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SENATE BILL 6548

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State of Washington                      62nd Legislature                      2012 Regular Session

By Senators Kohl-Welles, Nelson, Keiser, Kline, Regala, and Harper

Read first time 01/30/12. Referred to Committee on Ways & Means.

1            AN ACT Relating to providing a stable source of revenue for  
2 education by imposing a tax on high income earners; amending RCW  
3 82.03.130, 82.03.140, 2.10.180, 2.12.090, 6.13.030, 6.15.020,  
4 41.24.240, 41.35.100, 41.40.052, 41.44.240, and 43.43.310; reenacting  
5 and amending RCW 41.32.052 and 41.26.053; adding a new title to the  
6 Revised Code of Washington to be codified as Title 82A RCW; creating a  
7 new section; repealing RCW 6.15.025; prescribing penalties; and  
8 providing a contingent effective date.

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

10    **PART I**  
11    **GENERAL PROVISIONS**

12            NEW SECTION.    **Sec. 101.**    INTENT.    It is the intent of the  
13 legislature in adopting this title to provide the necessary revenues  
14 for the support of vital state services on a more stable and equitable  
15 basis.

16    **PART II**

1 **DEFINITIONS**

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

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

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

10 NEW SECTION. **Sec. 204.** FEDERAL BASE INCOME. "Federal base  
11 income" means adjusted gross income.

12 NEW SECTION. **Sec. 205.** INDIVIDUAL. "Individual" means a natural  
13 person.

14 NEW SECTION. **Sec. 206.** INTERNAL REVENUE CODE. "Internal revenue  
15 code" means the United States internal revenue code of 1986 and  
16 amendments thereto, as existing and in effect on January 1, 2012.

17 NEW SECTION. **Sec. 207.** PERSON OR COMPANY. "Person" or "company,"  
18 herein used interchangeably, means any individual, receiver,  
19 administrator, executor, assignee, trustee in bankruptcy, trust,  
20 estate, firm, copartnership, joint venture, club, company, joint stock  
21 company, business trust, municipal corporation, political subdivision  
22 of the state of Washington, corporation, limited liability company,  
23 association, society, or any group of individuals acting as a unit,  
24 whether mutual, cooperative, fraternal, nonprofit, or otherwise and the  
25 United States or any instrumentality thereof

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

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

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

3 (3) 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 (4) Claims the state of Washington as the individual's tax home for  
10 federal income tax purposes.

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

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

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

18 NEW SECTION. **Sec. 212.** TAXPAYER. "Taxpayer" means an individual  
19 receiving income subject to tax under this title.

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

24 **PART III**  
25 **DETERMINATION OF TAX**

26 NEW SECTION. **Sec. 301.** TAX IMPOSED--RATE. A tax is imposed at  
27 the rate of one percent on all taxable income of resident individuals  
28 and on all individuals deriving income from sources in Washington for  
29 each taxable year. Taxable income of a taxpayer exempt from taxation  
30 by internal revenue code section 501 is exempt from taxation by this  
31 title.

1        NEW SECTION.    **Sec. 302.**    CREDIT FOR INCOME TAXES DUE ANOTHER  
2 JURISDICTION. (1) A resident individual is allowed a credit against  
3 the tax imposed under this title for the amount of any income tax  
4 imposed by another state or foreign country, or political subdivision  
5 of the state or foreign country, on income taxed under this title,  
6 subject to the following conditions, which must be imposed separately  
7 with respect to each taxing jurisdiction:

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

10        (b) The amount of the credit may not exceed the smaller of:

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

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

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

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

1 NEW SECTION. **Sec. 304.** BUSINESS AND OCCUPATION TAX CREDIT. (1)

2 There is allowed a credit against the tax imposed by this title in the  
3 amount of the state of Washington business and occupation tax paid by  
4 the taxpayer in the tax year subject to the limitation of subsection  
5 (2) of this section.

6 (2) The credit may not exceed the smaller of:

7 (a) The amount of business and occupation tax paid; or

8 (b) The amount of tax of the taxpayer imposed by this title before  
9 the application of credits allowed by this title, multiplied by a  
10 fraction:

11 (i) The numerator is the amount of the taxpayer's adjusted gross  
12 income attributable to activities subject to business and occupation  
13 tax; and

14 (ii) The denominator is the taxpayer's adjusted gross income as  
15 modified by this title. The fraction may never be greater than one.

16 NEW SECTION. **Sec. 305.** PUBLIC UTILITY TAX CREDIT. (1) There is

17 allowed a credit against the tax imposed by this title in the amount of  
18 the state of Washington public utility tax paid by the taxpayer in the  
19 tax year subject to the limitation of subsection (2) of this section.

20 (2) The credit may not exceed the smaller of:

21 (a) The amount of public utility tax paid; or

22 (b) The amount of tax of the taxpayer imposed by this title before  
23 the application of credits allowed by this title, multiplied by a  
24 fraction:

25 (i) The numerator is the amount of the taxpayer's adjusted gross  
26 income attributable to activities subject to public utility tax; and

27 (ii) The denominator is the taxpayer's adjusted gross income as  
28 modified by this title. The fraction may never be greater than one.

29 NEW SECTION. **Sec. 306.** CARRYFORWARDS AND CARRYBACKS. The amount

30 of tax credits received by any taxpayer under sections 302, 304, and  
31 305 of this act may not exceed the total amount of tax due, and no  
32 carryback or carryforward of any unused excess credits is allowed.

33 **PART IV**

34 **TAXABLE INCOME MODIFICATIONS**

1        NEW SECTION.    **Sec. 401.**    INTRODUCTORY.    In computing taxable  
2 income, modifications must be made to the taxpayer's federal base  
3 income as required under sections 301 through 410 of this act, unless  
4 the modification has the effect of duplicating an item of income or  
5 deduction.

6        NEW SECTION.    **Sec. 402.**    STATE AND LOCAL OBLIGATIONS.    To federal  
7 base income, add income which has been excluded under section 103 of  
8 the internal revenue code in computing federal base income, except  
9 interest on obligations of the state of Washington or political  
10 subdivisions of the state of Washington.

11        NEW SECTION.    **Sec. 403.**    STATE AND LOCAL INCOME TAXES--BUSINESS AND  
12 OCCUPATION, PUBLIC UTILITY TAXES.    To federal base income, add:

13            (1) Taxes on or measured by net income which have been deducted  
14 under the internal revenue code in computing federal base income;

15            (2) The amount of taxes paid or accrued which have been deducted  
16 for federal purposes, but for which a business and occupation tax  
17 credit or public utility tax credit, or both, is allowed.

