
HOUSE BILL 1483

State of Washington 64th Legislature 2015 Regular Session

By Representatives Pollet, Ormsby, S. Hunt, and Tarleton

Read first time 01/21/15. Referred to Committee on Finance.

1 AN ACT Relating to eliminating the investment income business and
2 occupation tax deduction for corporations and other business
3 entities; amending RCW 82.04.4281; creating a new section; and
4 providing an effective date.

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

6 NEW SECTION. **Sec. 1.** The legislature finds that Washington law
7 provides a business and occupation tax deduction for investment
8 income for corporations and other business entities. The legislature
9 further finds that this deduction costs the state hundreds of
10 millions of dollars over a biennium. The legislature further finds
11 that the practical effect of this deduction is to discourage
12 investment in the state because Washington companies that invest
13 money and create jobs in Washington pay business and occupation taxes
14 on revenues generated from their reinvestment, while Washington
15 companies that invest money in out-of-state markets do not pay tax on
16 revenues generated from these investments. The legislature further
17 finds that increasing fairness in the state tax system by closing tax
18 loopholes is essential to encouraging productive economic investment
19 in the state. The legislature further finds that the lost revenue
20 from this deduction is an expenditure that conflicts with, and harms,
21 the state's constitutional obligation to significantly increase

1 funding for our public schools and our children's education. The
2 legislature further finds that tax loopholes that incentivize
3 companies to invest money out-of-state instead of reinvesting in
4 Washington, creates an inequitable tax burden on those companies that
5 reinvest revenues into Washington. Therefore, it is the intent of the
6 legislature to bring equity to the state tax system by closing a
7 loophole that benefits companies that generate revenue from
8 investments made outside of the state and to ensure they pay their
9 fair share of the cost of services and infrastructure the state
10 provides.

11 **Sec. 2.** RCW 82.04.4281 and 2007 c 54 s 9 are each amended to
12 read as follows:

13 (1) In computing tax there may be deducted from the measure of
14 tax:

15 (a) Amounts derived by an individual from investments;

16 (b) Amounts derived as dividends or distributions from the
17 capital account by a parent from its subsidiary entities; and

18 (c) Amounts derived from interest on loans between subsidiary
19 entities and a parent entity or between subsidiaries of a common
20 parent entity, but only if the total investment and loan income is
21 less than five percent of gross receipts of the business annually.

22 ~~(2) ((The following are not deductible under subsection (1)(a) of
23 this section:~~

24 ~~(a) Amounts received from loans, except as provided in subsection
25 (1)(c) of this section, or the extension of credit to another,
26 revolving credit arrangements, installment sales, the acceptance of
27 payment over time for goods or services, or any of the foregoing that
28 have been transferred by the originator of the same to an affiliate
29 of the transferor; or~~

30 ~~(b) Amounts received by a banking, lending, or security business.~~

31 ~~(3) The definitions in this subsection apply only to this
32 section.~~

33 ~~(a) "Banking business" means a person engaging in business as a
34 national or state chartered bank, a mutual savings bank, a savings
35 and loan association, a trust company, an alien bank, a foreign bank,
36 a credit union, a stock savings bank, or a similar entity that is
37 chartered under Title 30, 31, 32, or 33 RCW, or organized under Title
38 12 U.S.C.~~

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

6 ~~(e))~~ For the purposes of this section, the terms "loan" and
7 "extension of credit" do not include ownership of or trading in
8 publicly traded debt instruments, or substantially equivalent
9 instruments offered in a private placement.

10 ~~((d) "Security business" means a person, other than an issuer,~~
11 ~~who is engaged in the business of effecting transactions in~~
12 ~~securities as a broker, dealer, or broker-dealer, as those terms are~~
13 ~~defined in the securities act of Washington, chapter 21.20 RCW, or~~
14 ~~the federal securities act of 1933. "Security business" does not~~
15 ~~include any company excluded from the definition of broker or dealer~~
16 ~~under the federal investment company act of 1940 or any entity that~~
17 ~~is not an investment company by reason of sections 3(c)(1) and~~
18 ~~3(c)(3) through 3(c)(14) thereof.))~~

19 NEW SECTION. **Sec. 3.** This act takes effect August 1, 2015.

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