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SENATE BILL 6863

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State of Washington

59th Legislature

2006 Regular Session

By Senators Kline and Keiser

Read first time 01/30/2006. Referred to Committee on Financial Institutions, Housing & Consumer Protection.

1 AN ACT Relating to credit cards; adding a new section to chapter  
2 82.04 RCW; adding a new section to chapter 28C.04 RCW; adding a new  
3 chapter to Title 19 RCW; and creating a new section.

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

5 NEW SECTION. **Sec. 1.** The legislature finds that the number of  
6 unrequested solicitations to residents for credit cards is a cause for  
7 concern and consider them to be a violation of the consumer protection  
8 laws of Washington state.

9 The legislature finds that rising interest rates on credit cards  
10 regularly far exceed the state usury limit. The legislature finds many  
11 of the credit card industry's practices and interest rates to be  
12 unethical. The legislature intends to tax the amounts raised by  
13 interest rates that exceed the usury rate at a higher tax rate. The  
14 additional tax revenues shall be deposited into the vocational  
15 education enhancement account.

16 NEW SECTION. **Sec. 2.** A new section is added to chapter 82.04 RCW  
17 to read as follows:

18 (1) Upon every person who is a financial institution engaging

1 within this state in the business of credit card lending; as to these  
2 persons the amount of tax on such a business is equal to the gross  
3 income of the business multiplied by:

4 (a) The rate of 3 percent, with respect to gross income derived  
5 from the application of interest in an amount greater than the maximum  
6 rate or amount allowed under RCW 19.52.020, but only to the extent that  
7 the income derived exceeds the amount that would otherwise have been  
8 derived, had the maximum rate or amount allowed under RCW 19.52.020  
9 been applied; and

10 (b) The rate of 1.5 percent, with respect to all other gross  
11 income.

12 (2) For the purposes of this section:

13 (a) "Credit card" means a card, plate, booklet, credit card number,  
14 credit card account number, or other identifying symbol, instrument, or  
15 device that can be used to pay for, or to obtain, credit, goods, or  
16 services.

17 (b) "Credit card lending" means to charge, take, receive, or  
18 reserve interest, discount or other points, finance charges, or other  
19 similar charges on any credit card.

20 (c) "Financial institution" has the same meaning as defined under  
21 RCW 30.22.041.

22 NEW SECTION. **Sec. 3.** A new section is added to chapter 28C.04 RCW  
23 to read as follows:

24 The vocational education enhancement account is created in the  
25 custody of the state treasurer. All receipts from section 2(1)(a) of  
26 this act must be deposited into the account. Expenditures from the  
27 account may be used only for enhancement of expenditures on vocational  
28 education. Only the superintendent of public instruction or the  
29 superintendent's designee may authorize expenditures from the account.  
30 The account is subject to the allotment procedures under chapter 43.88  
31 RCW, but an appropriation is not required for expenditures.

32 NEW SECTION. **Sec. 4.** (1) For the purposes of this section:

33 (a) "Credit card" means a card, plate, booklet, credit card number,  
34 credit card account number, or other identifying symbol, instrument, or  
35 device that can be used to pay for, or to obtain, credit, goods, or  
36 services.

1 (b) "Financial institution" means a bank, trust company, mutual  
2 savings bank, savings and loan association, or credit union authorized  
3 to do business and accept deposits in this state under state law.

4 (2) A financial institution may not mail an unsolicited credit card  
5 application to a prospective borrower. This section does not prohibit  
6 a financial institution from mailing a credit card application to a  
7 prospective borrower who has asked in writing for the credit card  
8 application.

9 NEW SECTION. **Sec. 5.** The legislature finds that the practices  
10 covered by section 4 of this act are matters vitally affecting the  
11 public interest for the purpose of applying the consumer protection  
12 act, chapter 19.86 RCW. A violation of section 4 of this act is not  
13 reasonable in relation to the development and preservation of business  
14 and is an unfair or deceptive act in trade or commerce and an unfair  
15 method of competition for the purpose of applying the consumer  
16 protection act, chapter 19.86 RCW.

17 NEW SECTION. **Sec. 6.** Sections 4 and 5 of this act constitute a  
18 new chapter in Title 19 RCW.

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