

1 **PARAMOUNT DUTY TRUST FUND**

2 NEW SECTION. **Sec. 201.** EXCISE TAX IMPOSED--RATES. An excise tax
3 is imposed on the receipt of adjusted gross income above one million
4 dollars by residents or qualifying nonresidents deriving income from
5 sources within the state. The rate of the tax is as follows: Adjusted
6 gross income in excess of one million dollars is taxed at two percent.

7 NEW SECTION. **Sec. 202.** THE PARAMOUNT DUTY TRUST FUND. (1) A new
8 state trust fund is hereby established dedicated to meeting the
9 paramount duty for the education of all children. This trust is funded
10 by the excise tax assessed under this chapter.

11 (2) Revenue received by the trust must be devoted to education,
12 with the first priority being classroom size reduction in kindergarten
13 through fourth grade. In no case may this new revenue be used to
14 supplant current funding for these services.

15 (3) The office of financial management must prepare an annual audit
16 of the funds deposited in the paramount duty trust fund, reporting on
17 how funds have been spent, determining if the intent of reducing class
18 size has been met, and estimating the number of children benefited, as
19 well as all state residents benefited, and public and private jobs
20 created and/or maintained, including the multiplier effects of public
21 expenditures. Monthly disclosure of tax collection and spending under
22 this chapter must be posted on a web site maintained by the treasurer
23 and the office of financial management and such disclosure must, at a
24 minimum, include the information set forth in RCW 43.08.150.

25 NEW SECTION. **Sec. 203.** ABSOLUTE TAX THRESHOLD. It is the mandate
26 of this chapter that in no event may excise tax be levied upon adjusted
27 gross income below one million dollars. No provision of this chapter
28 allows the imposition of tax upon adjusted gross income below one
29 million dollars.

30 **PART III**

31 **RULE MAKING AND ADMINISTRATIVE PROVISIONS**

32 NEW SECTION. **Sec. 301.** SIMPLIFICATION AND PAPERWORK REDUCTION.
33 To reduce administrative burden to taxpayers and state government, the
34 department must, to the greatest extent possible, administer the tax

1 assessed under this chapter in a manner that is consistent with the
2 federal income tax system and utilizing documents that taxpayers
3 already must prepare as part of their federal tax filings.

4 NEW SECTION. **Sec. 302.** RULE MAKING. (1)(a) The department must
5 adopt rules under chapter 34.05 RCW for the administration and
6 enforcement of this chapter, including:

7 (i) A phase-in for fiscal year taxpayers, required methods of
8 accounting, and time of payment of tax deducted and withheld under this
9 chapter;

10 (ii) Time and manner of making returns, extensions of time for
11 filing returns, verification of returns, and the time when a return is
12 deemed filed;

13 (iii) Filing requirements, including forms, due dates, extensions,
14 and joint returns;

15 (iv) Recordkeeping and inspection and estimated tax and
16 withholding;

17 (v) Liability of transferee's imposition of penalties and accrual
18 of interest for late returns, credit for income taxes due to another
19 jurisdiction, and dual residency; and

20 (vi) Any other matters that the department deems appropriate.

21 (b) The rules adopted under this section, to the extent possible
22 without being inconsistent with this chapter, must follow the internal
23 revenue code and the regulations and rulings of the United States
24 treasury department with respect to the federal income tax.

25 (2) The department may adopt as a part of these rules any portions
26 of the internal revenue code and treasury department regulations and
27 rulings, in whole or in part, including rules that impose interest and
28 penalties, but the amount of such interest and penalties must be set by
29 the department. Modifications of the federal rules may be made if
30 reasonably necessary to facilitate the prompt, efficient, and equitable
31 implementation of this chapter.

32 NEW SECTION. **Sec. 303.** IMPLEMENTATION. The department must take
33 actions and adopt rules, forms, and procedures to implement this
34 chapter consistently with RCW 26.60.015, notwithstanding any term or
35 provision of this chapter, except section 203 of this act.

1 (c) Deduction with respect to expenses, capital losses, and net
2 operating losses must be based solely on income, gains, losses, and
3 deductions derived from or connected with sources in this state but
4 shall otherwise be determined in the same manner as the corresponding
5 federal deduction except as provided in this chapter.

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

9 (e) If a business, trade, profession, or occupation is carried on
10 partly within and partly without this state, the determination of net
11 income derived or connected with sources within this state as provided
12 in this section must be made by apportionment and allocation under
13 chapter 82.56 RCW.

14 **PART V**
15 **DEFINITIONS**

16 NEW SECTION. **Sec. 501.** DEFINITIONS. The definitions in this
17 section apply throughout this chapter unless the context clearly
18 requires otherwise.

19 (1) "Adjusted gross income" means adjusted gross income as
20 determined under the federal internal revenue code.

21 (2) "Department" means the department of revenue.

22 (3) "Individual" means a natural person, whether filing
23 individually or jointly.

24 (4) "Internal revenue code" means the United States internal
25 revenue code of 1986 and amendments thereto, as existing and in effect
26 on January 1, 2012.

27 (5) "Resident" includes an 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

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

34 (c) Is not domiciled in this state, but maintains a permanent place
35 of abode in this state and spends in the aggregate more than one
36 hundred eighty-three days of the tax year in this state unless the

1 individual establishes to the satisfaction of the department that the
2 individual is in the state only for temporary or transitory purposes;
3 or

4 (d) Claims this state as the individual's tax home for federal
5 income tax purposes.

6 (6) "Tax" means the tax determined by this chapter, unless the
7 context requires a different meaning.

8 (7) "Taxpayer" means a person receiving income subject to tax under
9 this chapter.

10 NEW SECTION. **Sec. 502.** TERM USAGE. Except as provided in section
11 501 of this act, any term used in this chapter has the same meaning as
12 when used in a comparable context in the internal revenue code.

13 **PART VI**
14 **MISCELLANEOUS**

15 NEW SECTION. **Sec. 601.** SEVERABILITY. If any provision of this
16 act or its application to any person or circumstance is held invalid,
17 the remainder of the act or the application of the provision to other
18 persons or circumstances is not affected.

19 NEW SECTION. **Sec. 602.** APPLICATION. This act applies to taxes
20 collectible in 2013 and thereafter.

21 NEW SECTION. **Sec. 603.** CODIFICATION. Sections 101 through 602 of
22 this act constitute a new chapter in Title 82 RCW.

--- END ---