18        NEW SECTION.    **Sec. 404.**    NET OPERATING LOSS.    There is allowed as  
19 a deduction from federal base income the amount of net operating loss  
20 as allowed in section 172 of the internal revenue code.    The  
21 calculation of the loss amount must reflect the modifications to  
22 federal base income as provided in this title and a net operating loss  
23 deduction may include a loss carried forward to the tax year but may  
24 not include a loss carried back from a future year.

25        NEW SECTION.    **Sec. 405.**    CARRYOVERS.    To federal base income, add  
26 amounts which have been deducted in computing federal base income to  
27 the extent the amounts have been carried over from taxable years ending  
28 before the effective date of this title.

29        NEW SECTION.    **Sec. 406.**    FEDERAL OBLIGATIONS.    From federal base  
30 income, deduct, to the extent included in federal base income, income  
31 derived from obligations of the United States which this state is  
32 prohibited by federal law from subjecting to a net income tax.  
33 However, the amount deducted under this section must be reduced by any

1 expense, including amortizable bond premiums, incurred in the  
2 production of such income to the extent the expense has been deducted  
3 in calculating federal base income.

4 NEW SECTION. **Sec. 407.** STANDARD DEDUCTION. There is allowed from  
5 federal base income the following standard deductions. The standard  
6 deduction for an individual is:

7 (1) In the case of a joint return or a surviving spouse, one  
8 million dollars;

9 (2) In the case of the head of a household, seven hundred fifty  
10 thousand dollars;

11 (3) In the case of an individual who is not married and who is not  
12 a surviving spouse or head of a household and in the case of a married  
13 individual filing a separate return, five hundred thousand dollars.

14 NEW SECTION. **Sec. 408.** ADJUSTMENT OF STANDARD DEDUCTIONS FOR  
15 NONRESIDENTS. The deduction from federal base income allowed under  
16 section 407 of this act for individual taxpayers who are not residents  
17 of this state for the entire taxable year must be reduced by  
18 multiplying the amount of the deduction by a fraction. The numerator  
19 of the fraction is the individual's adjusted gross income attributable  
20 to sources within the state of Washington. The denominator of the  
21 fraction is the individual's gross income from all sources. The  
22 fraction may never be greater than one.

23 NEW SECTION. **Sec. 409.** TAX RETURNS FOR FRACTIONAL YEAR. (1) If  
24 the first taxable year of any taxpayer with respect to which a tax is  
25 imposed by this title ends before December 31st of the calendar year in  
26 which this title becomes effective, the taxable income for the  
27 fractional taxable year is the taxpayer's taxable income for the entire  
28 taxable year, adjusted by one of the following methods, at the  
29 taxpayer's election:

30 (a) The taxable income must be multiplied by a fraction. The  
31 numerator of the fraction is the number of days in the fractional  
32 taxable year. The denominator of the fraction is the number of days in  
33 the entire taxable year.

34 (b) The taxable income must be adjusted, in accordance with rules  
35 of the department, so as to include only such income and be reduced

1 only by such deductions as can be clearly determined from the permanent  
2 records of the taxpayer to be attributable to the fractional taxable  
3 year.

4 (2) If an individual taxpayer's taxable income is adjusted under  
5 subsection (1) of this section, the deduction amounts allowed under  
6 section 407 of this act for the taxpayer must be reduced by multiplying  
7 the amount of the exemption by a fraction. The numerator of the  
8 fraction is the number of days in the taxpayer's fractional taxable  
9 year. The denominator of the fraction is the number of days in the  
10 entire taxable year.

11 NEW SECTION. **Sec. 410.** INDEX FOR INFLATION. For each tax year  
12 beginning after December 31, 2012, the standard deduction amounts under  
13 section 407 of this act must be adjusted by the department for  
14 inflation by multiplying the standard deduction amounts of the previous  
15 tax year by the cost-of-living adjustment as determined under 26 U.S.C.  
16 Sec. 1(f) (3) through (5) of the federal internal revenue code for the  
17 calendar year in which the tax year begins. No adjustment may be made  
18 which decreases the standard deduction amounts. If any adjustment  
19 increase is not a multiple of ten dollars, the increase must be rounded  
20 to the next lowest multiple of ten dollars.

21 **PART V**

22 **DIVISION OF INCOME, MODIFICATIONS, AND CREDITS**

23 NEW SECTION. **Sec. 501.** APPORTIONMENT AND ALLOCATION OF INCOME.  
24 (1) For resident individuals all income must be apportioned and  
25 allocated to this state.

26 (2) For nonresident individuals income derived from sources within  
27 this state must be apportioned and allocated to this state. For  
28 purposes of this title:

29 (a) The adjusted gross income of a nonresident derived from sources  
30 within this state is the net amount of items of income, gain, loss, and  
31 deduction of the nonresident's federal adjusted gross income that are  
32 derived from or connected with sources in this state including any  
33 distributive share of partnership income and deductions, and any share  
34 of estate or trust income and deductions, including any unrelated  
35 business income of an otherwise exempt trust or organization.



1 (b) Items of income, gain, loss, and deduction derived from or  
2 connected with sources within this state are those items attributable  
3 to the ownership or disposition of any interest in real or tangible  
4 personal property in this state, and a business, trade, profession, or  
5 occupation carried on within this state. The department must issue  
6 rules to provide consistency of this section with the excise tax  
7 provisions.

8 (c) Deduction with respect to expenses, capital losses, and net  
9 operating losses is based solely on income, gains, losses, and  
10 deductions derived from or connected with sources in this state but is  
11 otherwise determined in the same manner as the corresponding federal  
12 deduction except as provided in this title.

13 (d) Income from intangible personal property, including annuities,  
14 dividends, interest, and gains from the disposition of intangible  
15 personal property, constitutes income derived from sources within the  
16 state of Washington only to the extent that such income is from  
17 property employed in a business, trade, profession, or occupation  
18 carried on within this state. However, distributed and undistributed  
19 income of an electing S corporation for federal tax purposes derived  
20 from or connected with sources within this state is income derived from  
21 sources within this state for a nonresident shareholder. A net  
22 operating loss of such corporation does constitute a loss or deduction  
23 connected with sources within this state for a nonresident shareholder.

