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**SENATE JOINT RESOLUTION 8207**

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

**By** Senators Frockt and Kohl-Welles; by request of State Treasurer

WHEREAS, This is a constitutional amendment regarding the structure and limitations for taxation in the state of Washington; and

WHEREAS, Washington's business taxes are uncompetitive, restraining business and job growth; and

WHEREAS, Washington's taxes are unfair to both business and individuals; and

WHEREAS, Washington's major taxing powers are insufficiently constrained; and

WHEREAS, Washington's tax base is too narrow and unbalanced, and as a result it does not track economic growth;

NOW, THEREFORE, BE IT RESOLVED, BY THE SENATE AND HOUSE OF REPRESENTATIVES OF THE STATE OF WASHINGTON, IN LEGISLATIVE SESSION ASSEMBLED:

THAT, At the next general election to be held in this state the secretary of state shall submit to the qualified voters of the state for their approval and ratification, or rejection, an amendment to Article VII, section 2; Article VII, section 12; and Article VIII, section 1 of the Constitution of the state of Washington; and adding a new section to Article VII of the Constitution of the state of Washington to read as follows:

Article VII, section 2. (a) Except as hereinafter provided and notwithstanding any other provision of this Constitution, the aggregate of all tax levies upon real and personal property by the state and all taxing districts now existing or hereafter created, shall not in any year exceed ((~~one percent~~)) seven dollars per one thousand dollars of the true and fair value of such property in money. Nothing herein shall prevent levies at the rates now provided by law by or for any port or public utility district. The term "taxing district" for the purposes of this section shall mean 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 follows:

((~~(a)~~)) (1) By any taxing district when specifically authorized so to do by a majority of at least three-fifths of the voters of the taxing district voting on the proposition to levy such additional tax submitted not more than twelve months prior to the date on which the proposed initial levy is to be made and not oftener than twice in such twelve month period, either at a special election or at the regular election of such taxing district, at which election the number of voters voting "yes" on the proposition shall constitute three-fifths of a number equal to forty percent of the total number of voters voting in such taxing district at the last preceding general election when the number of voters voting on the proposition does not exceed forty percent of the total 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 of the taxing district voting on the proposition to levy when the number of voters voting on the proposition exceeds forty percent of the number of voters voting in such taxing district in the last preceding general election. Notwithstanding any other provision of this Constitution, any proposition pursuant to this subsection to levy additional tax for the support of the common schools or fire protection districts may provide such support for a period of up to four years and any proposition to levy an additional tax to support the construction, modernization, or remodelling of school facilities or fire facilities may provide such support for a period not exceeding six years. For levies imposed for collection in 2021 and thereafter, the maximum dollar amount that may be levied in any given calendar year by or for any school district for support of maintenance and operations may not exceed fifteen percent of the district's basic education allocation for the state fiscal year immediately preceding the year in which the levy is made. Notwithstanding any other provision of this subsection, a proposition under this subsection to levy an additional tax for a school district shall be authorized by a majority of the voters voting on the proposition, regardless of the number of voters voting on the proposition;

((~~(b)~~)) (2) By any taxing district otherwise authorized by law to issue general obligation bonds for capital purposes, for the sole purpose of making the required payments of principal and interest on general obligation bonds issued solely for capital purposes, other than the replacement of equipment, when authorized so to do by majority of at least three-fifths of the voters of the taxing district voting on the proposition to issue such bonds and to pay the principal and interest thereon by annual tax levies in excess of the limitation herein provided during the term of such bonds, submitted not oftener than twice in any calendar year, at an election held in the manner provided by law for bond elections in such taxing district, at which election the total number of voters voting on the proposition shall constitute not less than forty percent of the total number of voters voting in such taxing district at the last preceding general election. Any such taxing district shall have the right by vote of its governing body to refund any general obligation bonds of said district issued for capital purposes only, and to provide for the interest thereon and amortization thereof by annual levies in excess of the tax limitation provided for herein. The provisions of this section shall also be subject to the limitations contained in Article VIII, section 6((~~,~~)) of this Constitution;

((~~(c)~~)) (3) By the state or any taxing district for the purpose of preventing the impairment of the obligation of a contract when ordered so to do by a court of last resort.

