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**SENATE BILL 6559**

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**State of Washington 64th Legislature 2016 Regular Session**

**By** Senator Chase

AN ACT Relating to progressive income tax; amending RCW 82.03.130, 82.03.140, 2.10.180, 2.12.090, 6.13.030, 6.15.020, 41.24.240, 41.32.052, 41.35.100, 41.40.052, 41.44.240, 41.26.053, 43.43.310, 82.08.020, 82.08.020, 84.52.065, 84.52.043, 84.52.050, 36.58.150, 36.60.040, 36.69.145, 36.73.060, 36.83.030, 36.100.050, 67.38.130, 84.69.020, 39.89.020, and 43.99I.040; amending 2016 c 1 s 3 (uncodified); reenacting and amending RCW 84.52.010 and 43.99H.060; adding a new title to the Revised Code of Washington to be codified as Title 82A RCW; creating new sections; repealing RCW 6.15.025; prescribing penalties; and providing a contingent effective date.

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

**PART I**

**GENERAL PROVISIONS**

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

**PART II**

**DEFINITIONS**

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

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

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

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

(1) For individuals, adjusted gross income;

(2) For estates and trusts, taxable income as determined for estates and trusts consistent with subtitle A, chapter I, subchapter J of the internal revenue code.

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

NEW SECTION. **Sec.**  INTERNAL REVENUE CODE. "Internal revenue code" means the United States internal revenue code of 1986 and amendments thereto, as existing and in effect on January 1, 2016.

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

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

(a) Has resided in this state for the entire tax year; or

(b) Is domiciled in this state unless the individual:

(i) Maintains no permanent place of abode in this state; and

(ii) Does not maintain a permanent place of abode elsewhere; and

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

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

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

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

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

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

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

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

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

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

**PART III**

**DETERMINATION OF TAX**

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

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

|  |  |
| --- | --- |
| If taxable income is: | The tax is: |
| Not over $49,900 | 2.2% of taxable income |
| Over $49,900 but not over $120,650 | $1,098 plus 3.5% of the excess over $49,900 |
| Over $120,650 | $3,574 plus 6.0% of the excess over $120,650 |

(3) For every head of a household, the tax is determined in accordance with the following table:

|  |  |
| --- | --- |
| If taxable income is: | The tax is: |
| Not over $37,425 | 2.2% of taxable income |
| Over $37,425 but not over $90,488 | $823 plus 3.5% of the excess over $37,425 |
| Over $90,488 | $2,681 plus 6.0% of the excess over $90,488 |

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

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

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

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

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

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

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

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

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

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

NEW SECTION. **Sec.**  BUSINESS AND OCCUPATION TAX CREDIT. (1) There is allowed a credit against the tax imposed by this title in the amount of the state of Washington business and occupation tax paid by the taxpayer in the tax year subject to the limitation of subsection (2) of this section.

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

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

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

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

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

NEW SECTION. **Sec.**  PUBLIC UTILITY TAX CREDIT. (1) There is allowed a credit against the tax imposed by this title in the amount of the state of Washington public utility tax paid by the taxpayer in the tax year subject to the limitation of subsection (2) of this section.

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

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

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

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

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

NEW SECTION. **Sec.**  CARRYFORWARDS AND CARRYBACKS. The amount of tax credits received by any taxpayer under sections 302, 304, and 305 of this act may not exceed the total amount of tax due, and no carryback or carryforward of any unused excess credits is allowed.

**PART IV**

**TAXABLE INCOME MODIFICATIONS**

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

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

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

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

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

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

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

NEW SECTION. **Sec.**  FEDERAL OBLIGATIONS. From federal base income, deduct, to the extent included in federal base income, income derived from obligations of the United States which this state is prohibited by federal law from subjecting to a net income tax. However, the amount deducted under this section must be reduced by any expense, including amortizable bond premiums, incurred in the production of such income to the extent the expense has been deducted in calculating federal base income.

NEW SECTION. **Sec.**  STANDARD DEDUCTION—PERSONAL EXEMPTION. There is allowed from federal base income the following standard deductions and personal exemption deduction:

(1) The standard deduction for an individual is:

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

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

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

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

(3) An additional exemption deduction in the amount of one thousand dollars is allowed:

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

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

(4) An additional exemption deduction in the amount of one thousand dollars is allowed:

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

(b) For the spouse of the individual if the spouse is blind at the close of the taxable year if a joint return is not made by the individual and the individual's spouse and the spouse, for the calendar year in which the taxable year of the individual begins, has no gross income and is not the dependent of another individual.

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

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

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

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

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

NEW SECTION. **Sec.**  INDEX FOR INFLATION. For each tax year beginning after December 31, 2018, the standard deduction and the personal exemption deduction amounts under section 407 of this act must be adjusted by the department for inflation by multiplying the standard deduction and the personal exemption deduction amounts of the previous tax year by the cost-of-living adjustment as determined under internal revenue code section 1(f)(3) through (5) for the calendar year in which the tax year begins. No adjustment may be made which decreases the standard deduction and personal exemption deduction amounts. If any adjustment increase is not a multiple of ten dollars, the increase must be rounded to the next lowest multiple of ten dollars.

**PART V**

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

NEW SECTION. **Sec.**  APPORTIONMENT AND ALLOCATION OF INCOME. (1) For resident individuals, estates, and trusts, all income must be apportioned and allocated to this state.

