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**HOUSE BILL 2201**

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**State of Washington 64th Legislature 2015 Regular Session**

**By** Representatives Reykdal and Farrell

AN ACT Relating to funding tuition reductions and other higher education programs; amending RCW 83.100.230; adding a new section to chapter 82.32 RCW; repealing RCW 82.04.4292; providing a contingent effective date; and providing for submission of this act to a vote of the people.

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

NEW SECTION. **Sec.**  RCW 82.04.4292 (Deductions—Interest on investments or loans secured by mortgages or deeds of trust) and 2012 2nd sp.s. c 6 s 102, 2010 1st sp.s. c 23 s 301, & 1980 c 37 s 12 are each repealed.

NEW SECTION. **Sec.**  A new section is added to chapter 82.32 RCW to read as follows:

(1) The department must create a unique reporting code for interest derived from investments or loans by banking businesses, security businesses, lending businesses, and other financial businesses.

(2) Tax collections derived from interest on investments or loans by financial firms, as provided in subsection (1) of this section, must be deposited into the education legacy trust account created in RCW 83.100.230.

(3) The definitions in this subsection apply throughout this section unless the context clearly requires otherwise.

(a) "Banking business" means a person engaging in business as a national or state-chartered bank, a mutual savings bank, a savings and loan association, a trust company, an alien bank, a foreign bank, a credit union, a stock savings bank, or a similar entity that is chartered under Title 30A, 30B, 31, 32, or 33 RCW, or organized under Title 12 U.S.C.

(b) "Lending business" means a person engaged in the business of making secured or unsecured loans of money, or extending credit, and (i) more than one-half of the person's gross income is earned from such activities and (ii) more than one-half of the person's total expenditures are incurred in support of such activities.

(c) "Security business" means a person, other than an issuer, who is engaged in the business of effecting transactions in securities as a broker, dealer, or broker-dealer, as those terms are defined in the securities act of Washington, chapter 21.20 RCW, or the federal securities act of 1933. "Security business" does not include any company excluded from the definition of broker or dealer under the federal investment company act of 1940 or any entity that is not an investment company by reason of sections 3(c)(1) and 3(c)(3) through 3(c)(14) thereof.

**Sec.**  RCW 83.100.230 and 2012 1st sp.s. c 10 s 7 are each amended to read as follows:

(1) The education legacy trust account is created in the state treasury. Money in the account may be spent only after appropriation. Except as provided in subsection (2) of this section, expenditures from the account may be used only for support of the common schools, and for expanding access to higher education through funding for new enrollments and financial aid, and other educational improvement efforts.

(2) During the 2015-2017 biennium revenues deposited into the account as provided under section 2 of this act must be used to compensate institutions of higher education as defined in RCW 28B.10.016 for the loss of tuition revenue created by a reduction in resident undergraduate tuition rates. The percent reduction must be set in the operating budget. Any savings to state financial aid programs resulting from a reduction in resident undergraduate tuition rates must be reinvested in those programs to serve additional students. During the 2017-2019 biennium and thereafter, revenues deposited into the account as provided under section 2 of this act must be used to forestall increases in resident undergraduate tuition rates.

NEW SECTION. **Sec.**  The secretary of state shall submit this act to the people for their adoption and ratification, or rejection, at the next general election to be held in this state, in accordance with Article II, section 1 of the state Constitution and the laws adopted to facilitate its operation.

NEW SECTION. **Sec.**  This act takes effect January 1, 2016, if this act is approved by the voters as provided in section 4 of this act.

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