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

27 (f) If a business, trade, profession, or occupation is carried on  
28 partly within and partly without this state, the determination of net  
29 income derived or connected with sources within this state as provided  
30 in this section must be made by apportionment and allocation of chapter  
31 82.56 RCW.

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

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

35 (2) S corporations are not subject to tax under this title.  
36 Shareholders of S corporations are subject to tax in their separate or  
37 individual capacities.

1 (3) The taxable incomes of partners is computed by including a pro  
2 rata share of the modifications under sections 401 through 503 of this  
3 act and the credits allowed under sections 302, 304, and 305 of this  
4 act, if the modification or credit relates to the income of the  
5 partnership. Each partner's pro rata share of a modification or credit  
6 is the amount of modification or credit multiplied by a fraction. The  
7 numerator of the fraction is the partner's distributive share of  
8 partnership income. The denominator of the fraction is the total  
9 partnership income. The fraction may never be greater than one.

10 (4) The taxable incomes of shareholders of S corporations must be  
11 computed by including a share of the modifications under sections 401  
12 through 503 of this act and the credits allowed under sections 302,  
13 304, and 305 of this act, if the modification or credit relates to the  
14 income of the S corporation. Each shareholder's share of a  
15 modification or credit is the amount of modification or credit  
16 multiplied by a fraction. The numerator of the fraction is the  
17 shareholder's pro rata share of S corporation income. The denominator  
18 of the fraction is the total S corporation income. The fraction may  
19 never be greater than one.

20 (5) As used in this section:

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

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

25 NEW SECTION. **Sec. 503.** BENEFICIARIES OF ESTATES AND TRUSTS. (1)  
26 The taxable incomes of beneficiaries of estates and trusts thereof is  
27 computed by including a share of the modifications under sections 401  
28 through 503 of this act and the credits allowed under sections 302,  
29 304, and 305 of this act.

30 Each taxpayer's share of a modification or credit is the amount of  
31 modification or credit multiplied by a fraction. The numerator of the  
32 fraction is the taxpayer's share of the distributable net income of the  
33 estate or trust. The denominator of the fraction is the total  
34 distributable net income of the estate or trust. The fraction may  
35 never be greater than one.

36 (2) As used in this section, "distributable net income" means  
37 distributable net income as defined in the internal revenue code. If

1 an estate or trust has no federal distributable net income, the term  
2 means the income of the estate or trust which is distributed or is  
3 required to be distributed during the taxable year under local law or  
4 the terms of the estate or trust instrument.

5 **PART VI**

6 **WITHHOLDING--ESTIMATED TAX**

7 NEW SECTION. **Sec. 601.** EMPLOYER WITHHOLDING--REQUIREMENTS. (1)

8 Every employer making a payment of wages or salaries earned in this  
9 state, regardless of the place where the payment is made, and who is  
10 required by the internal revenue code to withhold taxes, must deduct  
11 and withhold a tax as prescribed by the department by rule. The rules  
12 prescribed must reasonably reflect the annual tax liability of the  
13 employee under this title. Every employer making such a deduction and  
14 withholding must furnish to the employee a record of the amount of tax  
15 deducted and withheld from the employee on forms provided by the  
16 department.

17 (2) If the employee is a resident of this state and earns income  
18 from personal services entirely performed in another state which  
19 imposes an income tax on the income, and the employer withholds income  
20 taxes under the laws of the state in which the income is earned, the  
21 employer is not required to withhold any tax imposed by this title on  
22 the income if the laws of the state in which the income is earned allow  
23 a similar exemption for its residents who earn income in this state.

24 NEW SECTION. **Sec. 602.** LIABILITY OF EMPLOYER FOR TAX WITHHELD.

25 Any person required to deduct and withhold the tax imposed by this  
26 title is liable to the department for the payment of the amount  
27 deducted and withheld, and is not liable to any other person for the  
28 amount of tax deducted and withheld under this title or for the act of  
29 withholding. The amount of tax so deducted and withheld must be held  
30 to be a special fund in trust for this state.

31 NEW SECTION. **Sec. 603.** CREDIT FOR TAX WITHHELD--HOW CLAIMED. The

32 amount deducted and withheld as tax under sections 601 through 606 of  
33 this act during any taxable year must be allowed as a credit against  
34 the tax imposed for the taxable year by this title. If the liability

1 of any individual for taxes, interest, penalties, or other amounts due  
2 the state of Washington is less than the total amount of the credit  
3 which the individual is entitled to claim under this section, the  
4 individual is entitled to a refund from the department in the amount of  
5 the excess of the credit over the tax otherwise due. If any individual  
6 entitled to claim a credit under this section is not otherwise required  
7 by this title to file a return, a refund may be obtained in the amount  
8 of the credit by filing a return, with applicable sections completed,  
9 to claim the refund. No credit or refund is allowed under this section  
10 unless the credit or refund is claimed on a return filed for the  
11 taxable year for which the amount was deducted and withheld.

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

22 NEW SECTION. **Sec. 605.** WITHHOLDING--FAILURE TO PAY OR COLLECT--  
23 PENALTIES. (1) The tax required by this title to be collected by the  
24 employer must be deemed to be held in trust by the employer until paid  
25 to the department. Any employer who appropriates or converts the tax  
26 deducted and withheld to his or her own use or to any use other than as  
27 prescribed in this chapter is guilty of a gross misdemeanor.

28 (2) In case any employer, or a responsible person within the  
29 meaning of internal revenue code section 6672, fails to collect the tax  
30 herein imposed or having collected the tax, fails to pay it to the  
31 department, the employer or responsible person is, nevertheless,  
32 personally liable to the state for the amount of the tax. The interest  
33 and penalty provisions of chapter 82.32 RCW apply to this section.

34 NEW SECTION. **Sec. 606.** ESTIMATED TAX IMPOSED--DUE DATE OF  
35 ESTIMATED TAXES--AMOUNT OF ESTIMATED TAX--UNDERPAYMENT PENALTY. (1)

1 Each individual subject to taxation by this title which is required by  
2 the internal revenue code to make payment of estimated taxes must pay  
3 to the department on forms prescribed by the department the estimated  
4 taxes due under this title.

5 (2) The provisions of the internal revenue code relating to the  
6 determination of reporting periods and due dates of payments of  
7 estimated tax applies to the estimated tax payments due under this  
8 section.

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

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

21 **PART VII**  
22 **CRIMES**

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

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

29 (3) Any person who knowingly fails to pay tax, pay estimated tax,  
30 make returns, keep records, or supply information, as required under  
31 this title, is guilty of a gross misdemeanor as provided in chapter  
32 9A.20 RCW.