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

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

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

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

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

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

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

NEW SECTION. **Sec.**  PARTNERSHIPS AND S CORPORATIONS. (1) Partnerships are not subject to tax under this title. Partners are subject to tax in their separate or individual capacities.

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

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

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

(5) As used in this section:

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

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

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

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

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

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

**PART VI**

**WITHHOLDING—ESTIMATED TAX**

NEW SECTION. **Sec.**  EMPLOYER WITHHOLDING—REQUIREMENTS. (1) Every employer making a payment of wages or salaries earned in this state, regardless of the place where the payment is made, and who is required by the internal revenue code to withhold taxes, must deduct and withhold a tax as prescribed by the department by rule. The rules prescribed must reasonably reflect the annual tax liability of the employee under this title. Every employer making such a deduction and withholding must furnish to the employee a record of the amount of tax deducted and withheld from the employee on forms provided by the department.

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

NEW SECTION. **Sec.**  LIABILITY OF EMPLOYER FOR TAX WITHHELD. Any person required to deduct and withhold the tax imposed by this title is liable to the department for the payment of the amount deducted and withheld, and is not liable to any other person for the amount of tax deducted and withheld under this title or for the act of withholding. The amount of tax so deducted and withheld must be held to be a special fund in trust for this state.

NEW SECTION. **Sec.**  CREDIT FOR TAX WITHHELD—HOW CLAIMED. The amount deducted and withheld as tax under sections 601 through 606 of this act during any taxable year must be allowed as a credit against the tax imposed for the taxable year by this title. If the liability of any individual for taxes, interest, penalties, or other amounts due the state of Washington is less than the total amount of the credit which the individual is entitled to claim under this section, the individual is entitled to a refund from the department in the amount of the excess of the credit over the tax otherwise due. If any individual entitled to claim a credit under this section is not otherwise required by this title to file a return, a refund may be obtained in the amount of the credit by filing a return, with applicable sections completed, to claim the refund. No credit or refund is allowed under this section unless the credit or refund is claimed on a return filed for the taxable year for which the amount was deducted and withheld.

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

NEW SECTION. **Sec.**  WITHHOLDING—FAILURE TO PAY OR COLLECT—PENALTIES. (1) The tax required by this title to be collected by the employer must be deemed to be held in trust by the employer until paid to the department.

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

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

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

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

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

**PART VII**

**CRIMES**

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

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

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

**PART VIII**

**ADMINISTRATIVE PROVISIONS**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) Liability of transferees;

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

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

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

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

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

**PART IX**

**APPEALS**

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

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

(a) Appeals taken pursuant to RCW 82.03.190.

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

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

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

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

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

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

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

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

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

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

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

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

(l) Appeals pursuant to RCW 84.39.020.

(m) Appeals relating to income tax deficiencies and refunds, including penalties and interest, under Title 82A RCW (the new title created in section 1302 of this act).

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

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

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

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

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

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

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

(4) In the event that appeals are taken from the same decision, order, or determination, as the case may be, by different parties and only one of ((~~such~~)) the parties elects a formal hearing, a formal hearing ((~~shall~~)) must be granted.

**PART X**

**APPLICATION OF TAX TO PUBLIC PENSIONS**

**Sec.**  RCW 2.10.180 and 2012 c 159 s 17 are each amended to read as follows:

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

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

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

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

(5) Subsection (1) of this section does not exempt any pension or other benefit received under this chapter from tax under Title 82A RCW (the new title created in section 1302 of this act), nor does it prohibit the department of retirement systems from complying with the tax withholding requirements of that title.

**Sec.**  RCW 2.12.090 and 2012 c 159 s 18 are each amended to read as follows:

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

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

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

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

(5) Subsection (1) of this section does not exempt any pension or other benefit received under this chapter from tax under Title 82A RCW (the new title created in section 1302 of this act), nor does it prohibit the department of retirement systems from complying with the tax withholding requirements of that title.

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

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

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

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

(2) Unless otherwise provided by federal law, any money received by any citizen of the state of Washington as a pension from the government of the United States, whether the same be in the actual possession of such person or be deposited or loaned, ((~~shall be~~)) is exempt from execution, attachment, garnishment, or seizure by or under any legal process whatever, and when a debtor dies, or absconds, and leaves his or her family any money exempted by this subsection, the same ((~~shall be~~)) is exempt to the family as provided in this subsection. This subsection ((~~shall~~)) does not apply to child support collection actions issued under chapter 26.18, 26.23, or 74.20A RCW, if otherwise permitted by federal law, or to collection actions for taxes imposed under Title 82A RCW (the new title created in section 1302 of this act).

(3) The right of a person to a pension, annuity, or retirement allowance or disability allowance, or death benefits, or any optional benefit, or any other right accrued or accruing to any citizen of the state of Washington under any employee benefit plan, and any fund created by such a plan or arrangement, ((~~shall be~~)) is exempt from execution, attachment, garnishment, or seizure by or under any legal process whatever. This subsection ((~~shall~~)) does not apply to child support collection actions issued under chapter 26.18, 26.23, or 74.20A RCW if otherwise permitted by federal law, or to collection actions for taxes imposed under Title 82A RCW (the new title created in section 1302 of this act). This subsection ((~~shall~~)) permits benefits under any such plan or arrangement to be payable to a spouse, former spouse, child, or other dependent of a participant in such plan to the extent expressly provided for in a qualified domestic relations order that meets the requirements for such orders under the plan, or, in the case of benefits payable under a plan described in 26 U.S.C. Sec. 403(b) or 408 of the internal revenue code of 1986, as amended, or section 409 of such code as in effect before January 1, 1984, to the extent provided in any order issued by a court of competent jurisdiction that provides for maintenance or support. This subsection does not prohibit actions against an employee benefit plan, or fund for valid obligations incurred by the plan or fund for the benefit of the plan or fund.

