

SSB 6346 - S AMD 679

By Senator Pedersen

ADOPTED AS AMENDED 02/16/2026

1 Strike everything after the enacting clause and insert the
2 following:

3 "NEW SECTION. **Sec. 1.** INTENT. (1) The legislature finds that
4 the state, through the state's general fund, invests in K-12
5 education, health care, higher education, other essential
6 governmental services, and the working families' tax credit, all of
7 which help Washingtonians succeed and thrive.

8 (2) These general fund dollars help the state meet its paramount
9 duty to make ample provision for the education of all children in the
10 state, including children who qualify for special education services,
11 creating the opportunity for each child to succeed in school and
12 achieve success in life.

13 (3) The general fund supports health care programs that deliver
14 critical, life-saving medical care, provide support for those with
15 developmental and other disabilities, offers long-term care for the
16 elderly, and protects the long-term health and well-being of the
17 public.

18 (4) Further, the general fund invests in higher education,
19 including two and four-year colleges, apprenticeships, and other
20 postsecondary education and training programs, ensuring Washington
21 students remain competitive in the workforce and broader economy.

22 (5) The general fund also invests in human services that provide
23 vital basic-needs assistance to the state's lowest-income households
24 and educate the youngest learners.

25 (6) Therefore, the intent of this act is to maintain and preserve
26 essential governmental services for Washingtonians, particularly
27 within K-12 education, health care, higher education, and human
28 services, and support working families by ensuring continued
29 investment in the working families' tax credit by depositing revenues
30 from this act into the general fund.

31 (7) The legislature further recognizes that reforming our tax
32 code to be common sense, balanced, and sustainable is essential to

1 the long-term economic success of Washington. The Washington tax
2 structure, developed during the Great Depression, relies heavily on
3 excise and consumption taxes, with consequences for equity, adequacy,
4 and long-term fiscal stability that persist today. The legislature
5 recognizes that more progress is needed for the state to have a fair
6 and balanced tax system that can provide sustainable, ample funding
7 for K-12 education, health care, higher education, human services,
8 and other essential governmental services. Washington's tax system
9 remains the second most regressive in the nation as it asks those
10 with the least to pay the most as a percentage of their income. Low-
11 income Washingtonians pay at least three times more in state and
12 local taxes as a percentage of their income than the state's highest
13 income households.

14 (8) Further, due to the action of the federal government through
15 the passage of HR 1, Washington's highest-income households are set
16 to receive an average federal tax break of \$90,850 while Washington's
17 lowest-income households are set to receive a mere \$200. These tax
18 breaks were largely funded through cuts to federal funding in health
19 care and food security programs, negatively impacting Washington's
20 working families.

21 (9) Thus, the legislature intends to limit the tax established by
22 this act to only individuals with annual adjusted gross income of
23 \$1,000,000 or more. Washingtonians with an annual adjusted gross
24 income of less than \$1,000,000 will not owe this tax. As a result,
25 the millionaires' tax is estimated to affect only the wealthiest one-
26 half of one percent of the households in this state, taking a
27 significant step toward reducing the disproportionate reliance on
28 working people to fund K-12 education, health care, higher education,
29 human services, the working families' tax credit, and other essential
30 governmental services to benefit Washingtonians.

31 (10) The legislature further intends to exempt certain sources of
32 income from the tax including, but not limited to, the sale of
33 qualified family owned small businesses and the sale of all
34 residential and other real property.

35 (11) It is also the intent of the legislature to rebalance the
36 tax system by reducing taxes on consumers and businesses through
37 small business and other business and occupation tax credits, as well
38 as by exempting from the retail sales tax essential household items
39 such as personal care products.