33 **PART VIII**  
34 **ADMINISTRATIVE PROVISIONS**

1        NEW SECTION.    **Sec. 801.**    METHOD OF ACCOUNTING.    (1) A taxpayer's  
2 method of accounting for purposes of the tax imposed under this title  
3 is the same as the taxpayer's method of accounting for federal income  
4 tax purposes.    If no method of accounting has been regularly used by a  
5 taxpayer for federal income tax purposes or if the method used does not  
6 clearly reflect income, tax due under this title is computed by a  
7 method of accounting which in the opinion of the department fairly  
8 reflects income.

9        (2) If a person's method of accounting is changed for federal  
10 income tax purposes, it must be similarly changed for purposes of this  
11 title.

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

18        (2) The department may by rule require that certain taxpayers file,  
19 on forms prescribed by the department, informational returns for any  
20 period.    Each person required by rule to file an informational return  
21 must, without assessment, notice, or demand, pay any tax due thereon to  
22 the department on or before the date fixed for the filing of the  
23 informational return.

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

1 service adjustment must begin at the later of thirty days following the  
2 final determination of the adjustment or the date of the filing of the  
3 corrected return.

4 NEW SECTION. **Sec. 803.** DUE DATE FOR FILING A RETURN--EXTENSIONS--  
5 INTEREST AND PENALTIES. The due date of a return required to be filed  
6 with the department is the due date of the federal income tax return or  
7 informational return for federal income tax purposes. The department  
8 must have the authority to grant extensions of times by which returns  
9 required to be filed by this title may be submitted. The department  
10 must also have the authority to grant extensions of time to pay tax  
11 with regard to taxes imposed by this title. Interest at the rate as  
12 specified in RCW 82.32.050 accrues during any extension period and the  
13 interest and penalty provisions of chapter 82.32 RCW apply to late  
14 payments and deficiencies. Notwithstanding the limitation of RCW  
15 82.32.090, in the case of the late filing of an informational return,  
16 there is imposed a penalty the amount of which is established by the  
17 department by rule. The penalty may not exceed fifty dollars per month  
18 for a maximum of ten months. RCW 82.32.105 applies to this section.

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

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

27 (3) If the federal income tax liability of either spouse is  
28 determined on a separate federal return for the taxable year, they must  
29 file separate returns under this title.

30 (4) If one spouse is a resident and the other is a nonresident,  
31 they must file separate returns under this title, unless they elect to  
32 determine their tax liabilities under this title on a joint return as  
33 if they were both residents, and:

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

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

4 (5) In any case in which a joint return is filed under this  
5 section, the liability of the husband and wife is joint and several,  
6 unless the spouse is relieved of liability under section 6013 of the  
7 internal revenue code.

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

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

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

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

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

35 (b) Liability of transferees;



1 (c) Time and manner of making returns, extensions of time for  
2 filing returns, verification of returns, and the time when a return is  
3 deemed filed.

4 (2) The department by rule may provide modifications and exceptions  
5 to the provisions listed in subsection (1) of this section, if  
6 reasonably necessary to facilitate the prompt, efficient, and equitable  
7 collection of tax under this title.

8 NEW SECTION. **Sec. 808.** REFUNDS OF OVERPAYMENTS--OTHER  
9 ADMINISTRATIVE PROVISIONS. (1) The department must refund all taxes  
10 improperly paid or collected.

11 (2) The following sections apply to the administration of taxes  
12 imposed under this title: RCW 82.32.020, 82.32.050, 82.32.060,  
13 82.32.070, 82.32.090, 82.32.100, 82.32.105, 82.32.110, 82.32.120,  
14 82.32.130, 82.32.140, 82.32.150, 82.32.160, 82.32.170, 82.32.180,  
15 82.32.190, 82.32.200, 82.32.210, 82.32.220, 82.32.230, 82.32.235,  
16 82.32.237, 82.32.240, 82.32.245, 82.32.265, 82.32.300, 82.32.310,  
17 82.32.320, 82.32.330, 82.32.340, 82.32.350, and 82.32.360.

18 NEW SECTION. **Sec. 809.** EDUCATION ENRICHMENT ACCOUNT. The  
19 education enrichment account is created in the state treasury. All  
20 receipts from the tax imposed under this title must be deposited in the  
21 account. Moneys in the account may be spent only after appropriation.  
22 Expenditures from the account may be used for the support of the common  
23 schools and for the support of the state's institutions of higher  
24 education. Revenues provided under this section may not be used to  
25 supplant levels of funding existing on the effective date of this  
26 section.

27 NEW SECTION. **Sec. 810.** RULES. The department may adopt rules  
28 under chapter 34.05 RCW for the administration and enforcement of this  
29 title. The rules, to the extent possible without being inconsistent  
30 with this title, must follow the internal revenue code and the  
31 regulations and rulings of the United States treasury department with  
32 respect to the federal income tax. The department may adopt as a part  
33 of these rules any portions of the internal revenue code and treasury  
34 department regulations and rulings, in whole or in part.

1 **PART IX**

2 **APPEALS**

3 **Sec. 901.** RCW 82.03.130 and 2005 c 253 s 7 are each amended to  
4 read as follows:

5 (1) The board (~~shall have~~) has jurisdiction to decide the  
6 following types of appeals:

7 (a) Appeals taken pursuant to RCW 82.03.190.

8 (b) Appeals from a county board of equalization pursuant to RCW  
9 84.08.130.

10 (c) Appeals by an assessor or landowner from an order of the  
11 director of revenue made pursuant to RCW 84.08.010 and 84.08.060, if  
12 filed with the board of tax appeals within thirty days after the  
13 mailing of the order, the right to such an appeal being hereby  
14 established.

15 (d) Appeals by an assessor or owner of an intercounty public  
16 utility or private car company from determinations by the director of  
17 revenue of equalized assessed valuation of property and the  
18 apportionment thereof to a county made pursuant to chapter 84.12 and  
19 84.16 RCW, if filed with the board of tax appeals within thirty days  
20 after mailing of the determination, the right to such appeal being  
21 hereby established.

22 (e) Appeals by an assessor, landowner, or owner of an intercounty  
23 public utility or private car company from a determination of any  
24 county indicated ratio for such county compiled by the department (~~of~~  
25 ~~revenue~~) pursuant to RCW 84.48.075(~~(:—PROVIDED, That)~~).

