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HOUSE BILL 2902

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State of Washington                      64th Legislature                      2016 Regular Session

By Representatives Hargrove and Magendanz

Read first time 01/26/16. Referred to Committee on Finance.

1            AN ACT Relating to funding state charter schools by creating a  
2 business and occupation tax credit to incentivize businesses to  
3 donate revenue to a charter school fund; reenacting and amending RCW  
4 43.84.092; and adding a new chapter to Title 82 RCW.

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

6            NEW SECTION.    **Sec. 1.**    INTENT. (1) The legislature finds that the  
7 citizens of Washington state decided by a vote of the people, passing  
8 Initiative Measure No. 1240 in 2012, that state charter schools  
9 should be an educational option for the families of the state. The  
10 legislature further finds that forty-one other states and the  
11 District of Columbia have public charter schools and this option  
12 should be available and funded for the parents of Washington that  
13 want to provide the best learning environment for their children.

14            (2) The legislature further finds the state supreme court's  
15 ruling invalidating Initiative Measure No. 1240 based on the court's  
16 conclusion that charter schools are not common schools therefore  
17 cannot be funded from sources dedicated to common schools creates an  
18 immediate need for a new funding option for state charter schools.

19            (3) Therefore, the legislature intends to authorize a permanent  
20 tax credit for businesses that donate money to a charter school fund

1 to ensure the citizens of Washington have the charter school option  
2 they voted for in 2012.

3 NEW SECTION. **Sec. 2.** AUTHORIZATION AND COLLECTION OF  
4 CONTRIBUTIONS. (1) Applications for tax credits under this chapter  
5 must be made to the department before making a contribution to the  
6 Washington charter school account created in section 4 of this act.  
7 The application must be made to the department in a form and manner  
8 prescribed by the department. The application must contain  
9 information regarding the proposed amount of contribution to the  
10 Washington charter school account, and other information required by  
11 the department to determine eligibility. The department must rule on  
12 the application within forty-five days. Applications must be approved  
13 on a first-come basis.

14 (2) The person must make the contribution described in the  
15 approved application by the end of the fiscal year in which the  
16 application is approved to claim a credit under section 3 of this  
17 act.

18 (3) The department may not accept any applications before July 1,  
19 2016.

20 NEW SECTION. **Sec. 3.** CREDIT AUTHORIZED—LIMITATIONS. (1) Subject  
21 to the limitations in this chapter, a credit is allowed against the  
22 tax imposed by chapters 82.04 and 82.16 RCW for approved  
23 contributions that are made by a person to the Washington charter  
24 school account created in section 4 of this act.

25 (2) The credit allowed under this section is equal to one hundred  
26 percent of the approved contribution made by a person to the  
27 Washington charter school account. The amount of credit claimed for a  
28 reporting period may not exceed the tax otherwise due under this  
29 chapter or chapter 82.16 RCW for that reporting period.

30 (3) The total credits allowed under this section for any person  
31 may not exceed twenty-five thousand dollars in a fiscal year,  
32 including credits carried over from a previous fiscal year. No  
33 refunds may be granted for any unused credits under this section.

34 (4) Except as provided under subsection (5) of this section, a  
35 tax credit claimed under this section may not be carried over to  
36 another year. Credits earned may be claimed against any tax due under  
37 chapters 82.04 and 82.16 RCW starting in the fiscal year in which the

1 credit was approved by the department and the contribution was made  
2 to the Washington charter school account.

3 (5) Any amount of tax credit otherwise allowable under this  
4 section not claimed by the person in any fiscal year may be carried  
5 over and claimed against the person's tax liability for the next  
6 succeeding fiscal year. Any credit remaining unused in the next  
7 succeeding fiscal year may be carried forward and claimed against a  
8 person's tax liability for the second succeeding fiscal year; and any  
9 credit not used in that second succeeding fiscal year may be carried  
10 over and claimed against the person's tax liability for the third  
11 succeeding fiscal year, but may not be carried over for any fiscal  
12 year thereafter.

13 (6) Credits are available on a first-in-time basis. The  
14 department must keep a running total of all credits approved under  
15 this chapter for each fiscal year. The department may not approve any  
16 credits under this section that would cause the total amount of  
17 approved credits statewide to exceed the amount appropriated for the  
18 use of funds in the Washington charter school account identified in  
19 the omnibus appropriations act, in any fiscal year. If this  
20 limitation is reached, the department must notify the state treasurer  
21 that the annual statewide limit has been met. In addition, the  
22 department must provide written notice to any person who has claimed  
23 tax credits in excess of the limitation in this subsection. The  
24 notice must indicate the amount of tax due and provide that the tax  
25 be paid within thirty days from the date of the notice. The  
26 department may not assess penalties and interest as provided in  
27 chapter 82.32 RCW on the amount due in the initial notice if the  
28 amount due is paid by the due date specified in the notice, or any  
29 extension thereof.