(b) Each taxing district's authority to increase a levy that is subject to the rate limitation in section 2(a) of this article is limited to an increase that does not exceed the lesser of inflation or three percent above the highest amount of such levy lawfully permitted to be levied previously by such taxing district. An increase within this limitation is permitted without voter approval and is measured exclusive of increases resulting from: New construction; improvements to property; increases in the assessed value of state-assessed property; and any other increase in assessed value as determined by the legislature. A taxing district may increase any levy by a greater amount if such increase is approved by a majority of the voters voting on a proposition submitted to the voters of the taxing district for such purpose. No increase limitation may apply to the first imposition of a levy by a taxing district.

(c) Beginning with property taxes levied for collection in 2018, the legislature may not impose a state property tax. The elimination of the state property tax in this subsection does not affect the state's duty to make ample provision for the education of all children residing within the state, as required under Article IX of this Constitution.

(d) Any changes in the statewide sales and use tax rates, state business and occupation tax rates, and state individual income tax rates after the initial implementation of the rates described in subsection (f) of this section must be adopted by the favorable vote of at least three-fifths of the members elected to each house of the legislature.

(e) Except as provided in subsection (d) of this section, beginning January 1, 2018, the legislature may not impose a general state sales and use tax at a rate exceeding five and one-half percent.

(f) Beginning January 1, 2018, the initial imposition of a tax upon the income of individuals may be approved by the favorable vote of a majority of the members elected to each house of the legislature, in accordance with the following:

(1) Except as provided in subsection (d) of this section, the rate of tax on the income of individuals may not exceed five percent. Seventy-five percent of the revenue derived must be used for the purpose of making ample provision for the education of all children residing within the state, consistent with the state's duty under Article IX of this Constitution. By June 30th of each fiscal year, twenty-five percent of the revenue derived must be deposited into the higher education stabilization account created in Article VII, section . . . of this Constitution (the new section created in this act).

(2) The legislature may not tax the income of any individual with an annual taxable income of less than fifteen thousand dollars. For individuals filing joint returns, this amount is thirty thousand dollars. The legislature must provide for additional personal exemptions of not less than five thousand dollars.

(3) For purposes of the taxes imposed under this subsection (f), the legislature may in its discretion refer to and adopt provisions of the laws of the United States.

(g) The legislature may not vest counties, cities, towns, or other municipal corporations with the authority to impose a tax on individual income.

Article VII, section 12. (a) A budget stabilization account shall be established and maintained in the state treasury.

(b)(1) By June 30th of each fiscal year, an amount equal to one percent of the general state revenues for that fiscal year shall be transferred to the budget stabilization account. Nothing in this subsection (b) shall prevent the appropriation of additional amounts to the budget stabilization account.

(2) By June 30th of the second year of each fiscal biennium, three-quarters of any extraordinary revenue growth shall be transferred to the budget stabilization account. However, no transfer of extraordinary revenue growth under this subsection (b)(2) shall occur in a fiscal biennium following a fiscal biennium in which annual average state employment growth averaged less than one percent per fiscal year. "Extraordinary revenue growth" means the amount by which the growth in general state revenues for that fiscal biennium exceeds by one-third the average biennial percentage growth in general state revenues over the prior five fiscal biennia. In making this determination, the comparability of data shall be maintained by adjusting historical general state revenues to reflect statutory changes to the dedication of state revenues and the annual amount of revenue raised by the taxes approved by a vote of the legislature under Article VII, section 2 (d) and (f) of this Constitution. The transfer under this subsection shall be made only to the extent that it exceeds the total transfers under (1) of this subsection for that fiscal biennium.

(c) Each fiscal quarter, the state economic and revenue forecast council appointed and authorized as provided by statute, or successor entity, shall estimate state employment growth for the current and next two fiscal years.

(d) Moneys may be withdrawn and appropriated from the budget stabilization account as follows:

(i) If the governor declares a state of emergency resulting from a catastrophic event that necessitates government action to protect life or public safety, then for that fiscal year moneys may be withdrawn and appropriated from the budget stabilization account, via separate legislation setting forth the nature of the emergency and containing an appropriation limited to the above-authorized purposes as contained in the declaration, by a favorable vote of a majority of the members elected to each house of the legislature.

(ii) If the employment growth forecast for any fiscal year is estimated to be less than one percent, then for that fiscal year moneys may be withdrawn and appropriated from the budget stabilization account by the favorable vote of a majority of the members elected to each house of the legislature.