26 (i) (~~Said~~) The appeal must be filed after review of the ratio  
27 under RCW 84.48.075(3) and not later than fifteen days after the  
28 mailing of the certification; and

29 (ii) The hearing before the board (~~shall~~) must be expeditiously  
30 held in accordance with rules prescribed by the board and (~~shall~~)  
31 takes precedence over all matters of the same character.

32 (f) Appeals from the decisions of sale price of second class  
33 shorelands on navigable lakes by the department of natural resources  
34 pursuant to RCW (~~(79.94.210)~~) 79.125.450.

35 (g) Appeals from urban redevelopment property tax apportionment  
36 district proposals established by governmental ordinances pursuant to  
37 RCW 39.88.060.

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

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

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

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

9 (l) Appeals pursuant to RCW 84.39.020.

10 (m) Appeals relating to income tax deficiencies and refunds,  
11 including penalties and interest, under Title 82A RCW (the new title  
12 created in section 1202 of this act).

13 (2) Except as otherwise specifically provided by law (~~hereafter~~),  
14 the provisions of RCW 1.12.070 (~~shall~~) apply to all notices of appeal  
15 filed with the board of tax appeals.

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

18 (1) In all appeals over which the board has jurisdiction under RCW  
19 82.03.130, a party taking an appeal may elect either a formal or an  
20 informal hearing(~~, such~~). An election to appeal under this section  
21 must be made according to the rules of practice and procedure (~~to be~~)  
22 promulgated by the board(~~:- PROVIDED, That~~).

23 (2) Nothing (~~shall~~) in this section:

24 (a) Prevents the assessor or taxpayer, as a party to an appeal  
25 pursuant to RCW 84.08.130, within twenty days from the date of the  
26 receipt of the notice of appeal, from filing with the clerk of the  
27 board notice of intention that the hearing be a formal one(~~:-~~  
28 ~~PROVIDED, HOWEVER, That nothing herein shall~~);

29 (b) May be construed to modify the provisions of RCW 82.03.190(~~:-~~  
30 ~~AND PROVIDED FURTHER, That~~).

31 (3) Upon an appeal under RCW 82.03.130(1) (e) or (m), the director  
32 (~~of revenue~~) may, within ten days from the date of its receipt of the  
33 notice of appeal, file with the clerk of the board notice of its  
34 (~~intention that the hearing be held pursuant to chapter 34.05 RCW~~)  
35 election of a formal hearing.

36 (4) In the event that appeals are taken from the same decision,

1 order, or determination, as the case may be, by different parties and  
2 only one of (~~such~~) the parties elects a formal hearing, a formal  
3 hearing (~~shall~~) must be granted.

4 **PART X**

5 **APPLICATION OF TAX TO PUBLIC PENSIONS**

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

8 (1) Except as provided in subsections (2), (3), (~~and~~) (4), and  
9 (5) of this section, the right of a person to a retirement allowance,  
10 disability allowance, or death benefit, the retirement, disability or  
11 death allowance itself, any optional benefit, any other right accrued  
12 or accruing to any person under the provisions of this chapter, and the  
13 moneys in the fund created under this chapter, are (~~hereby~~) exempt  
14 from any state, county, municipal, or other local tax and (~~shall~~) are  
15 not (~~be~~) subject to execution, garnishment, or any other process of  
16 law whatsoever.

17 (2) Subsection (1) of this section (~~shall not be deemed to~~) does  
18 not prohibit a beneficiary of a retirement allowance from authorizing  
19 deductions therefrom for payment of premiums due on any group insurance  
20 policy or plan issued for the benefit of a group comprised of public  
21 employees of the state of Washington.

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

25 (4) Subsection (1) of this section (~~shall~~) does not prohibit the  
26 department of retirement systems from complying with (a) a wage  
27 assignment order for child support issued pursuant to chapter 26.18  
28 RCW, (b) a notice of payroll deduction issued under chapter 26.23 RCW,  
29 (c) an order to withhold and deliver issued pursuant to chapter 74.20A  
30 RCW, (d) a mandatory benefits assignment order issued pursuant to  
31 chapter 41.50 RCW, (e) a court order directing the department of  
32 retirement systems to pay benefits directly to an obligee under a  
33 dissolution order as defined in RCW 41.50.500(3) which fully complies  
34 with RCW 41.50.670 and 41.50.700, or (f) any administrative or court  
35 order expressly authorized by federal law.

1       (5) Subsection (1) of this section does not exempt any pension or  
2 other benefit received under this chapter from tax under Title 82A RCW  
3 (the new title created in section 1202 of this act), nor does it  
4 prohibit the department of retirement systems from complying with the  
5 tax withholding requirements of that title.

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

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

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

28       (3) Subsection (1) of this section ~~((shall not be deemed to))~~ does  
29 not prohibit a beneficiary of a retirement allowance from authorizing  
30 deductions therefrom for payment of premiums due on any group insurance  
31 policy or plan issued for the benefit of a group comprised of public  
32 employees of the state of Washington.

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

36       (5) 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 (the new title created in section 1202 of this act), nor does it  
2 prohibit the department of retirement systems from complying with the  
3 tax withholding requirements of that title.

4 **Sec. 1003.** RCW 6.13.030 and 2007 c 429 s 1 are each amended to  
5 read as follows:

6 A homestead may consist of lands, as described in RCW 6.13.010,  
7 regardless of area, but the homestead exemption amount (~~shall~~) may  
8 not exceed the lesser of (1) the total net value of the lands,  
9 manufactured homes, mobile home, improvements, and other personal  
10 property, as described in RCW 6.13.010, or (2) the sum of one hundred  
11 twenty-five thousand dollars in the case of lands, manufactured homes,  
12 mobile home, and improvements, or the sum of fifteen thousand dollars  
13 in the case of other personal property described in RCW 6.13.010(~~(~~  
14 ~~except where the homestead is subject to execution, attachment, or~~  
15 ~~seizure by or under any legal process whatever to satisfy a judgment in~~  
16 ~~favor of any state for failure to pay that state's income tax on~~  
17 ~~benefits received while a resident of the state of Washington from a~~  
18 ~~pension or other retirement plan, in which event there shall be no~~  
19 ~~dollar limit on the value of the exemption))).~~

20 **Sec. 1004.** RCW 6.15.020 and 2011 c 162 s 3 are each amended to  
21 read as follows:

22 (1) It is the policy of the state of Washington to ensure the well-  
23 being of its citizens by protecting retirement income to which they are  
24 or may become entitled. For that purpose generally and pursuant to the  
25 authority granted to the state of Washington under 11 U.S.C. Sec.  
26 522(b)(2), the exemptions in this section relating to retirement  
27 benefits are provided.