30 (7) To claim a credit under this section, a person must  
31 electronically file with the department all returns, forms, and any  
32 other information required by the department, in an electronic format  
33 as provided or approved by the department. "Returns" has the same  
34 meaning as "return" in RCW 82.32.050.

35 (8) The state treasurer must provide to the department, upon  
36 request, such information needed to verify eligibility for credit  
37 under this section, including information regarding contributions  
38 made to the Washington charter school account.

1        NEW SECTION.    **Sec. 4.**    The Washington charter school account is  
2 created in the state treasury. Money in the account may be spent only  
3 after appropriation. All receipts from contributions authorized under  
4 section 2 of this act must be deposited in the account. In addition,  
5 the account may consist of moneys appropriated to the account by the  
6 legislature in the omnibus appropriations act. Expenditures from the  
7 account may only be used for support of state charter schools.

8        NEW SECTION.    **Sec. 5.**    The tax credit authorized in section 3 of  
9 this act is not subject to the requirements in RCW 82.32.805 and  
10 82.32.808.

11       NEW SECTION.    **Sec. 6.**    The administrative provisions in chapter  
12 82.32 RCW apply to this chapter.

13        **Sec. 7.**    RCW 43.84.092 and 2015 3rd sp.s. c 44 s 107 and 2015 3rd  
14 sp.s. c 12 s 3 are each reenacted and amended to read as follows:

15        (1) All earnings of investments of surplus balances in the state  
16 treasury shall be deposited to the treasury income account, which  
17 account is hereby established in the state treasury.

18        (2) The treasury income account shall be utilized to pay or  
19 receive funds associated with federal programs as required by the  
20 federal cash management improvement act of 1990. The treasury income  
21 account is subject in all respects to chapter 43.88 RCW, but no  
22 appropriation is required for refunds or allocations of interest  
23 earnings required by the cash management improvement act. Refunds of  
24 interest to the federal treasury required under the cash management  
25 improvement act fall under RCW 43.88.180 and shall not require  
26 appropriation. The office of financial management shall determine the  
27 amounts due to or from the federal government pursuant to the cash  
28 management improvement act. The office of financial management may  
29 direct transfers of funds between accounts as deemed necessary to  
30 implement the provisions of the cash management improvement act, and  
31 this subsection. Refunds or allocations shall occur prior to the  
32 distributions of earnings set forth in subsection (4) of this  
33 section.

34        (3) Except for the provisions of RCW 43.84.160, the treasury  
35 income account may be utilized for the payment of purchased banking  
36 services on behalf of treasury funds including, but not limited to,  
37 depository, safekeeping, and disbursement functions for the state

1 treasury and affected state agencies. The treasury income account is  
2 subject in all respects to chapter 43.88 RCW, but no appropriation is  
3 required for payments to financial institutions. Payments shall occur  
4 prior to distribution of earnings set forth in subsection (4) of this  
5 section.

6 (4) Monthly, the state treasurer shall distribute the earnings  
7 credited to the treasury income account. The state treasurer shall  
8 credit the general fund with all the earnings credited to the  
9 treasury income account except:

10 (a) The following accounts and funds shall receive their  
11 proportionate share of earnings based upon each account's and fund's  
12 average daily balance for the period: The aeronautics account, the  
13 aircraft search and rescue account, the Alaskan Way viaduct  
14 replacement project account, the brownfield redevelopment trust fund  
15 account, the budget stabilization account, the capital vessel  
16 replacement account, the capitol building construction account, the  
17 Cedar River channel construction and operation account, the Central  
18 Washington University capital projects account, the charitable,  
19 educational, penal and reformatory institutions account, the cleanup  
20 settlement account, the Columbia river basin water supply development  
21 account, the Columbia river basin taxable bond water supply  
22 development account, the Columbia river basin water supply revenue  
23 recovery account, the common school construction fund, the community  
24 forest trust account, the connecting Washington account, the county  
25 arterial preservation account, the county criminal justice assistance  
26 account, the deferred compensation administrative account, the  
27 deferred compensation principal account, the department of licensing  
28 services account, the department of retirement systems expense  
29 account, the developmental disabilities community trust account, the  
30 diesel idle reduction account, the drinking water assistance account,  
31 the drinking water assistance administrative account, the drinking  
32 water assistance repayment account, the Eastern Washington University  
33 capital projects account, the Interstate 405 express toll lanes  
34 operations account, the education construction fund, the education  
35 legacy trust account, the election account, the electric vehicle  
36 charging infrastructure account, the energy freedom account, the  
37 energy recovery act account, the essential rail assistance account,  
38 The Evergreen State College capital projects account, the federal  
39 forest revolving account, the ferry bond retirement fund, the freight  
40 mobility investment account, the freight mobility multimodal account,