(iii) Any amount may be withdrawn and appropriated from the budget stabilization account at any time by the favorable vote of at least three-fifths of the members of each house of the legislature.

(e) Amounts in the budget stabilization account may be invested as provided by law and retained in that account. When the balance in the budget stabilization account, including investment earnings, equals more than ten percent of the estimated general state revenues in that fiscal year, the legislature by the favorable vote of a majority of the members elected to each house of the legislature may withdraw and appropriate the balance to the extent that the balance exceeds ten percent of the estimated general state revenues. Appropriations under this subsection (e) may be made solely for deposit to the education construction fund.

(f) As used in this section, "general state revenues" has the meaning set forth in Article VIII, section 1 of the Constitution. Forecasts and estimates shall be made by the state economic and revenue forecast council appointed and authorized as provided by statute, or successor entity.

(g) The legislature shall enact appropriate laws to carry out the purposes of this section.

(h) This section takes effect July 1, 2008.

Article VII, section.... (a) A higher education stabilization account must be established and maintained in the state treasury.

(b) Moneys may only be withdrawn from the higher education stabilization account for higher education purposes.

(c) This section takes effect January 1, 2018.

Article VIII, section 1. (a) The state may contract debt, the principal of which shall be paid and discharged within thirty years from the time of contracting thereof, in the manner set forth herein.

(b) The aggregate debt contracted by the state, as calculated by the treasurer at the time debt is contracted, shall not exceed that amount for which payments of principal and interest in any fiscal year would require the state to expend more than the applicable percentage limit of the arithmetic mean of its general state revenues for the six immediately preceding fiscal years as certified by the treasurer. The term "applicable percentage limit" means eight and one-half percent from July 1, 2014, through June 30, 2016; eight and one-quarter percent from July 1, 2016, through June 30, 2034; eight percent from July 1, 2034, and thereafter. The term "fiscal year" means that period of time commencing July 1 of any year and ending on June 30 of the following year.

(c) The term "general state revenues," when used in this section, shall include all state money received in the treasury from each and every source, including moneys received from ad valorem taxes levied by the state and deposited in the general fund in each fiscal year and moneys received from the taxes authorized under Article VII, section 2(f) of this Constitution, but not including: (1) Fees and other revenues derived from the ownership or operation of any undertaking, facility, or project; (2) Moneys received as gifts, grants, donations, aid, or assistance or otherwise from the United States or any department, bureau, or corporation thereof, or any person, firm, or corporation, public or private, when the terms and conditions of such gift, grant, donation, aid, or assistance require the application and disbursement of such moneys otherwise than for the general purposes of the state of Washington; (3) Moneys to be paid into and received from retirement system funds, and performance bonds and deposits; (4) Moneys to be paid into and received from trust funds and the several permanent and irreducible funds of the state and the moneys derived therefrom but excluding bond redemption funds; (5) Moneys received from taxes levied for specific purposes and required to be deposited for those purposes into specified funds or accounts other than the general fund; and (6) Proceeds received from the sale of bonds or other evidences of indebtedness.

(d) In computing the amount required for payment of principal and interest on outstanding debt under this section, debt shall be construed to mean borrowed money represented by bonds, notes, or other evidences of indebtedness which are secured by the full faith and credit of the state or are required to be repaid, directly or indirectly, from general state revenues and which are incurred by the state, any department, authority, public corporation, or quasi public corporation of the state, any state university or college, or any other public agency created by the state but not by counties, cities, towns, school districts, or other municipal corporations, but shall not include obligations for the payment of current expenses of state government, nor shall it include debt hereafter incurred pursuant to section 3 of this article, obligations guaranteed as provided for in subsection (g) of this section, principal of bond anticipation notes or obligations issued to fund or refund the indebtedness of the Washington state building authority. In addition, for the purpose of computing the amount required for payment of interest on outstanding debt under subsection (b) of this section and this subsection, "interest" shall be reduced by subtracting the amount scheduled to be received by the state as payments from the federal government in each year in respect of bonds, notes, or other evidences of indebtedness subject to this section.

(e) The state may pledge the full faith, credit, and taxing power of the state to guarantee the voter approved general obligation debt of school districts in the manner authorized by the legislature. Any such guarantee does not remove the debt obligation of the school district and is not state debt.