1 (12) Thus, to help meet the state's paramount duty of amply
2 providing every child in the state with an education and supporting
3 the health and well-being of Washingtonians, it is the intent of the
4 legislature, by adopting this act, insofar as possible, to:

5 (a) Impose a tax on those individuals with the greatest ability
6 to pay, specifically those earning Washington adjusted gross income
7 during the taxable year of at least \$1,000,000;

8 (b) Make the Washington millionaires' tax law identical in effect
9 to the provisions of the internal revenue code relating to the
10 measurement of adjusted gross income of individuals, modified as
11 necessary to achieve the goals and purpose of this act;

12 (c) Achieve this result by the application of the various
13 provisions of the internal revenue code relating to the definition of
14 income, exemptions and exclusions therefrom, accounting methods,
15 basis, depreciation, and other pertinent provisions, subject to
16 additional exemptions and modifications as provided in this act,
17 resulting in a final amount called "Washington adjusted taxable
18 income"; and

19 (d) Impose a tax on residents of this state measured by
20 Washington adjusted taxable income wherever derived and to impose a
21 tax on nonresidents measured by Washington adjusted taxable income
22 from sources within this state.

23 (13) The legislature finds that, in 2024, Washington counties
24 were responsible for more than 90 percent of the costs associated
25 with public defense in the state, creating a system of legal
26 representation that varies greatly depending on where a person lives
27 in Washington state. While fully funding public defense is not the
28 responsibility of the state, the state is responsible under the
29 United States Constitution for ensuring the protection of the right
30 to counsel for all defendants. Furthermore, the Washington state
31 supreme court's decision to modify caseload standards in 2025 will
32 significantly increase the overall cost of providing public defense
33 in Washington state. Through the creation and funding of the local
34 government public defense stabilization account, the legislature
35 intends to provide funding to help counties meet their obligations.

36 **PART I**
37 **DEFINITIONS**

1 NEW SECTION. **Sec. 101.** DEFINITIONS. The definitions in this
2 section apply throughout this chapter unless the context clearly
3 requires otherwise.

4 (1) "Capital asset" has the same meaning as provided in chapter
5 82.87 RCW.

6 (2) "Department" means the department of revenue of the state of
7 Washington.

8 (3) "Federal adjusted gross income" means adjusted gross income
9 as determined under section 62 of the internal revenue code.

10 (4) "Individual" means a natural person.

11 (5) "Internal revenue code" means the United States internal
12 revenue code of 1986, as amended and in effect on January 1, 2026.

13 (6) "Long-term capital asset," "long-term capital gain," and
14 "long-term capital loss" have the same meanings as provided in
15 chapter 82.87 RCW.

16 (7) "Pass-through entity" means a partnership, limited liability
17 company, or S corporation, which reports out the distributive share
18 of taxable income to its partners, members, or shareholders for
19 federal income tax purposes. "Pass-through entity" also includes any
20 disregarded entity for federal tax purposes.

21 (8)(a) "Resident" means an individual:

22 (i) Who is domiciled in this state during the taxable year,
23 unless the individual (A) maintained no permanent place of abode in
24 this state during the entire taxable year, (B) maintained a permanent
25 place of abode outside of this state during the entire taxable year,
26 and (C) spent in the aggregate not more than 30 days of the taxable
27 year in this state; or

28 (ii) Who is not domiciled in this state during the taxable year,
29 but maintained a place of abode and was physically present in this
30 state for more than 183 days during the taxable year.

31 (b) For purposes of this subsection, "day" means a calendar day
32 or any portion of a calendar day.

33 (c) An individual who is a resident under (a) of this subsection
34 is a resident for that portion of a taxable year in which the
35 individual was domiciled in this state or maintained a place of abode
36 in this state.

37 (9) "Taxable year" means the taxpayer's taxable year as defined
38 under section 7701(a)(23) of the internal revenue code.

39 (10) "Taxpayer" means an individual receiving income subject to
40 tax under this chapter.

1 (11) "Washington base income" means federal adjusted gross income
2 as modified under sections 302 through 307 and 401 through 407 of
3 this act.