(4) For the purposes of this section, the term "employee benefit plan" means any plan or arrangement that is described in RCW 49.64.020, including any Keogh plan, whether funded by a trust or by an annuity contract, and in 26 U.S.C. Sec. 401(a) or 403(a) of the internal revenue code of 1986, as amended; or that is a tax-sheltered annuity or a custodial account described in section 403(b) of such code or an individual retirement account or an individual retirement annuity described in section 408 of such code; or a Roth individual retirement account described in section 408A of such code; or a medical savings account or a health savings account described in sections 220 and 223, respectively, of such code; or a retirement bond described in section 409 of such code as in effect before January 1, 1984. The term "employee benefit plan" ((~~shall~~)) does not include any employee benefit plan that is established or maintained for its employees by the government of the United States, by the state of Washington under chapter 2.10, 2.12, 41.26, 41.32, 41.34, 41.35, 41.37, 41.40, or 43.43 RCW or RCW 41.50.770, or by any agency or instrumentality of the government of the United States.

(5) An employee benefit plan ((~~shall be~~)) is deemed to be a spendthrift trust, regardless of the source of funds, the relationship between the trustee or custodian of the plan and the beneficiary, or the ability of the debtor to withdraw or borrow or otherwise become entitled to benefits from the plan before retirement. This subsection ((~~shall~~)) does not apply to child support collection actions issued under chapter 26.18, 26.23, or 74.20A RCW, if otherwise permitted by federal law, or to collection actions for taxes imposed under Title 82A RCW (the new title created in section 1302 of this act). This subsection ((~~shall~~)) permits benefits under any such plan or arrangement to be payable to a spouse, former spouse, child, or other dependent of a participant in such plan to the extent expressly provided for in a qualified domestic relations order that meets the requirements for such orders under the plan, or, in the case of benefits payable under a plan described in 26 U.S.C. Sec. 403(b) or 408 of the internal revenue code of 1986, as amended, or section 409 of such code as in effect before January 1, 1984, to the extent provided in any order issued by a court of competent jurisdiction that provides for maintenance or support.

(6)(a) Unless prohibited by federal law, nothing contained in subsection (3), (4), or (5) of this section ((~~shall~~)) may be construed as a termination or limitation of a spouse's community property interest in an employee benefit plan held in the name of or on account of the other spouse, who is the participant or the account holder spouse. Unless prohibited by applicable federal law, at the death of the nonparticipant, nonaccount holder spouse, the nonparticipant, nonaccount holder spouse may transfer or distribute the community property interest of the nonparticipant, nonaccount holder spouse in the participant or account holder spouse's employee benefit plan to the nonparticipant, nonaccount holder spouse's estate, testamentary trust, inter vivos trust, or other successor or successors pursuant to the last will of the nonparticipant, nonaccount holder spouse or the law of intestate succession, and that distributee may, but ((~~shall~~)) is not ((~~be~~)) required to, obtain an order of a court of competent jurisdiction, including a nonjudicial binding agreement or order entered under chapter 11.96A RCW, to confirm the distribution.

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

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

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

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

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

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

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

(3) Subsection (1) of this section does not exempt any pension or other benefit received under this chapter from tax under Title 82A RCW (the new title created in section 1302 of this act), nor does it prohibit the department of retirement systems from complying with the tax withholding requirements of that title.

**Sec.**  RCW 41.32.052 and 2012 c 159 s 20 are each amended to read as follows:

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

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

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

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

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

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

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

(4) Subsection (1) of this section does not exempt any pension or other benefit received under this chapter from tax under Title 82A RCW (the new title created in section 1302 of this act), nor does it prohibit the department of retirement systems from complying with the tax withholding requirements of that title.

**Sec.**  RCW 41.35.100 and 2012 c 159 s 24 are each amended to read as follows:

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

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

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

(4) Subsection (1) of this section does not exempt any pension or other benefit received under this chapter from tax under Title 82A RCW (the new title created in section 1302 of this act), nor does it prohibit the department of retirement systems from complying with the tax withholding requirements of that title.

**Sec.**  RCW 41.40.052 and 2012 c 159 s 26 are each amended to read as follows:

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

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

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

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

(4) Subsection (1) of this section does not exempt any pension or other benefit received under this chapter from tax under Title 82A RCW (the new title created in section 1302 of this act), nor does it prohibit the department of retirement systems from complying with the tax withholding requirements of that title.

**Sec.**  RCW 41.44.240 and 2012 c 159 s 27 are each amended to read as follows:

(1) The right of a person to a pension, annuity or a retirement allowance, to the return of contribution, the pension, annuity or retirement allowance itself, any optional benefit, any other right accrued or accruing to any person under the provisions of this chapter, and the moneys in the fund created under this chapter ((~~shall~~)) are not ((~~be~~)) subject to execution, garnishment, or any other process whatsoever whether the same be in actual possession of the person or be deposited or loaned.

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

(3) Subsection (1) of this section does not exempt any pension or other benefit received under this chapter from tax under Title 82A RCW (the new title created in section 1302 of this act), nor does it prohibit the department of retirement systems from complying with the tax withholding requirements of that title.

