Third, if the consolidated tax levy rate still exceeds these  
38 limitations, the certified property tax levy rates of all other junior

1 taxing districts, other than fire protection districts, regional fire  
2 protection service authorities, library districts, the first fifty cent  
3 per thousand dollars of assessed valuation levies for metropolitan park  
4 districts, and the first fifty cent per thousand dollars of assessed  
5 valuation levies for public hospital districts, shall be reduced on a  
6 pro rata basis or eliminated;

7 (d) Fourth, if the consolidated tax levy rate still exceeds these  
8 limitations, the first fifty cent per thousand dollars of assessed  
9 valuation levies for metropolitan park districts created on or after  
10 January 1, 2002, shall be reduced on a pro rata basis or eliminated;

11 (e) Fifth, if the consolidated tax levy rate still exceeds these  
12 limitations, the certified property tax levy rates authorized to  
13 regional fire protection service authorities under RCW 52.26.140(1) (b)  
14 and (c) and fire protection districts under RCW 52.16.140 and 52.16.160  
15 shall be reduced on a pro rata basis or eliminated; and

16 (f) Sixth, if the consolidated tax levy rate still exceeds these  
17 limitations, the certified property tax levy rates authorized for  
18 regional fire protection service authorities under RCW 52.26.140(1)(a),  
19 fire protection districts under RCW 52.16.130, library districts,  
20 metropolitan park districts created before January 1, 2002, under their  
21 first fifty cent per thousand dollars of assessed valuation levy, and  
22 public hospital districts under their first fifty cent per thousand  
23 dollars of assessed valuation levy, shall be reduced on a pro rata  
24 basis or eliminated.

25 **Sec. 1213.** RCW 84.69.020 and 2002 c 168 s 11 are each amended to  
26 read as follows:

27 On the order of the county treasurer, ad valorem taxes paid before  
28 or after delinquency shall be refunded if they were:

29 (1) Paid more than once;

30 (2) Paid as a result of manifest error in description;

31 (3) Paid as a result of a clerical error in extending the tax  
32 rolls;

33 (4) Paid as a result of other clerical errors in listing property;

34 (5) Paid with respect to improvements which did not exist on  
35 assessment date;

36 (6) Paid under levies or statutes adjudicated to be illegal or  
37 unconstitutional;

1 (7) Paid as a result of mistake, inadvertence, or lack of knowledge  
2 by any person exempted from paying real property taxes or a portion  
3 thereof pursuant to RCW 84.36.381 through 84.36.389, as now or  
4 hereafter amended;

5 (8) Paid as a result of mistake, inadvertence, or lack of knowledge  
6 by either a public official or employee or by any person with respect  
7 to real property in which the person paying the same has no legal  
8 interest;

9 (9) Paid on the basis of an assessed valuation which was appealed  
10 to the county board of equalization and ordered reduced by the board;

11 (10) Paid on the basis of an assessed valuation which was appealed  
12 to the state board of tax appeals and ordered reduced by the board:  
13 PROVIDED, That the amount refunded under subsections (9) and (10) of  
14 this section shall only be for the difference between the tax paid on  
15 the basis of the appealed valuation and the tax payable on the  
16 valuation adjusted in accordance with the board's order;

17 (11) Paid as a state property tax levied upon property, the  
18 assessed value of which has been established by the state board of tax  
19 appeals for the year of such levy: PROVIDED, HOWEVER, That the amount  
20 refunded shall only be for the difference between the state property  
21 tax paid and the amount of state property tax which would, when added  
22 to all other property taxes within the (~~one percent~~) limitation of  
23 Article VII, section 2 of the state Constitution equal (~~one percent~~)  
24 the percentage under RCW 84.52.050 of the assessed value established by  
25 the board;

26 (12) Paid on the basis of an assessed valuation which was  
27 adjudicated to be unlawful or excessive: PROVIDED, That the amount  
28 refunded shall be for the difference between the amount of tax which  
29 was paid on the basis of the valuation adjudged unlawful or excessive  
30 and the amount of tax payable on the basis of the assessed valuation  
31 determined as a result of the proceeding;

32 (13) Paid on property acquired under RCW 84.60.050, and canceled  
33 under RCW 84.60.050(2);

34 (14) Paid on the basis of an assessed valuation that was reduced  
35 under RCW 84.48.065;

36 (15) Paid on the basis of an assessed valuation that was reduced  
37 under RCW 84.40.039; or

38 (16) Abated under RCW 84.70.010.