4 (12) "Washington taxable income" means Washington base income as
5 further modified by sections 308 through 311 of this act.

6 NEW SECTION. **Sec. 102.** UNDEFINED TERMS—CONFORMITY WITH FEDERAL
7 INTERNAL REVENUE CODE. Any term used in this chapter has the same
8 meaning as when used in a comparable context in the internal revenue
9 code, unless a different meaning is clearly required or the term is
10 specifically defined in this chapter.

11 **PART II**
12 **DETERMINATION OF TAX**

13 NEW SECTION. **Sec. 201.** TAX IMPOSED—RATES. (1) Beginning January
14 1, 2028, a tax is imposed on the receipt of Washington taxable
15 income. Only individuals are subject to payment of the tax, which
16 equals 9.90 percent multiplied by an individual's Washington taxable
17 income.

18 (2) If an individual's Washington taxable income is less than
19 zero for a taxable year, no tax is due under this section and no
20 amount is allowed as a carryover for use in the calculation of that
21 individual's Washington taxable income for any taxable year. To the
22 extent that a loss carryforward is included in an individual's
23 federal adjusted gross income and the loss carryforward is derived
24 from or connected with sources in this state, the loss carryforward
25 is included in the calculation of that individual's Washington
26 taxable income.

27 NEW SECTION. **Sec. 202.** DISTRIBUTION OF TAX REVENUES. (1) Taxes
28 collected under this chapter must be deposited as follows:

29 (a) Seven percent to the local government public defense funding
30 stabilization account created in section 711 of this act; and

31 (b) The remainder to the state general fund to fund the sales and
32 use tax relief in sections 903 and 904 of this act, the working
33 families' tax credit program, including its expansion in section 901
34 of this act, and the business and occupation tax relief in sections
35 905 and 906 of this act.

1 (2) All interest and penalties collected under this chapter must
2 be deposited in the state general fund.

3 NEW SECTION. **Sec. 203.** CREDIT FOR INCOME TAXES DUE TO ANOTHER
4 JURISDICTION. (1) A resident individual is allowed a credit against
5 the tax imposed under this chapter for the amount of any income tax
6 paid to another state, or political subdivision of the state, on
7 income taxed under this chapter, subject to the following conditions,
8 which must be imposed separately with respect to each taxing
9 jurisdiction:

10 (a) The credit is allowed only for taxes paid by the individual,
11 or a pass-through entity in which the individual is an owner, to the
12 other jurisdiction on net income from sources within that
13 jurisdiction that is included in the individual's Washington base
14 income; and

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

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

18 (ii) The amount of tax due under this chapter before application
19 of credits allowable by this chapter, multiplied by a fraction. The
20 numerator of the fraction is the amount of the taxpayer's federal
21 adjusted gross income subject to tax in the other jurisdiction. The
22 denominator of the fraction is the taxpayer's total Washington base
23 income. The fraction may never be greater than one.

24 (2) If the laws of the other taxing jurisdiction contain a
25 provision exempting a resident of this state from liability for the
26 payment of income taxes on income earned for personal services
27 performed in such jurisdiction, then the department may enter into a
28 reciprocal agreement with such jurisdiction providing a similar tax
29 exemption on income earned for personal services performed in this
30 state.

31 (3) The credit claimed under this section for a taxable year may
32 not exceed the tax otherwise due under this chapter for that taxable
33 year. Unused credit may not be carried forward or backward to another
34 taxable year. No refunds may be granted for unused credit under this
35 section.

36 (4) For purposes of this section, "state" means a state of the
37 United States, the District of Columbia, the Commonwealth of Puerto
38 Rico, or any territory or possession of the United States.

