

1 On page 1, line 20, after "tax." insert "A county legislative
2 authority may not impose a tax under this subsection (1)(a)(ii) if
3 the county legislative authority has imposed a tax based on employer
4 payroll expenses or employee compensation. A county legislative
5 authority that imposes a tax under this subsection (1)(a)(ii) may not
6 impose a tax based on employer payroll expenses or employee
7 compensation for a period of five years after the imposition of the
8 tax under this subsection (1)(a)(ii)."

9 On page 2, line 3, after "chapter." insert "A city may not impose
10 a tax under this subsection (1)(b)(i)(B) if the city has imposed a
11 tax based on employer payroll expenses or employee compensation. A
12 city that imposes a tax under this subsection (1)(b)(i)(B) may not
13 impose a tax based on employer payroll expenses or employee
14 compensation for a period of five years after the imposition of the
15 tax under this subsection (1)(b)(i)(B)."

16 On page 4, after line 35, insert the following:

17 "(8) The definitions in this subsection apply throughout this
18 section unless the context clearly requires otherwise.

19 (a)(i) "Compensation" means remuneration as that term is defined
20 in RCW 50A.05.010, net distributions, and incentive payments,
21 including guaranteed payments, whether based on profit or otherwise,
22 earned for services rendered or work performed, whether paid directly
23 or through an agent, and whether in cash or in property or the right
24 to receive property.

25 (ii) "Compensation" does not include payments to an owner of a
26 pass-through entity that are not earned for services rendered or work
27 performed, such as return of capital, investment income, or other
28 income from passive activities.

29 (b)(i) "Employee" has the meaning provided in RCW 50A.05.010.

30 (ii) "Employee" also includes individuals who are:

31 (A) Members of limited liability companies;

32 (B) Members of professional limited liability companies;

1 (C) Partners;
2 (D) Other owners of pass-through entities; and
3 (E) Sole proprietors.
4 (c) "Employer" has the meaning provided in RCW 50A.05.010.
5 (d) "Pass-through entity" includes a trust, partnership,
6 corporation described in subchapter S of the internal revenue code of
7 1986, as amended, limited liability company, limited liability
8 partnership, professional corporation, and any other person or entity
9 which is not subject to the income tax imposed by subtitle A, chapter
10 1 of the internal revenue code of 1986, as amended, or which is
11 allowed a deduction in computing such tax for distributions to the
12 owners or beneficiaries of such person or entity.
13 (e) "Payroll expense" means the compensation paid to employees
14 who, during any tax year, perform work or render any services in the
15 county."

EFFECT: Prohibits a county or a city from imposing a sales and use tax without an authorizing proposition approved by a majority of persons voting if the county or city has imposed a tax based on employer payroll expenses or employee compensation. Prohibits a county or a city that has imposed a sales and use tax without an authorizing proposition approved by a majority of persons voting from imposing a tax based on employer payroll expenses or employee compensation for a period of five years after the sales and use tax is imposed.

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