(f) The state may, without limitation, fund or refund, at or prior to maturity, the whole or any part of any existing debt or of any debt hereafter contracted pursuant to section 1, section 2, or section 3 of this article, including any premium payable with respect thereto and interest thereon, or fund or refund, at or prior to maturity, the whole or any part of any indebtedness incurred or authorized prior to the effective date of this amendment by any entity of the type described in subsection (h) of this section, including any premium payable with respect thereto and any interest thereon. Such funding or refunding shall not be deemed to be contracting debt by the state.

(g) Notwithstanding the limitation contained in subsection (b) of this section, the state may pledge its full faith, credit, and taxing power to guarantee the payment of any obligation payable from revenues received from any of the following sources: (1) Fees collected by the state as license fees for motor vehicles; (2) Excise taxes collected by the state on the sale, distribution or use of motor vehicle fuel; and (3) Interest on the permanent common school fund: *Provided,* That the legislature shall, at all times, provide sufficient revenues from such sources to pay the principal and interest due on all obligations for which said source of revenue is pledged.

(h) No money shall be paid from funds in custody of the treasurer with respect to any debt contracted after the effective date of this amendment by the Washington state building authority, the capitol committee, or any similar entity existing or operating for similar purposes pursuant to which such entity undertakes to finance or provide a facility for use or occupancy by the state or any agency, department, or instrumentality thereof.

(i) The legislature shall prescribe all matters relating to the contracting, funding or refunding of debt pursuant to this section, including: The purposes for which debt may be contracted; by a favorable vote of three-fifths of the members elected to each house, the amount of debt which may be contracted for any class of such purposes; the kinds of notes, bonds, or other evidences of debt which may be issued by the state; and the manner by which the treasurer shall determine and advise the legislature, any appropriate agency, officer, or instrumentality of the state as to the available debt capacity within the limitation set forth in this section. The legislature may delegate to any state officer, agency, or instrumentality any of its powers relating to the contracting, funding or refunding of debt pursuant to this section except its power to determine the amount and purposes for which debt may be contracted.

(j) The full faith, credit, and taxing power of the state of Washington are pledged to the payment of the debt created on behalf of the state pursuant to this section and the legislature shall provide by appropriation for the payment of the interest upon and installments of principal of all such debt as the same falls due, but in any event, any court of record may compel such payment.

(k) Notwithstanding the limitations contained in subsection (b) of this section, the state may issue certificates of indebtedness in such sum or sums as may be necessary to meet temporary deficiencies of the treasury, to preserve the best interests of the state in the conduct of the various state institutions, departments, bureaus, and agencies during each fiscal year; such certificates may be issued only to provide for appropriations already made by the legislature and such certificates must be retired and the debt discharged other than by refunding within twelve months after the date of incurrence.

(l) Bonds, notes, or other obligations issued and sold by the state of Washington pursuant to and in conformity with this article shall not be invalid for any irregularity or defect in the proceedings of the issuance or sale thereof and shall be incontestable in the hands of a bona fide purchaser or holder thereof.

The legislature finds that the changes contained in the foregoing amendment constitute a single integrated plan for a balance revision of the tax structure of state and local government. It is the intention of the legislature that in the event the foregoing amendment is held to be separate amendments, this joint resolution is null and void in its entirety and is of no further force and effect.

BE IT FURTHER RESOLVED, That, pursuant to RCW 29A.36.020, the statement of subject and concise description for the ballot title must be displayed on the ballot title as follows:

"The legislature has proposed a constitutional amendment on tax limitations. This amendment would reduce and cap property taxes, reduce the state sales tax, impose a personal income tax dedicated to education, and require a three-fifths majority legislative vote to change tax rates. Should this constitutional amendment be:

|  |  |  |
| --- | --- | --- |
| Approved |  | □ |
| Rejected |  | □" |

BE IT FURTHER RESOLVED, That this amendment is a single amendment within the meaning of Article XXIII, section 1 of the state Constitution.

The legislature finds that the changes contained in this amendment constitute a single integrated plan for the structure and limitations of taxation. If this amendment is held to be separate amendments, this joint resolution is void in its entirety and is of no further force and effect.

BE IT FURTHER RESOLVED, That the secretary of state shall cause notice of this constitutional amendment to be published at least four times during the four weeks next preceding the election in every legal newspaper in the state.