1 NEW SECTION. **Sec. 204.** CREDIT FOR BUSINESS AND OCCUPATION AND
2 PUBLIC UTILITY TAXES. (1) Beginning in tax year 2028 with taxes due
3 in 2029, to avoid taxing the same Washington taxable income under the
4 business and occupation tax or public utility tax and the tax imposed
5 under this chapter, a nonrefundable credit is allowed against taxes
6 due under this chapter on income that is also subject to the tax
7 imposed under chapter 82.04 or 82.16 RCW. The credit is equal to the
8 amount of tax paid under chapter 82.04 or 82.16 RCW for income
9 included in both the calculation of the tax paid under chapter 82.04
10 or 82.16 RCW and the tax imposed under this chapter.

11 (2) The credit under this section is earned in regard to income
12 reportable for federal income tax purposes and may be claimed against
13 taxes due under this chapter, for the taxable year in which the
14 income is reportable for federal income tax purposes. The credit
15 claimed for a taxable year may not exceed the tax otherwise due under
16 this chapter for that taxable year. Unused credit may not be carried
17 forward or backward to another tax reporting period. No refunds may
18 be granted for unused credit under this section.

19 NEW SECTION. **Sec. 205.** CREDIT FOR WASHINGTON CAPITAL GAINS
20 TAXES. (1) Beginning in tax year 2028 with taxes due in 2029, a
21 nonrefundable credit is allowed against taxes due under this chapter
22 for the amount of tax imposed on Washington capital gains for the
23 same tax year. "Washington capital gains" has the same meaning as
24 provided in RCW 82.87.020.

25 (2) The credit claimed under this section for a taxable year may
26 not exceed the tax otherwise due under this chapter for that taxable
27 year. Unused credit may not be carried forward or backward to another
28 taxable year. No refunds may be granted for unused credit under this
29 section.

30 NEW SECTION. **Sec. 206.** CREDIT FOR PASS-THROUGH ENTITY TAX
31 PAYMENTS. (1) Beginning in tax year 2028 for taxes due in 2029, a
32 nonrefundable credit is allowed against taxes due under this chapter
33 for the amount of the tax expense incurred by a pass-through entity
34 under section 502 of this act attributable to the owner as provided
35 in section 502(3) of this act. For a resident, the credit under this
36 section must be reduced by the amount of any credit claimed under
37 section 203 of this act based on the same Washington taxable income.

1 (2) The credit claimed under this section for a taxable year may
2 not exceed the tax otherwise due under this chapter for that taxable
3 year. Unused credit may not be carried forward or backward to another
4 taxable year. No refunds may be granted for unused credit under this
5 section.

6 **PART III**

7 **ADJUSTED GROSS INCOME MODIFICATIONS**

8 NEW SECTION. **Sec. 301.** INTRODUCTORY. In computing Washington
9 base income for a taxable year, modifications must be made to the
10 taxpayer's federal adjusted gross income as required under sections
11 302 through 307 and 401 through 407 of this act, unless the
12 modification has the effect of duplicating an item of income or
13 deduction. If an item of income is excluded from federal adjusted
14 gross income, including income derived directly from treaty-protected
15 tribal rights, it is excluded from the tax under this chapter unless
16 specifically included as provided in sections 302 through 307 of this
17 act.

18 NEW SECTION. **Sec. 302.** LONG-TERM CAPITAL GAINS AND LOSSES. (1)
19 In computing a taxpayer's Washington base income, the taxpayer must
20 deduct from the taxpayer's federal adjusted gross income any long-
21 term capital gains that have been included in computing federal
22 adjusted gross income.

23 (2) In computing a taxpayer's Washington base income, a taxpayer
24 must add to the taxpayer's federal adjusted gross income any long-
25 term capital losses that have been included in computing federal
26 adjusted gross income.

27 (3) After making the modifications required under subsections (1)
28 and (2) of this section, in computing a taxpayer's Washington base
29 income, a taxpayer must add to the taxpayer's federal adjusted gross
30 income the amount of Washington capital gains subject to tax under
31 chapter 82.87 RCW for the same taxable year, plus the amount deducted
32 under RCW 82.87.060(1). This subsection (3) applies only to taxpayers
33 owing tax under chapter 82.87 RCW for that taxable year. "Washington
34 capital gains" has the same meaning as provided in RCW 82.87.020.