1 No refunds under the provisions of this section shall be made  
2 because of any error in determining the valuation of property, except  
3 as authorized in subsections (9), (10), (11), and (12) of this section  
4 nor may any refunds be made if a bona fide purchaser has acquired  
5 rights that would preclude the assessment and collection of the  
6 refunded tax from the property that should properly have been charged  
7 with the tax. Any refunds made on delinquent taxes shall include the  
8 proportionate amount of interest and penalties paid. However, refunds  
9 as a result of an incorrect payment authorized under subsection (8) of  
10 this section made by a third party payee shall not include refund  
11 interest. The county treasurer may deduct from moneys collected for  
12 the benefit of the state's levy, refunds of the state levy including  
13 interest on the levy as provided by this section and chapter 84.68 RCW.

14 The county treasurer of each county shall make all refunds  
15 determined to be authorized by this section, and by the first Monday in  
16 February of each year, report to the county legislative authority a  
17 list of all refunds made under this section during the previous year.  
18 The list is to include the name of the person receiving the refund, the  
19 amount of the refund, and the reason for the refund.

20 **Sec. 1214.** RCW 39.89.020 and 2001 c 212 s 2 are each amended to  
21 read as follows:

22 The definitions in this section apply throughout this chapter  
23 unless the context clearly requires otherwise.

24 (1) "Assessed value of real property" means the valuation of real  
25 property as placed on the last completed assessment roll.

26 (2) "Local government" means any city, town, county, port district,  
27 or any combination thereof.

28 (3) "Ordinance" means any appropriate method of taking legislative  
29 action by a local government.

30 (4) "Public improvements" means:

31 (a) Infrastructure improvements within the increment area that  
32 include:

33 (i) Street and road construction and maintenance;

34 (ii) Water and sewer system construction and improvements;

35 (iii) Sidewalks and streetlights;

36 (iv) Parking, terminal, and dock facilities;

37 (v) Park and ride facilities of a transit authority;

- 1 (vi) Park facilities and recreational areas; and  
2 (vii) Storm water and drainage management systems; and  
3 (b) Expenditures for any of the following purposes:

4 (i) Providing environmental analysis, professional management,  
5 planning, and promotion within the increment area, including the  
6 management and promotion of retail trade activities in the increment  
7 area;

8 (ii) Providing maintenance and security for common or public areas  
9 in the increment area; or

10 (iii) Historic preservation activities authorized under RCW  
11 35.21.395.

12 (5) "Public improvement costs" means the costs of: (a) Design,  
13 planning, acquisition, site preparation, construction, reconstruction,  
14 rehabilitation, improvement, and installation of public improvements;  
15 (b) relocating, maintaining, and operating property pending  
16 construction of public improvements; (c) relocating utilities as a  
17 result of public improvements; (d) financing public improvements,  
18 including interest during construction, legal and other professional  
19 services, taxes, insurance, principal and interest costs on general  
20 indebtedness issued to finance public improvements, and any necessary  
21 reserves for general indebtedness; (e) assessments incurred in  
22 revaluing real property for the purpose of determining the tax  
23 allocation base value that are in excess of costs incurred by the  
24 assessor in accordance with the revaluation plan under chapter 84.41  
25 RCW, and the costs of apportioning the taxes and complying with this  
26 chapter and other applicable law; and (f) administrative expenses and  
27 feasibility studies reasonably necessary and related to these costs,  
28 including related costs that may have been incurred before adoption of  
29 the ordinance authorizing the public improvements and the use of  
30 community revitalization financing to fund the costs of the public  
31 improvements.

32 (6) "Regular property taxes" means regular property taxes as  
33 defined in RCW 84.04.140, except(~~(a)~~) regular property taxes  
34 levied by port districts or public utility districts specifically for  
35 the purpose of making required payments of principal and interest on  
36 general indebtedness(~~(a) and (b) regular property taxes levied by the~~  
37 ~~state for the support of the common schools under RCW 84.52.065~~)).



1 Regular property taxes do not include excess property tax levies that  
2 are exempt from the aggregate limits for junior and senior taxing  
3 districts as provided in RCW 84.52.043.

4 (7) "Tax allocation base value" means the true and fair value of  
5 real property located within an increment area for taxes imposed in the  
6 year in which the increment area is created, plus twenty-five percent  
7 of any increase in the true and fair value of real property located  
8 within an increment area that is placed on the assessment rolls after  
9 the increment area is created.