28 (2) Unless otherwise provided by federal law, any money received by  
29 any citizen of the state of Washington as a pension from the government  
30 of the United States, whether the same be in the actual possession of  
31 such person or be deposited or loaned, (~~shall be~~) is exempt from  
32 execution, attachment, garnishment, or seizure by or under any legal  
33 process whatever, and when a debtor dies, or absconds, and leaves his  
34 or her family any money exempted by this subsection, the same (~~shall~~  
35 ~~be~~) is exempt to the family as provided in this subsection. This  
36 subsection (~~shall~~) does not apply to child support collection actions

1 issued under chapter 26.18, 26.23, or 74.20A RCW, if otherwise  
2 permitted by federal law, or to collection actions for taxes imposed  
3 under Title 82A RCW (the new title created in section 1202 of this  
4 act).

5 (3) The right of a person to a pension, annuity, or retirement  
6 allowance or disability allowance, or death benefits, or any optional  
7 benefit, or any other right accrued or accruing to any citizen of the  
8 state of Washington under any employee benefit plan, and any fund  
9 created by such a plan or arrangement, (~~shall be~~) is exempt from  
10 execution, attachment, garnishment, or seizure by or under any legal  
11 process whatever. This subsection (~~shall~~) does not apply to child  
12 support collection actions issued under chapter 26.18, 26.23, or 74.20A  
13 RCW if otherwise permitted by federal law, or to collection actions for  
14 taxes imposed under Title 82A RCW (the new title created in section  
15 1202 of this act). This subsection (~~shall~~) permits benefits under  
16 any such plan or arrangement to be payable to a spouse, former spouse,  
17 child, or other dependent of a participant in such plan to the extent  
18 expressly provided for in a qualified domestic relations order that  
19 meets the requirements for such orders under the plan, or, in the case  
20 of benefits payable under a plan described in 26 U.S.C. Sec. 403(b) or  
21 408 of the internal revenue code of 1986, as amended, or section 409 of  
22 such code as in effect before January 1, 1984, to the extent provided  
23 in any order issued by a court of competent jurisdiction that provides  
24 for maintenance or support. This subsection does not prohibit actions  
25 against an employee benefit plan, or fund for valid obligations  
26 incurred by the plan or fund for the benefit of the plan or fund.

27 (4) For the purposes of this section, the term "employee benefit  
28 plan" means any plan or arrangement that is described in RCW 49.64.020,  
29 including any Keogh plan, whether funded by a trust or by an annuity  
30 contract, and in 26 U.S.C. Sec. 401(a) or 403(a) of the internal  
31 revenue code of 1986, as amended; or that is a tax-sheltered annuity or  
32 a custodial account described in section 403(b) of such code or an  
33 individual retirement account or an individual retirement annuity  
34 described in section 408 of such code; or a Roth individual retirement  
35 account described in section 408A of such code; or a medical savings  
36 account or a health savings account described in sections 220 and 223,  
37 respectively, of such code; or a retirement bond described in section  
38 409 of such code as in effect before January 1, 1984. The term

1 "employee benefit plan" (~~shall~~) does not include any employee benefit  
2 plan that is established or maintained for its employees by the  
3 government of the United States, by the state of Washington under  
4 chapter 2.10, 2.12, 41.26, 41.32, 41.34, 41.35, 41.37, 41.40, or 43.43  
5 RCW or RCW 41.50.770, or by any agency or instrumentality of the  
6 government of the United States.

7 (5) An employee benefit plan (~~shall be~~) is deemed to be a  
8 spendthrift trust, regardless of the source of funds, the relationship  
9 between the trustee or custodian of the plan and the beneficiary, or  
10 the ability of the debtor to withdraw or borrow or otherwise become  
11 entitled to benefits from the plan before retirement. This subsection  
12 (~~shall~~) does not apply to child support collection actions issued  
13 under chapter 26.18, 26.23, or 74.20A RCW, if otherwise permitted by  
14 federal law, or to collection actions for taxes imposed under Title 82A  
15 RCW (the new title created in section 1202 of this act). This  
16 subsection (~~shall~~) permits benefits under any such plan or  
17 arrangement to be payable to a spouse, former spouse, child, or other  
18 dependent of a participant in such plan to the extent expressly  
19 provided for in a qualified domestic relations order that meets the  
20 requirements for such orders under the plan, or, in the case of  
21 benefits payable under a plan described in 26 U.S.C. Sec. 403(b) or 408  
22 of the internal revenue code of 1986, as amended, or section 409 of  
23 such code as in effect before January 1, 1984, to the extent provided  
24 in any order issued by a court of competent jurisdiction that provides  
25 for maintenance or support.

26 (6)(a) Unless prohibited by federal law, nothing contained in  
27 subsection (3), (4), or (5) of this section (~~shall~~) may be construed  
28 as a termination or limitation of a spouse's community property  
29 interest in an employee benefit plan held in the name of or on account  
30 of the other spouse, who is the participant or the account holder  
31 spouse. Unless prohibited by applicable federal law, at the death of  
32 the nonparticipant, nonaccount holder spouse, the nonparticipant,  
33 nonaccount holder spouse may transfer or distribute the community  
34 property interest of the nonparticipant, nonaccount holder spouse in  
35 the participant or account holder spouse's employee benefit plan to the  
36 nonparticipant, nonaccount holder spouse's estate, testamentary trust,  
37 inter vivos trust, or other successor or successors pursuant to the  
38 last will of the nonparticipant, nonaccount holder spouse or the law of



1   intestate succession, and that distributee may, but (~~shall~~) is not  
2   (~~be~~) required to, obtain an order of a court of competent  
3   jurisdiction, including a nonjudicial binding agreement or order  
4   entered under chapter 11.96A RCW, to confirm the distribution.

5       **(b)** For purposes of subsection (3) of this section, the distributee  
6   of the nonparticipant, nonaccount holder spouse's community property  
7   interest in an employee benefit plan (~~shall-be~~) is considered a  
8   person entitled to the full protection of subsection (3) of this  
9   section. The nonparticipant, nonaccount holder spouse's consent to a  
10  beneficiary designation by the participant or account holder spouse  
11  with respect to an employee benefit plan (~~shall~~) does not, absent  
12  clear and convincing evidence to the contrary, be deemed a release,  
13  gift, relinquishment, termination, limitation, or transfer of the  
14  nonparticipant, nonaccount holder spouse's community property interest  
15  in an employee benefit plan.