35 NEW SECTION. **Sec. 303.** STATE AND LOCAL OBLIGATIONS. In
36 computing a taxpayer's Washington base income, the taxpayer must add

1 to the taxpayer's federal adjusted gross income any income that has
2 been excluded under section 103 of the internal revenue code in
3 computing federal adjusted gross income, except interest on
4 obligations of the state of Washington or political subdivisions of
5 the state of Washington.

6 NEW SECTION. **Sec. 304.** STATE AND LOCAL INCOME TAXES—BUSINESS
7 AND OCCUPATION AND PUBLIC UTILITY TAXES. In computing a taxpayer's
8 Washington base income, the taxpayer must add to the taxpayer's
9 federal adjusted gross income:

10 (1) Taxes on or measured by net income which have been deducted
11 under the internal revenue code in computing federal adjusted gross
12 income;

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

16 NEW SECTION. **Sec. 305.** CARRYOVERS. In computing a taxpayer's
17 Washington base income, the taxpayer must add to the taxpayer's
18 federal adjusted gross income, any amounts that have been deducted in
19 computing federal adjusted gross income to the extent the amounts
20 have been carried over from taxable years ending before the effective
21 date of this section.

22 NEW SECTION. **Sec. 306.** FEDERAL OBLIGATIONS. In computing a
23 taxpayer's Washington base income, the taxpayer must deduct, to the
24 extent included, from the taxpayer's federal adjusted gross income,
25 any income derived from obligations of the United States that this
26 state is prohibited by federal law from subjecting to a net income
27 tax. However, the amount deducted under this section must be reduced
28 by any expense, including amortizable bond premiums, incurred in the
29 production of such income to the extent the expense has been deducted
30 in calculating federal adjusted gross income.

31 NEW SECTION. **Sec. 307.** INCOMPLETE NONGRANTOR TRUSTS FOR
32 WASHINGTON RESIDENTS. In computing a resident taxpayer's Washington
33 base income, the taxpayer must add to the taxpayer's federal adjusted
34 gross income, all income from a trust treated as a nongrantor trust
35 for federal income tax purposes but funded with an incomplete gift
36 for purposes of section 2511 of the internal revenue code and its

1 accompanying regulations, to the extent the trust income is not
2 otherwise included in the calculation of Washington base income.

3 NEW SECTION. **Sec. 308.** CHARITABLE CONTRIBUTIONS. In determining
4 a taxpayer's Washington taxable income, the taxpayer may deduct from
5 their Washington base income the amount of charitable contributions
6 they claimed for the taxable year under section 170 of the internal
7 revenue code, up to a maximum deduction of \$100,000 per individual,
8 or in the case of spouses or domestic partners, their combined
9 charitable deduction is limited to \$100,000, regardless of whether
10 they file joint or separate returns.

11 NEW SECTION. **Sec. 309.** PASS-THROUGH ENTITY TAX PAYMENTS. In
12 computing a taxpayer's Washington taxable income, the taxpayer must
13 add to the taxpayer's Washington base income the taxpayer's
14 distributive share of the tax expense incurred by a pass-through
15 entity under section 502 of this act to the extent the expense has
16 been deducted in calculating the taxpayer's federal adjusted gross
17 income.

18 NEW SECTION. **Sec. 310.** CAPITAL CONSTRUCTION FUND FOR VESSEL
19 IMPROVEMENTS OR ACQUISITION. In determining a taxpayer's Washington
20 taxable income, the taxpayer may deduct from the taxpayer's
21 Washington base income the amount deposited in a capital construction
22 fund under section 7518 of the internal revenue code if the amount
23 has reduced the taxpayer's federal taxable income for the taxable
24 year.