**Sec.**  RCW 41.26.053 and 2012 c 159 s 21 are each amended to read as follows:

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

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

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

(4) Subsection (1) of this section does not exempt any pension or other benefit received under this chapter from tax under Title 82A RCW (the new title created in section 1302 of this act), nor does it prohibit the department of retirement systems from complying with the tax withholding requirements of that title.

**Sec.**  RCW 43.43.310 and 2012 c 159 s 28 are each amended to read as follows:

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

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

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

(4) Subsection (1) of this section does not exempt any pension or other benefit received under this chapter from tax under Title 82A RCW (the new title created in section 1302 of this act), nor does it prohibit the department of retirement systems from complying with the tax withholding requirements of that title.

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

**PART XI**

**REDUCING THE STATE SALES TAX**

**Sec.**  RCW 82.08.020 and 2014 c 140 s 12 are each amended to read as follows:

(1) There is levied and collected a tax equal to ((~~six~~)) three and five-tenths percent of the selling price on each retail sale in this state of:

(a) Tangible personal property, unless the sale is specifically excluded from the RCW 82.04.050 definition of retail sale;

(b) Digital goods, digital codes, and digital automated services, if the sale is included within the RCW 82.04.050 definition of retail sale;

(c) Services, other than digital automated services, included within the RCW 82.04.050 definition of retail sale;

(d) Extended warranties to consumers; and

(e) Anything else, the sale of which is included within the RCW 82.04.050 definition of retail sale.

(2) There is levied and collected an additional tax on each retail car rental, regardless of whether the vehicle is licensed in this state, equal to five and nine-tenths percent of the selling price. The revenue collected under this subsection must be deposited in the multimodal transportation account created in RCW 47.66.070.

(3) Beginning July 1, 2003, there is levied and collected an additional tax of three-tenths of one percent of the selling price on each retail sale of a motor vehicle in this state, other than retail car rentals taxed under subsection (2) of this section. The revenue collected under this subsection must be deposited in the multimodal transportation account created in RCW 47.66.070.

(4) For purposes of subsection (3) of this section, "motor vehicle" has the meaning provided in RCW 46.04.320, but does not include:

(a) Farm tractors or farm vehicles as defined in RCW 46.04.180 and 46.04.181, unless the farm tractor or farm vehicle is for use in the production of marijuana;

(b) Off-road vehicles as defined in RCW 46.04.365;

(c) Nonhighway vehicles as defined in RCW 46.09.310; and

(d) Snowmobiles as defined in RCW 46.04.546.

(5) Beginning on December 8, 2005, 0.16 percent of the taxes collected under subsection (1) of this section must be dedicated to funding comprehensive performance audits required under RCW 43.09.470. The revenue identified in this subsection must be deposited in the performance audits of government account created in RCW 43.09.475.

(6) The taxes imposed under this chapter apply to successive retail sales of the same property.

(7) The rates provided in this section apply to taxes imposed under chapter 82.12 RCW as provided in RCW 82.12.020.

**Sec.**  RCW 82.08.020 and 2016 c 1 s 2 (Initiative Measure No. 1366) are each amended to read as follows:

(1) There is levied and collected a tax equal to ((~~five~~)) three and five-tenths percent of the selling price on each retail sale in this state of:

(a) Tangible personal property, unless the sale is specifically excluded from the RCW 82.04.050 definition of retail sale;

(b) Digital goods, digital codes, and digital automated services, if the sale is included within the RCW 82.04.050 definition of retail sale;

(c) Services, other than digital automated services, included within the RCW 82.04.050 definition of retail sale;

(d) Extended warranties to consumers; and

(e) Anything else, the sale of which is included within the RCW 82.04.050 definition of retail sale.

(2) There is levied and collected an additional tax on each retail car rental, regardless of whether the vehicle is licensed in this state, equal to five and nine-tenths percent of the selling price. The revenue collected under this subsection must be deposited in the multimodal transportation account created in RCW 47.66.070.

(3) Beginning July 1, 2003, there is levied and collected an additional tax of three-tenths of one percent of the selling price on each retail sale of a motor vehicle in this state, other than retail car rentals taxed under subsection (2) of this section. The revenue collected under this subsection must be deposited in the multimodal transportation account created in RCW 47.66.070.

(4) For purposes of subsection (3) of this section, "motor vehicle" has the meaning provided in RCW 46.04.320, but does not include:

(a) Farm tractors or farm vehicles as defined in RCW 46.04.180 and 46.04.181, unless the farm tractor or farm vehicle is for use in the production of marijuana;

(b) Off-road vehicles as defined in RCW 46.04.365;

(c) Nonhighway vehicles as defined in RCW 46.09.310; and

(d) Snowmobiles as defined in RCW 46.04.546.

(5) Beginning on December 8, 2005, 0.16 percent of the taxes collected under subsection (1) of this section must be dedicated to funding comprehensive performance audits required under RCW 43.09.470. The revenue identified in this subsection must be deposited in the performance audits of government account created in RCW 43.09.475.

(6) The taxes imposed under this chapter apply to successive retail sales of the same property.

(7) The rates provided in this section apply to taxes imposed under chapter 82.12 RCW as provided in RCW 82.12.020.

**Sec.**  2016 c 1 s 3 (Initiative Measure No. 1366) (uncodified) is amended to read as follows:

(1) Section 2 of this act and section 1102, chapter . . ., Laws of 2016 (section 1102 of this act) take((~~s~~)) effect April 15, 2016, unless the contingency in subsection (2) of this section occurs.