16       **(c)** For purposes of this subsection(~~, the term~~):

17       **(i)** "Nonparticipant, nonaccount holder spouse" means the spouse of  
18  the person who is a participant in an employee benefit plan or in whose  
19  name an individual retirement account is maintained. (~~As used in this~~  
20  ~~subsection,~~)

21       **(ii)** An order of a court of competent jurisdiction entered under  
22  chapter 11.96A RCW includes an agreement, as that term is used under  
23  RCW 11.96A.220.

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

26       **(1)** The right of any person to any future payment under the  
27  provisions of this chapter (~~shall~~) is not (~~be~~) transferable or  
28  assignable at law or in equity, and none of the moneys paid or payable  
29  or the rights existing under this chapter, (~~shall-be~~) is subject to  
30  execution, levy, attachment, garnishment, or other legal process, or to  
31  the operation of any bankruptcy or insolvency law. This section  
32  (~~shall~~) is not be applicable to any child support collection action  
33  taken under chapter 26.18, 26.23, or 74.20A RCW. Benefits under this  
34  chapter (~~shall-be~~) are payable to a spouse or ex-spouse to the extent  
35  expressly provided for in any court decree of dissolution or legal  
36  separation or in any court order or court-approved property settlement

1 agreement incident to any court decree of dissolution or legal  
2 separation.

3 (2) Nothing in this chapter (~~shall~~) may be construed to deprive  
4 any participant, eligible to receive a pension hereunder, from  
5 receiving a pension under any other act to which that participant may  
6 become eligible by reason of services other than or in addition to his  
7 or her services under this chapter.

8 (3) Subsection (1) of this section does not exempt any pension or  
9 other benefit received under this chapter from tax under Title 82A RCW  
10 (the new title created in section 1202 of this act), nor does it  
11 prohibit the department of retirement systems from complying with the  
12 tax withholding requirements of that title.

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

15 (1) Subject to subsections (2) (~~and~~), (3), and (4) of this  
16 section, the right of a person to a pension, an annuity, a retirement  
17 allowance, or disability allowance, to the return of contributions, any  
18 optional benefit or death benefit, any other right accrued or accruing  
19 to any person under the provisions of this chapter and the moneys in  
20 the various funds created by this chapter (~~shall be~~) are  
21 unassignable, and are hereby exempt from any state, county, municipal  
22 or other local tax, and shall not be subject to execution, garnishment,  
23 attachment, the operation of bankruptcy or insolvency laws, or other  
24 process of law whatsoever.

25 (2) This section (~~shall not be deemed to~~) does not prohibit a  
26 beneficiary of a retirement allowance who is eligible:

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

31 (b) Under a group health care benefit plan approved pursuant to RCW  
32 28A.400.350 or 41.05.065 from authorizing monthly deductions therefrom,  
33 of the amount or amounts of subscription payments, premiums, or  
34 contributions to any person, firm, or corporation furnishing or  
35 providing medical, surgical, and hospital care or other health care  
36 insurance; or

1 (c) Under this system from authorizing monthly deductions therefrom  
2 for payment of dues and other membership fees to any retirement  
3 association composed of retired teachers and/or public employees  
4 pursuant to a written agreement between the director and the retirement  
5 association.

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

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

18 (4) Subsection (1) of this section does not exempt any pension or  
19 other benefit received under this chapter from tax under Title 82A RCW  
20 (the new title created in section 1202 of this act), nor does it  
21 prohibit the department of retirement systems from complying with the  
22 tax withholding requirements of that title.

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

25 (1) Subject to subsections (2) (~~and~~), (3), and (4) of this  
26 section, the right of a person to a pension, an annuity, or retirement  
27 allowance, any optional benefit, any other right accrued or accruing to  
28 any person under the provisions of this chapter, the various funds  
29 created by this chapter, and all moneys and investments and income  
30 thereof, are (~~hereby~~) exempt from any state, county, municipal, or  
31 other local tax, and (~~shall~~) are not (~~be~~) subject to execution,  
32 garnishment, attachment, the operation of bankruptcy or insolvency  
33 laws, or other process of law whatsoever, and (~~shall be~~) are  
34 unassignable.

35 (2) This section does not prohibit a beneficiary of a retirement  
36 allowance from authorizing deductions therefrom for payment of premiums  
37 due on any group insurance policy or plan issued for the benefit of a

1 group comprised of public employees of the state of Washington or its  
2 political subdivisions and which has been approved for deduction in  
3 accordance with rules that may be adopted by the state health care  
4 authority and/or the department. This section also does not prohibit  
5 a beneficiary of a retirement allowance from authorizing deductions  
6 therefrom for payment of dues and other membership fees to any  
7 retirement association or organization the membership of which is  
8 composed of retired public employees, if a total of three hundred or  
9 more of such retired employees have authorized such deduction for  
10 payment to the same retirement association or organization.

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

21 (4) Subsection (1) of this section does not exempt any pension or  
22 other benefit received under this chapter from tax under Title 82A RCW  
23 (the new title created in section 1202 of this act), nor does it  
24 prohibit the department of retirement systems from complying with the  
25 tax withholding requirements of that title.

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

28 (1) Subject to subsections (2) ~~((and))~~, (3), and (4) of this  
29 section, the right of a person to a pension, an annuity, or retirement  
30 allowance, any optional benefit, any other right accrued or accruing to  
31 any person under the provisions of this chapter, the various funds  
32 created by this chapter, and all moneys and investments and income  
33 thereof, are ~~((hereby))~~ exempt from any state, county, municipal, or  
34 other local tax, and ~~((shall))~~ are not ~~((be))~~ subject to execution,  
35 garnishment, attachment, the operation of bankruptcy or insolvency  
36 laws, or other process of law whatsoever, and ~~((shall-be))~~ are  
37 unassignable.

1           (2)(a) This section (~~((shall not be deemed to))~~) does not prohibit a  
2 beneficiary of a retirement allowance from authorizing deductions  
3 therefrom for payment of premiums due on any group insurance policy or  
4 plan issued for the benefit of a group comprised of public employees of  
5 the state of Washington or its political subdivisions and which has  
6 been approved for deduction in accordance with rules that may be  
7 adopted by the state health care authority and/or the department, and  
8 this section (~~((shall not be deemed to))~~) does not prohibit a beneficiary  
9 of a retirement allowance from authorizing deductions therefrom for  
10 payment of dues and other membership fees to any retirement association  
11 or organization the membership of which is composed of retired public  
12 employees, if a total of three hundred or more of such retired  
13 employees have authorized such deduction for payment to the same  
14 retirement association or organization.