25 NEW SECTION. **Sec. 311.** ONE MILLION DOLLAR STANDARD DEDUCTION.
26 In computing a taxpayer's Washington taxable income, a taxpayer may
27 deduct from the taxpayer's Washington base income a standard
28 deduction of \$1,000,000 per individual, or in the case of spouses or
29 state registered domestic partners, their combined standard deduction
30 is \$1,000,000, regardless of whether they file joint or separate
31 returns. The amount of the standard deduction must be annually
32 adjusted pursuant to section 313 of this act. The standard deduction
33 must be adjusted for nonresidents as provided in section 312 of this
34 act.

1 (2) For nonresident individuals, income derived from sources
2 within this state must be allocated to this state. Income derived
3 from sources within this state means:

4 (a) Wages and other compensation from employment within this
5 state as provided in section 403 of this act;

6 (b) Compensation attributable to professional athletics as
7 provided in section 404 of this act;

8 (c) Income of a nonresident student athlete derived from the
9 commercial use of the student athlete's name, image, or likeness as
10 provided in section 407 of this act;

11 (d) Amounts attributable to any business, trade, profession, or
12 occupation carried on within this state, including an individual's
13 distributive share of income from a pass-through entity operating
14 within this state as provided in section 402 of this act, to the
15 extent determined under section 405 of this act;

16 (e) Rents, short-term gains, and other amounts attributable to
17 the ownership or disposition of any interest in real or tangible
18 personal property in this state; and

19 (f) Income from intangible personal property, including
20 annuities, dividends, interest, and gains from the disposition of
21 intangible personal property, to the extent that the intangible
22 personal property was employed in a business, trade, profession, or
23 occupation carried on within this state.

24 (3) Deductible expenses, capital losses, and net operating losses
25 of a nonresident are based solely on income, gains, losses, and
26 deductible expenses derived from or connected with sources in this
27 state but are otherwise determined in the same manner as the
28 corresponding federal deductions except as provided in this chapter.

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

33 NEW SECTION. **Sec. 402.** PASS-THROUGH ENTITIES—DISTRIBUTIVE
34 SHARE. (1) Income derived from sources within this state include an
35 apportioned share of the individual's distributive share of income,
36 gains, losses, and deductions from pass-through entities that operate
37 in the state, as provided in subsection (2) of this section.

38 (2) The allowable modifications and credits under this chapter
39 for partners, members, or shareholders of a pass-through entity are

1 computed by including a pro rata share of the Washington base income
2 and the credits allowed under sections 203 through 205 of this act,
3 if the modification or credit relates to the income of the pass-
4 through entity. Each member's, partner's, or shareholder's pro rata
5 share of a modification or credit is the amount of modification or
6 credit based on the pro rata share of net income or loss on a
7 member's, partner's, or shareholder's federal schedule K-1 form.

8 (3) For purposes of this section, "pro rata share" means pro rata
9 share as reflected on the member's, partner's, or shareholder's
10 federal schedule K-1 form.

11 NEW SECTION. **Sec. 403.** GENERAL RULE FOR ALLOCATING NONRESIDENT
12 INCOME DERIVED FROM COMPENSATION TO WASHINGTON. (1) Unless provided
13 otherwise in this chapter, a nonresident individual is subject to tax
14 on the portion of federal adjusted gross income derived from
15 employment within the state of Washington, regardless of the location
16 of the commercial domicile of the employer.

17 (2) Compensation for services performed by a nonresident as part
18 of their employment must be allocated to this state to the extent
19 such services are rendered within the state. If services are
20 performed both within and outside the state, the compensation must be
21 apportioned based on the ratio of days worked in the state to total
22 days worked, or by another reasonable method approved by the
23 department.

24 (3) For the purpose of this section, the following definitions
25 apply:

26 (a) "Compensation" means wages, salaries, commissions, and any
27 other form of remuneration paid to employees for personal services.