10 (8) "Tax allocation revenues" means those tax revenues derived from  
11 the imposition of regular property taxes on the increment value and  
12 distributed to finance public improvements.

13 (9) "Increment area" means the geographic area from which taxes are  
14 to be appropriated to finance public improvements authorized under this  
15 chapter.

16 (10) "Increment value" means seventy-five percent of any increase  
17 in the true and fair value of real property in an increment area that  
18 is placed on the tax rolls after the increment area is created.

19 (11) "Taxing districts" means a governmental entity that levies or  
20 has levied for it regular property taxes upon real property located  
21 within a proposed or approved increment area.

22 (12) "Value of taxable property" means the value of the taxable  
23 property as defined in RCW 39.36.015.

24 **Sec. 1215.** RCW 43.99H.060 and 1991 sp.s. c 31 s 15 are each  
25 amended to read as follows:

26 (1) For bonds issued for the purposes of RCW 43.99H.020(16), on  
27 each date on which any interest or principal and interest payment is  
28 due, the board of regents or the board of trustees of Washington State  
29 University shall cause the amount computed in RCW 43.99H.040(1) to be  
30 paid out of the appropriate building account or capital projects  
31 account to the state treasurer for deposit into the general fund of the  
32 state treasury.

33 (2) For bonds issued for the purposes of RCW 43.99H.020(15), on  
34 each date on which any interest or principal and interest payment is  
35 due, the state treasurer shall transfer the amount computed in RCW  
36 43.99H.040(2) from the capitol campus reserve account, hereby created  
37 in the state treasury, to the general fund of the state treasury. At

1 the time of sale of the bonds issued for the purposes of RCW  
2 43.99H.020(15), and on or before June 30th of each succeeding year  
3 while such bonds remain outstanding, the state finance committee shall  
4 determine, based on current balances and estimated receipts and  
5 expenditures from the capitol campus reserve account, that portion of  
6 principal and interest on such RCW 43.99H.020(15) bonds which will, by  
7 virtue of payments from the capitol campus reserve account, be  
8 reimbursed from sources other than "general state revenues" as that  
9 term is defined in Article VIII, section 1 of the state Constitution.  
10 The amount so determined by the state finance committee, as from time  
11 to time adjusted in accordance with this subsection, shall not  
12 constitute indebtedness for purposes of the limitations set forth in  
13 RCW 39.42.060.

14 (3) For bonds issued for the purposes of RCW 43.99H.020(17), on  
15 each date on which any interest or principal and interest payment is  
16 due, the director of the department of labor and industries shall cause  
17 fifty percent of the amount computed in RCW 43.99H.040(3) to be  
18 transferred from the accident fund created in RCW 51.44.010 and fifty  
19 percent of the amount computed in RCW 43.99H.040(3) to be transferred  
20 from the medical aid fund created in RCW 51.44.020, to the general fund  
21 of the state treasury.

22 (4) For bonds issued for the purposes of RCW 43.99H.020(18), on  
23 each date on which any interest or principal and interest payment is  
24 due, the board of regents of the University of Washington shall cause  
25 the amount computed in RCW 43.99H.040(4) to be paid out of University  
26 of Washington nonappropriated local funds to the state treasurer for  
27 deposit into the general fund of the state treasury.

28 (5) For bonds issued for the purposes of RCW 43.99H.020(20), on  
29 each date on which any interest or principal and interest payment is  
30 due, the state treasurer shall transfer the amount computed in RCW  
31 43.99H.040(5) from the public safety and education account created in  
32 RCW 43.08.250 to the general fund of the state treasury.

33 ~~((6) For bonds issued for the purposes of RCW 43.99H.020(4), on~~  
34 ~~each date on which any interest or principal and interest payment is~~  
35 ~~due, the state treasurer shall transfer from property taxes in the~~  
36 ~~state general fund levied for the support of the common schools under~~  
37 ~~RCW 84.52.065 to the general fund of the state treasury for~~  
38 ~~unrestricted use the amount computed in RCW 43.99H.040(6).))~~

1       **Sec. 1216.** RCW 43.99I.040 and 1997 c 456 s 39 are each amended to  
2 read as follows:

3       ~~(1) ((On each date on which any interest or principal and interest~~  
4 ~~payment is due on bonds issued for the purposes of RCW 43.99I.020(4),~~  
5 ~~the state treasurer shall transfer from property taxes in the state~~  
6 ~~general fund levied for this support of the common schools under RCW~~  
7 ~~84.52.065 to the general fund of the state treasury for unrestricted~~  
8 ~~use the amount computed in RCW 43.99I.030 for the bonds issued for the~~  
9 ~~purposes of RCW 43.99I.020(4).~~