(2) If the legislature, prior to April 15, 2016, refers to the ballot for a vote a constitutional amendment requiring two-thirds legislative approval or voter approval to raise taxes as defined by voter-approved Initiatives 960, 1053, and 1185 and section 6 of this act and majority legislative approval for fee increases as required by voter-approved Initiatives 960, 1053, and 1185 and codified in RCW 43.135.055 and further defined by subsection ((~~(a)~~)) (3) of this section, section 2 of this act expires on April 14, 2016.

((~~(a) [(3)]~~)) (3) For the purposes of this section, "majority legislative approval for fee increases" means only the legislature may set a fee increase's amount and must list it in a bill so it can be subject to the ten-year cost projection and other accountability procedures required by RCW 43.135.031.

**PART XII**

**ELIMINATING THE STATE PROPERTY TAX**

**Sec.**  RCW 84.52.065 and 1991 sp.s. c 31 s 16 are each amended to read as follows:

Subject to the limitations in RCW 84.55.010, in each year through calendar year 2016 the state ((~~shall~~)) must levy for collection in the following year for the support of common schools of the state a tax of three dollars and sixty cents per thousand dollars of assessed value upon the assessed valuation of all taxable property within the state adjusted to the state equalized value in accordance with the indicated ratio fixed by the state department of revenue. The state may not levy a tax for collection in calendar year 2018.

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

**Sec.**  RCW 84.52.043 and 2015 3rd sp.s. c 44 s 323 are each amended to read as follows:

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

(1) Levies of the senior taxing districts are as follows: (a) ((~~The levy by the state may not exceed three dollars and sixty cents per thousand dollars of assessed value adjusted to the state equalized value in accordance with the indicated ratio fixed by the state department of revenue to be used exclusively for the support of the common schools; (b)~~)) The levy by any county may not exceed one dollar and eighty cents per thousand dollars of assessed value; ((~~(c)~~)) (b) the levy by any road district may not exceed two dollars and twenty-five cents per thousand dollars of assessed value; and ((~~(d)~~)) (c) the levy by any city or town may not exceed three dollars and thirty-seven and one-half cents per thousand dollars of assessed value. However any county is hereby authorized to increase its levy from one dollar and eighty cents to a rate not to exceed two dollars and forty-seven and one-half cents per thousand dollars of assessed value for general county purposes if the total levies for both the county and any road district within the county do not exceed four dollars and five cents per thousand dollars of assessed value, and no other taxing district has its levy reduced as a result of the increased county levy.

(2) The aggregate levies of junior taxing districts and senior taxing districts((~~, other than the state,~~)) may not exceed five dollars and ninety cents per thousand dollars of assessed valuation. The term "junior taxing districts" includes all taxing districts other than the state, counties, road districts, cities, towns, port districts, and public utility districts. The limitations provided in this subsection do not apply to: (a) Levies at the rates provided by existing law by or for any port or public utility district; (b) excess property tax levies authorized in Article VII, section 2 of the state Constitution; (c) levies for acquiring conservation futures as authorized under RCW 84.34.230; (d) levies for emergency medical care or emergency medical services imposed under RCW 84.52.069; (e) levies to finance affordable housing for very low-income housing imposed under RCW 84.52.105; (f) the portions of levies by metropolitan park districts that are protected under RCW 84.52.120; (g) levies imposed by ferry districts under RCW 36.54.130; (h) levies for criminal justice purposes under RCW 84.52.135; (i) the portions of levies by fire protection districts that are protected under RCW 84.52.125; (j) levies by counties for transit-related purposes under RCW 84.52.140; (k) the portion of the levy by flood control zone districts that are protected under RCW 84.52.816; and (l) levies imposed by a regional transit authority under RCW 81.104.175.

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

(1) Except as ((~~hereinafter~~)) provided in this section, the aggregate of all tax levies upon real and personal property by the state and all taxing districts, now existing or hereafter created, ((~~shall~~)) may not in any year exceed ((~~one percentum~~)) sixty-four one-hundredths of one percent of the true and fair value of such property in money((~~: PROVIDED, HOWEVER, That~~)).

(2) Such aggregate limitation or any specific limitation imposed by law in conformity therewith may be exceeded only as authorized by law and in conformity with the provisions of Article VII, section 2 (a), (b), or (c) of the Constitution of the state of Washington.

(3) Nothing ((~~herein shall~~)) in this section:

(a) Prevents levies at the rates now provided by law by or for any port or public utility district.

(b) Nothing herein contained prohibits the legislature from allocating or reallocating the authority to levy taxes between the taxing districts of the state and its political subdivisions in a manner which complies with the aggregate tax limitation set forth in this section.