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

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

29           (4) Subsection (1) of this section does not exempt any pension or  
30 other benefit received under this chapter from tax under Title 82A RCW  
31 (the new title created in section 1202 of this act), nor does it  
32 prohibit the department of retirement systems from complying with the  
33 tax withholding requirements of that title.

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

36           (1) The right of a person to a pension, annuity or a retirement  
37 allowance, to the return of contribution, the pension, annuity or

1 retirement allowance itself, any optional benefit, any other right  
2 accrued or accruing to any person under the provisions of this chapter,  
3 and the moneys in the fund created under this chapter (~~shall~~) are not  
4 (~~be~~) subject to execution, garnishment, or any other process  
5 whatsoever.

6 (2) This section (~~shall~~) does not apply to child support  
7 collection actions taken under chapter 26.18, 26.23, or 74.20A RCW  
8 against benefits payable under any such plan or arrangement. Benefits  
9 under this chapter (~~shall be~~) are payable to a spouse or ex-spouse to  
10 the extent expressly provided for in any court decree of dissolution or  
11 legal separation or in any court order or court-approved property  
12 settlement agreement incident to any court decree of dissolution or  
13 legal separation.

14 (3) Subsection (1) of this section does not exempt any pension or  
15 other benefit received under this chapter from tax under Title 82A RCW  
16 (the new title created in section 1202 of this act), nor does it  
17 prohibit the department of retirement systems from complying with the  
18 tax withholding requirements of that title.

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

21 (1) Subject to subsections (2) (~~and~~), (3), and (4) of this  
22 section, the right of a person to a retirement allowance, disability  
23 allowance, or death benefit, to the return of accumulated  
24 contributions, the retirement, disability or death allowance itself,  
25 any optional benefit, any other right accrued or accruing to any person  
26 under the provisions of this chapter, and the moneys in the fund  
27 created under this chapter, are hereby exempt from any state, county,  
28 municipal, or other local tax and (~~shall~~) are not (~~be~~) subject to  
29 execution, garnishment, attachment, the operation of bankruptcy or  
30 insolvency laws, or any other process of law whatsoever, and (~~shall~~  
31 ~~be~~) are unassignable.

32 (2) On the written request of any person eligible to receive  
33 benefits under this section, the department may deduct from such  
34 payments the premiums for life, health, or other insurance. The  
35 request on behalf of any child or children (~~shall~~) must be made by  
36 the legal guardian of such child or children. The department may

1 provide for such persons one or more plans of group insurance, through  
2 contracts with regularly constituted insurance carriers or health care  
3 service contractors.

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

14 (4) Subsection (1) of this section does not exempt any pension or  
15 other benefit received under this chapter from tax under Title 82A RCW  
16 (the new title created in section 1202 of this act), nor does it  
17 prohibit the department of retirement systems from complying with the  
18 tax withholding requirements of that title.

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

21 (1) Except as provided in subsections (2) (~~(and)~~), (3), and (4) of  
22 this section, the right of any person to a retirement allowance or  
23 optional retirement allowance under (~~(the provisions hereof)~~) this  
24 section and all moneys and investments and income thereof are exempt  
25 from any state, county, municipal, or other local tax and (~~(shall)~~) are  
26 not (~~(be)~~) subject to execution, garnishment, attachment, the operation  
27 of bankruptcy or the insolvency laws, or other processes of law  
28 whatsoever and (~~(shall be)~~) are unassignable except as herein  
29 specifically provided.

30 (2) Subsection (1) of this section (~~(shall)~~) does not prohibit the  
31 department of retirement systems from complying with (a) a wage  
32 assignment order for child support issued pursuant to chapter 26.18  
33 RCW, (b) an order to withhold and deliver issued pursuant to chapter  
34 74.20A RCW, (c) a notice of payroll deduction issued pursuant to RCW  
35 26.23.060, (d) a mandatory benefits assignment order issued pursuant to  
36 chapter 41.50 RCW, (e) a court order directing the department of  
37 retirement systems to pay benefits directly to an obligee under a

1 dissolution order as defined in RCW 41.50.500(3) which fully complies  
2 with RCW 41.50.670 and 41.50.700, or (f) any administrative or court  
3 order expressly authorized by federal law.

4 (3) Subsection (1) of this section (~~(shall not be deemed to)~~) does  
5 not prohibit a beneficiary of a retirement allowance from authorizing  
6 deductions therefrom for payment of premiums due on any group insurance  
7 policy or plan issued for the benefit of a group comprised of members  
8 of the Washington state patrol or other public employees of the state  
9 of Washington, or for contributions to the Washington state patrol  
10 memorial foundation.

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 (the new title created in section 1202 of this act), nor does it  
14 prohibit the department of retirement systems from complying with the  
15 tax withholding requirements of that title.

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

19 **PART XII**  
20 **MISCELLANEOUS**

21 NEW SECTION. Sec. 1201. SEVERABILITY. If any provision of this  
22 act or its application to any person or circumstance is held invalid,  
23 the remainder of the act or the application of the provision to other  
24 persons or circumstances is not affected.

25 NEW SECTION. Sec. 1202. CODIFICATION. Sections 101 through 810  
26 of this act constitute a new title in the Revised Code of Washington,  
27 to be codified as Title 82A RCW.

28 NEW SECTION. Sec. 1203. CONTINGENT EFFECTIVE DATE. If the  
29 proposed amendment to Article VII of the state Constitution authorizing  
30 income taxes (SJR .... (S-4137/12)) is validly submitted and is  
31 approved and ratified by the voters at a general election held in  
32 November 2012, then this act takes effect January 1, 2013.



1        NEW SECTION.   **Sec. 1204.**   CONFORMING AMENDMENTS.   If any amendments  
2   in this act, or any sections enacted or affected by chapter . . ., Laws  
3   of 2012 (this act), are enacted in a 2012 legislative session that do  
4   not take cognizance of chapter . . ., Laws of 2012 (this act), the code  
5   reviser must prepare a bill for introduction in the 2013 or 2014  
6   legislative session that incorporates any such amendments into the  
7   reorganization adopted by chapter . . ., Laws of 2012 (this act) and  
8   corrects any incorrect cross-references.

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