10       ~~(2))~~ (2) On each date on which any interest or principal and interest  
11 payment is due on bonds issued for the purposes of RCW 43.99I.020(5),  
12 the state treasurer shall transfer from higher education operating fees  
13 deposited in the general fund to the general fund of the state treasury  
14 for unrestricted use, or if chapter 231, Laws of 1992 (Senate Bill No.  
15 6285) becomes law and changes the disposition of higher education  
16 operating fees from the general fund to another account, the state  
17 treasurer shall transfer the proportional share from the University of  
18 Washington operating fees account, the Washington State University  
19 operating fees account, and the Central Washington University operating  
20 fees account the amount computed in RCW 43.99I.030 for the bonds issued  
21 for the purposes of RCW 43.99I.020(6).

22       ~~((3))~~ (2) On each date on which any interest or principal and  
23 interest payment is due on bonds issued for the purposes of RCW  
24 43.99I.020(6), the state treasurer shall transfer from the data  
25 processing revolving fund created in RCW 43.105.080 to the general fund  
26 of the state treasury the amount computed in RCW 43.99I.030 for the  
27 bonds issued for the purposes of RCW 43.99I.020(6).

28       ~~((4))~~ (3) On each date on which any interest or principal and  
29 interest payment is due on bonds issued for the purpose of RCW  
30 43.99I.020(7), the Washington state dairy products commission shall  
31 cause the amount computed in RCW 43.99I.030 for the bonds issued for  
32 the purposes of RCW 43.99I.020(7) to be paid out of the commission's  
33 general operating fund to the state treasurer for deposit into the  
34 general fund of the state treasury.

35       ~~((5))~~ (4) The higher education operating fee accounts for the  
36 University of Washington, Washington State University, and Central  
37 Washington University established by chapter 231, Laws of 1992 and  
38 repealed by chapter 18, Laws of 1993 1st sp. sess. are reestablished in

1 the state treasury for purposes of fulfilling debt service  
2 reimbursement transfers to the general fund required by bond  
3 resolutions and covenants for bonds issued for purposes of RCW  
4 43.99I.020(5).

5 ~~((+6))~~ (5) For bonds issued for purposes of RCW 43.99I.020(5), on  
6 each date on which any interest or principal and interest payment is  
7 due, the board of regents or board of trustees of the University of  
8 Washington, Washington State University, or Central Washington  
9 University shall cause the amount as determined by the state treasurer  
10 to be paid out of the local operating fee account for deposit by the  
11 universities into the state treasury higher education operating fee  
12 accounts. The state treasurer shall transfer the proportional share  
13 from the University of Washington operating fees account, the  
14 Washington State University operating fees account, and the Central  
15 Washington University operating fees account the amount computed in RCW  
16 43.99I.030 for the bonds issued for the purposes of RCW 43.99I.020(6)  
17 to reimburse the general fund.

18 **PART XIII**  
19 **MISCELLANEOUS**

20 NEW SECTION. **Sec. 1301.** SEVERABILITY. If any provision of this  
21 act or its application to any person or circumstance is held invalid,  
22 the remainder of the act or the application of the provision to other  
23 persons or circumstances is not affected.

24 NEW SECTION. **Sec. 1302.** CAPTIONS AND PART HEADINGS. Captions and  
25 part headings as used in this act constitute no part of the law.

26 NEW SECTION. **Sec. 1303.** CODIFICATION. Sections 101 through 809  
27 of this act constitute a new title in the Revised Code of Washington,  
28 to be codified as Title 82A RCW.

29 NEW SECTION. **Sec. 1304.** CONTINGENT EFFECTIVE DATE. If the  
30 proposed amendment to Article VII of the state Constitution authorizing  
31 income taxes (SJR ....) is validly submitted and is approved and  
32 ratified by the voters at a general election held in November 2005,  
33 then section 1201 of this act takes effect January 1, 2006, and the

1 remainder of this act takes effect January 1, 2007. If the proposed  
2 amendment is not approved and ratified, this entire act is null and  
3 void in its entirety.

4 NEW SECTION. **Sec. 1305.** Sections 1201 through 1216 of this act  
5 apply to taxes levied for collection in 2007.

6 NEW SECTION. **Sec. 1306.** RCW 84.52.068 is recodified as a section  
7 in Title 82A RCW, created in section 1303 of this act.

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