(4) The term "taxing district" for the purposes of this section ((~~shall~~)) means any political subdivision, municipal corporation, district, or other governmental agency authorized by law to levy, or have levied for it, ad valorem taxes on property, other than a port or public utility district. ((~~Such aggregate limitation or any specific limitation imposed by law in conformity therewith may be exceeded only as authorized by law and in conformity with the provisions of Article VII, section 2(a), (b), or (c) of the Constitution of the state of Washington.~~

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

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

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

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

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

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

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

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

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

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

**Sec.**  RCW 36.69.145 and 2010 c 106 s 303 are each amended to read as follows:

(1) A park and recreation district may impose regular property tax levies in an amount equal to sixty cents or less per thousand dollars of assessed value of property in the district in each year for six consecutive years when specifically authorized so to do by a majority of at least three-fifths of the voters thereof approving a proposition authorizing the levies submitted at a special election or at the regular election of the district, at which election the number of voters voting "yes" on the proposition must constitute three-fifths of a number equal to forty per centum of the number of voters voting in such district at the last preceding general election when the number of voters voting on the proposition does not exceed forty per centum of the number of voters voting in such taxing district in the last preceding general election; or by a majority of at least three-fifths of the voters thereof voting on the proposition if the number of voters voting on the proposition exceeds forty per centum of the number of voters voting in such taxing district in the last preceding general election. A proposition authorizing the tax levies may not be submitted by a park and recreation district more than twice in any twelve-month period. Ballot propositions must conform with RCW 29A.36.210. In the event a park and recreation district is levying property taxes, which in combination with property taxes levied by other taxing districts subject to the one percent limitation provided for in ((~~Article 7, section 2, of our state Constitution~~)) RCW 84.52.050 that result in taxes in excess of the limitation provided for in RCW 84.52.043(2), the park and recreation district property tax levy must be reduced or eliminated as provided in RCW 84.52.010.

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

**Sec.**  RCW 36.73.060 and 2005 c 336 s 6 are each amended to read as follows:

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

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

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

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

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

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

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

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

**Sec.**  RCW 67.38.130 and 2015 c 53 s 91 are each amended to read as follows:

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

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

(ii)(A) In the event a cultural arts, stadium and convention district is levying property taxes, which in combination with property taxes levied by other taxing districts subject to the ((~~one percent~~)) limitation provided for in ((~~Article VII, section 2, of our state Constitution~~)) RCW 84.52.050 result in taxes in excess of the limitation provided for in RCW 84.52.043, the cultural arts, stadium and convention district property tax levy ((~~shall~~)) must be reduced or eliminated before the property tax levies of other taxing districts are reduced((~~: PROVIDED, That no~~)).

(B) Cultural arts, stadium, and convention districts may pledge anticipated revenues derived from the property tax herein authorized as security for payments of bonds issued pursuant to ((~~subsection (1)~~)) (a)(i) of this ((~~section: PROVIDED, FURTHER, That such~~)) subsection.

(C) The limitation ((~~shall~~)) in (a)(ii)(A) of this subsection does not apply to property taxes approved pursuant to ((~~subsections (2) and (3)~~)) (b) and (c) of this ((~~section~~)) subsection.

(iii) The limitation in RCW 84.55.010 ((~~shall apply~~)) applies to levies after the first levy authorized under this section following the approval of such levy by voters pursuant to this section.

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

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

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

**Sec.**  RCW 84.52.010 and 2015 3rd sp.s. c 44 s 325 and 2015 3rd sp.s. c 24 s 405 are each reenacted and amended to read as follows:

(1) Except as is permitted under RCW 84.55.050, all taxes must be levied or voted in specific amounts.

(2) The rate percent of all taxes for state and county purposes, and purposes of taxing districts coextensive with the county, must be determined, calculated and fixed by the county assessors of the respective counties, within the limitations provided by law, upon the assessed valuation of the property of the county, as shown by the completed tax rolls of the county, and the rate percent of all taxes levied for purposes of taxing districts within any county must be determined, calculated and fixed by the county assessors of the respective counties, within the limitations provided by law, upon the assessed valuation of the property of the taxing districts respectively.

(3) When a county assessor finds that the aggregate rate of tax levy on any property, that is subject to the limitations set forth in RCW 84.52.043 or 84.52.050, exceeds the limitations provided in either of these sections, the assessor must recompute and establish a consolidated levy in the following manner:

(a) The full certified rates of tax levy for state, county, county road district, regional transit authority, and city or town purposes must be extended on the tax rolls in amounts not exceeding the limitations established by law; however any state levy takes precedence over all other levies and may not be reduced for any purpose other than that required by RCW 84.55.010. If, as a result of the levies imposed under RCW 36.54.130, 84.34.230, 84.52.069, 84.52.105, the portion of the levy by a metropolitan park district that was protected under RCW 84.52.120, 84.52.125, 84.52.135, and 84.52.140, and the portion of the levy by a flood control zone district that was protected under RCW 84.52.816, the combined rate of regular property tax levies that are subject to the ((~~one percent limitation exceeds one percent of the true and fair value of any property~~)) limitation under RCW 84.52.050 exceeds the limitation under RCW 84.52.050, then these levies must be reduced as follows:

(i) The portion of the levy by a flood control zone district that was protected under RCW 84.52.816 must be reduced until the combined rate no longer exceeds ((~~one percent of the true and fair value of any property~~)) the limitation under RCW 84.52.050 or must be eliminated;

(ii) If the combined rate of regular property tax levies that are subject to the ((~~one percent limitation still exceeds one percent of the true and fair value of any property~~)) limitation under RCW 84.52.050 still exceeds the limitation under RCW 84.52.050, the levy imposed by a county under RCW 84.52.140 must be reduced until the combined rate no longer exceeds ((~~one percent of the true and fair value of any property~~)) the limitation under RCW 84.52.050 or must be eliminated;

(iii) If the combined rate of regular property tax levies that are subject to the ((~~one percent limitation still exceeds one percent of the true and fair value of any property~~)) limitation under RCW 84.52.050 still exceeds the limitation under RCW 84.52.050, the portion of the levy by a fire protection district that is protected under RCW 84.52.125 must be reduced until the combined rate no longer exceeds ((~~one percent of the true and fair value of any property~~)) the limitation under RCW 84.52.050 or must be eliminated;