1 the grade crossing protective fund, the public health services  
2 account, the high capacity transportation account, the state higher  
3 education construction account, the higher education construction  
4 account, the highway bond retirement fund, the highway infrastructure  
5 account, the highway safety fund, the high occupancy toll lanes  
6 operations account, the hospital safety net assessment fund, the  
7 industrial insurance premium refund account, the judges' retirement  
8 account, the judicial retirement administrative account, the judicial  
9 retirement principal account, the local leasehold excise tax account,  
10 the local real estate excise tax account, the local sales and use tax  
11 account, the marine resources stewardship trust account, the medical  
12 aid account, the mobile home park relocation fund, the motor vehicle  
13 fund, the motorcycle safety education account, the multimodal  
14 transportation account, the multiuse roadway safety account, the  
15 municipal criminal justice assistance account, the natural resources  
16 deposit account, the oyster reserve land account, the pension funding  
17 stabilization account, the perpetual surveillance and maintenance  
18 account, the public employees' retirement system plan 1 account, the  
19 public employees' retirement system combined plan 2 and plan 3  
20 account, the public facilities construction loan revolving account  
21 beginning July 1, 2004, the public health supplemental account, the  
22 public works assistance account, the Puget Sound capital construction  
23 account, the Puget Sound ferry operations account, the Puget Sound  
24 taxpayer accountability account, the real estate appraiser commission  
25 account, the recreational vehicle account, the regional mobility  
26 grant program account, the resource management cost account, the  
27 rural arterial trust account, the rural mobility grant program  
28 account, the rural Washington loan fund, the site closure account,  
29 the skilled nursing facility safety net trust fund, the small city  
30 pavement and sidewalk account, the special category C account, the  
31 special wildlife account, the state employees' insurance account, the  
32 state employees' insurance reserve account, the state investment  
33 board expense account, the state investment board commingled trust  
34 fund accounts, the state patrol highway account, the state route  
35 number 520 civil penalties account, the state route number 520  
36 corridor account, the state wildlife account, the supplemental  
37 pension account, the Tacoma Narrows toll bridge account, the  
38 teachers' retirement system plan 1 account, the teachers' retirement  
39 system combined plan 2 and plan 3 account, the tobacco prevention and  
40 control account, the tobacco settlement account, the toll facility

1 bond retirement account, the transportation 2003 account (nickel  
2 account), the transportation equipment fund, the transportation fund,  
3 the transportation future funding program account, the transportation  
4 improvement account, the transportation improvement board bond  
5 retirement account, the transportation infrastructure account, the  
6 transportation partnership account, the traumatic brain injury  
7 account, the tuition recovery trust fund, the University of  
8 Washington bond retirement fund, the University of Washington  
9 building account, the volunteer firefighters' and reserve officers'  
10 relief and pension principal fund, the volunteer firefighters' and  
11 reserve officers' administrative fund, the Washington charter school  
12 account, the Washington judicial retirement system account, the  
13 Washington law enforcement officers' and firefighters' system plan 1  
14 retirement account, the Washington law enforcement officers' and  
15 firefighters' system plan 2 retirement account, the Washington public  
16 safety employees' plan 2 retirement account, the Washington school  
17 employees' retirement system combined plan 2 and 3 account, the  
18 Washington state health insurance pool account, the Washington state  
19 patrol retirement account, the Washington State University building  
20 account, the Washington State University bond retirement fund, the  
21 water pollution control revolving administration account, the water  
22 pollution control revolving fund, the Western Washington University  
23 capital projects account, the Yakima integrated plan implementation  
24 account, the Yakima integrated plan implementation revenue recovery  
25 account, and the Yakima integrated plan implementation taxable bond  
26 account. Earnings derived from investing balances of the agricultural  
27 permanent fund, the normal school permanent fund, the permanent  
28 common school fund, the scientific permanent fund, the state  
29 university permanent fund, and the state reclamation revolving  
30 account shall be allocated to their respective beneficiary accounts.

31 (b) Any state agency that has independent authority over accounts  
32 or funds not statutorily required to be held in the state treasury  
33 that deposits funds into a fund or account in the state treasury  
34 pursuant to an agreement with the office of the state treasurer shall  
35 receive its proportionate share of earnings based upon each account's  
36 or fund's average daily balance for the period.

37 (5) In conformance with Article II, section 37 of the state  
38 Constitution, no treasury accounts or funds shall be allocated  
39 earnings without the specific affirmative directive of this section.

1        NEW SECTION.     **Sec. 8.**     Sections 1 through 6 of this act  
2     constitute a new chapter in Title 82 RCW.

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