(iv) If the combined rate of regular property tax levies that are subject to the ((~~one percent limitation still exceeds one percent of the true and fair value of any property~~)) limitation under RCW 84.52.050 still exceeds the limitation under RCW 84.52.050, the levy imposed by a county under RCW 84.52.135 must be reduced until the combined rate no longer exceeds ((~~one percent of the true and fair value of any property~~)) the limitation under RCW 84.52.050 or must be eliminated;

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

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

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

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

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

(i) First, the certified property tax levy authorized under RCW 84.52.821 must be reduced on a pro rata basis or eliminated;

(ii) Second, if the consolidated tax levy rate still exceeds these limitations, the certified property tax levy rates of those junior taxing districts authorized under RCW 36.68.525, 36.69.145, 35.95A.100, and 67.38.130 must be reduced on a pro rata basis or eliminated;

(iii) Third, if the consolidated tax levy rate still exceeds these limitations, the certified property tax levy rates of flood control zone districts other than the portion of a levy protected under RCW 84.52.816 must be reduced on a pro rata basis or eliminated;

(iv) Fourth, if the consolidated tax levy rate still exceeds these limitations, the certified property tax levy rates of all other junior taxing districts, other than fire protection districts, regional fire protection service authorities, library districts, the first fifty cent per thousand dollars of assessed valuation levies for metropolitan park districts, and the first fifty cent per thousand dollars of assessed valuation levies for public hospital districts, must be reduced on a pro rata basis or eliminated;

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

(vi) Sixth, if the consolidated tax levy rate still exceeds these limitations, the certified property tax levy rates authorized to fire protection districts under RCW 52.16.140 and 52.16.160 and regional fire protection service authorities under RCW 52.26.140(1) (b) and (c) must be reduced on a pro rata basis or eliminated; and

(vii) Seventh, if the consolidated tax levy rate still exceeds these limitations, the certified property tax levy rates authorized for fire protection districts under RCW 52.16.130, regional fire protection service authorities under RCW 52.26.140(1)(a), library districts, metropolitan park districts created before January 1, 2002, under their first fifty cent per thousand dollars of assessed valuation levy, and public hospital districts under their first fifty cent per thousand dollars of assessed valuation levy, must be reduced on a pro rata basis or eliminated.

**Sec.**  RCW 84.69.020 and 2005 c 502 s 9 are each amended to read as follows:

(1) On the order of the county treasurer, ad valorem taxes paid before or after delinquency ((~~shall~~)) must be refunded if they were:

((~~(1)~~)) (a) Paid more than once;

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

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

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

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

((~~(6)~~)) (f) Paid under levies or statutes adjudicated to be illegal or unconstitutional;

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

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

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

((~~(10)~~)) (j) Paid on the basis of an assessed valuation which was appealed to the state board of tax appeals and ordered reduced by the board((~~: PROVIDED, That~~)). However, the amount refunded under ((~~subsections (9) and (10)~~)) (i) and (j) of this ((~~section shall~~)) subsection may only be for the difference between the tax paid on the basis of the appealed valuation and the tax payable on the valuation adjusted in accordance with the board's order;

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

((~~(12)~~)) (l) Paid on the basis of an assessed valuation which was adjudicated to be unlawful or excessive((~~: PROVIDED, That~~)). However, the amount refunded ((~~shall be~~)) is for the difference between the amount of tax which was paid on the basis of the valuation adjudged unlawful or excessive and the amount of tax payable on the basis of the assessed valuation determined as a result of the proceeding;

((~~(13)~~)) (m) Paid on property acquired under RCW 84.60.050, and canceled under RCW 84.60.050(2);

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

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

((~~(16)~~)) (p) Abated under RCW 84.70.010.

(2) No refunds under the provisions of this section ((~~shall~~)) may be made because of any error in determining the valuation of property, except as authorized in subsection((~~s (9), (10), (11), and (12)~~)) (1)(i), (j), (k), and (l) of this section nor may any refunds be made if a bona fide purchaser has acquired rights that would preclude the assessment and collection of the refunded tax from the property that should properly have been charged with the tax. Any refunds made on delinquent taxes ((~~shall~~)) must include the proportionate amount of interest and penalties paid. However, no refunds as a result of an incorrect payment authorized under subsection ((~~(8)~~)) (1)(h) of this section made by a third party payee ((~~shall~~)) may be granted. The county treasurer may deduct from moneys collected for the benefit of the state's levy, refunds of the state levy including interest on the levy as provided by this section and chapter 84.68 RCW.

(3) The county treasurer of each county ((~~shall~~)) must make all refunds determined to be authorized by this section, and by the first Monday in February of each year, report to the county legislative authority a list of all refunds made under this section during the previous year. The list is to include the name of the person receiving the refund, the amount of the refund, and the reason for the refund.

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

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

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

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

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

(4) "Public improvements" means:

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

(i) Street and road construction and maintenance;

(ii) Water and sewer system construction and improvements;

(iii) Sidewalks and streetlights;

(iv) Parking, terminal, and dock facilities;

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

(vi) Park facilities and recreational areas; and

(vii) Storm water and drainage management systems; and

(b) Expenditures for any of the following purposes:

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

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

(iii) Historic preservation activities authorized under RCW 35.21.395.

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

(6) "Regular property taxes" means regular property taxes as defined in RCW 84.04.140, except((~~: (a)~~)) regular property taxes levied by port districts or public utility districts specifically for the purpose of making required payments of principal and interest on general indebtedness((~~; and (b) regular property taxes levied by the state for the support of the common schools under RCW 84.52.065~~)). Regular property taxes do not include excess property tax levies that are exempt from the aggregate limits for junior and senior taxing districts as provided in RCW 84.52.043.

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

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

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

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

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

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

**Sec.**  RCW 43.99H.060 and 2009 c 500 s 8 and 2009 c 479 s 32 are each reenacted and amended to read as follows:

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

(2) For bonds issued for the purposes of RCW 43.99H.020(15), on each date on which any interest or principal and interest payment is due, the state treasurer shall transfer the amount computed in RCW 43.99H.040(2) from the capitol campus reserve account, hereby created in the state treasury, to the general fund of the state treasury. At the time of sale of the bonds issued for the purposes of RCW 43.99H.020(15), and on or before June 30th of each succeeding year while such bonds remain outstanding, the state finance committee shall determine, based on current balances and estimated receipts and expenditures from the capitol campus reserve account, that portion of principal and interest on such RCW 43.99H.020(15) bonds which will, by virtue of payments from the capitol campus reserve account, be reimbursed from sources other than "general state revenues" as that term is defined in Article VIII, section 1 of the state Constitution.

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

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

((~~(5) For bonds issued for the purposes of RCW 43.99H.020(4), on each date on which any interest or principal and interest payment is due, the state treasurer shall transfer from property taxes in the state general fund levied for the support of the common schools under RCW 84.52.065 to the general fund of the state treasury for unrestricted use the amount computed in RCW 43.99H.040(6).~~))

**Sec.**  RCW 43.99I.040 and 2011 1st sp.s. c 43 s 612 are each amended to read as follows:

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

~~(2)~~)) On each date on which any interest or principal and interest payment is due on bonds issued for the purposes of RCW 43.99I.020((~~(5)~~)) (4), the state treasurer ((~~shall~~)) must transfer from higher education operating fees deposited in the general fund to the general fund of the state treasury for unrestricted use, or if chapter 231, Laws of 1992 (Senate Bill No. 6285) becomes law and changes the disposition of higher education operating fees from the general fund to another account, the state treasurer shall transfer the proportional share from the University of Washington operating fees account, the Washington State University operating fees account, and the Central Washington University operating fees account the amount computed in RCW 43.99I.030 for the bonds issued for the purposes of RCW 43.99I.020((~~(6)~~)) (5).

((~~(3) On each date on which any interest or principal and interest payment is due on bonds issued for the purposes of RCW 43.99I.020(6), the state treasurer shall transfer from the data processing revolving fund created in RCW 43.19.791 to the general fund of the state treasury the amount computed in RCW 43.99I.030 for the bonds issued for the purposes of RCW 43.99I.020(6).~~

~~(4)~~)) (2) On each date on which any interest or principal and interest payment is due on bonds issued for the purpose of RCW 43.99I.020((~~(7)~~)) (6), the Washington state dairy products commission ((~~shall~~)) must cause the amount computed in RCW 43.99I.030 for the bonds issued for the purposes of RCW 43.99I.020((~~(7)~~)) (6) to be paid out of the commission's general operating fund to the state treasurer for deposit into the general fund of the state treasury.

((~~(5)~~)) (3) The higher education operating fee accounts for the University of Washington, Washington State University, and Central Washington University established by chapter 231, Laws of 1992 and repealed by chapter 18, Laws of 1993 1st sp. sess. are reestablished in the state treasury for purposes of fulfilling debt service reimbursement transfers to the general fund required by bond resolutions and covenants for bonds issued for purposes of RCW 43.99I.020((~~(5)~~)) (4).

((~~(6)~~)) (4) For bonds issued for purposes of RCW 43.99I.020((~~(5)~~)) (4), on each date on which any interest or principal and interest payment is due, the board of regents or board of trustees of the University of Washington, Washington State University, or Central Washington University shall cause the amount as determined by the state treasurer to be paid out of the local operating fee account for deposit by the universities into the state treasury higher education operating fee accounts. The state treasurer shall transfer the proportional share from the University of Washington operating fees account, the Washington State University operating fees account, and the Central Washington University operating fees account the amount computed in RCW 43.99I.030 for the bonds issued for the purposes of RCW 43.99I.020((~~(6)~~)) (5) to reimburse the general fund.

**PART XIII**

**MISCELLANEOUS**

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

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

NEW SECTION. **Sec.**  CONTINGENT EFFECTIVE DATE. If the proposed amendment to Article VII of the state Constitution authorizing income taxes (SJR .... (S-4171/16)) is validly submitted and is approved and ratified by the voters at a general election held in November 2016, then this act takes effect January 1, 2018.

NEW SECTION. **Sec.**  APPLICATION. Sections 1201 through 1215 of this act apply to taxes levied for collection in 2018.

NEW SECTION. **Sec.**  CONFORMING AMENDMENTS. If any amendments in this act, or any sections enacted or affected by chapter . . ., Laws of 2016 (this act), are enacted in a 2016 legislative session that do not take cognizance of chapter . . ., Laws of 2016 (this act), the code reviser must prepare a bill for introduction in the 2017 or 2018 legislative session that incorporates any such amendments into the reorganization adopted by chapter . . ., Laws of 2016 (this act) and corrects any incorrect cross-references.

**--- END ---**