28 (b) "Employment" means personal service, of whatever nature, as
29 known to the common law or any other legal relationship performed for
30 an employer by an individual for compensation or under any contract
31 calling for the performance of personal services, written or oral,
32 express or implied, where the employer is subject to tax under RCW
33 50.24.010 on any portion of compensation paid by the employer to the
34 individual for the performance of the personal services.

35 NEW SECTION. **Sec. 404.** APPORTIONING INCOME FOR NONRESIDENT
36 MEMBERS OF A PROFESSIONAL ATHLETIC TEAM. (1) For nonresident members
37 of a professional athletic team, the portion of compensation

1 attributable to athletic performances in the state must be
2 apportioned to Washington as provided under this section.

3 (2) (a) The portion of the compensation of a member of a
4 professional athletic team apportioned to Washington is that portion
5 of compensation received for the tax year that bears the same ratio
6 to total compensation received for the tax year as the number of duty
7 days within this state bears to the total number of duty days spent
8 both within and outside this state during the tax year.

9 (b) Notwithstanding the description of the portion of
10 compensation subject to apportionment to the state of Washington
11 under this subsection, the department may provide by rule alternative
12 methodologies for determining the portion of compensation subject to
13 apportionment to the state of Washington that the department
14 determines to be fair and equitable.

15 (3) (a) A person who transacts business in the state of Washington
16 and who pays wages, salary, bonuses, or other taxable income to a
17 member of a professional athletic team, must submit a report to the
18 department each year indicating any member of a professional athletic
19 team who may be reasonably assumed to owe tax under this chapter for
20 the calendar year.

21 (b) The report required under (a) of this subsection (3) must
22 include:

23 (i) The total amount of compensation paid during the year to the
24 members of the professional athletic team for which the report is
25 being made;

26 (ii) A roster of the members of the professional athletic team
27 for which the report is being made who were members at any time
28 during the year, that lists for each member:

29 (A) A taxpayer identification number;

30 (B) Compensation paid to the member; and

31 (C) The number of duty days in this state and the total number of
32 duty days for the year; and

33 (iii) Any other information the department may require by rule.

34 (c) The report must be filed with the department on or before
35 April 15th following the year for which the report is being made or
36 at another time as the department may require by rule.

37 (4) The definitions in this subsection apply throughout this
38 section unless the context clearly requires otherwise.

1 (a) "Compensation" means wages, salaries, bonuses, and any other
2 income included with federal adjusted gross income and paid to a
3 member of a professional athletic team.

4 (b) "Duty days" means the days during the tax year from the
5 beginning of the official preseason training period of a professional
6 athletic team through the last game in which the professional
7 athletic team competes or is scheduled to compete during the tax
8 year.

9 (c) "Member of a professional athletic team" means a nonresident
10 athlete or other individual rendering service to a professional
11 athletic team if the total compensation of the athlete or other
12 individual exceeds \$1,000,000 in a tax year.

13 NEW SECTION. **Sec. 405.** GENERAL RULE FOR APPORTIONING AND
14 ALLOCATING NONRESIDENT INCOME FROM BUSINESS ACTIVITY CONDUCTED IN THE
15 STATE. (1) The portion of federal adjusted gross income of a
16 nonresident derived from or connected with a business, trade, or
17 profession carried on in this state, including a sole proprietorship
18 and any distributive share of a pass-through entity of a business,
19 trade, or profession carried on in this state, must be apportioned
20 and allocated as provided in this section. This section does not
21 apply to compensation received as an employee allocated under section
22 403 of this act.

23 (2) Income from a business, trade, or profession carried on in
24 this state, including any distributive share of a pass-through entity
25 of a business, trade, or profession carried on in this state, must be
26 classified as either apportionable income or nonapportionable income.

27 (3) All apportionable income must be apportioned to this state by
28 multiplying the income by the receipts factor. The receipts factor is
29 a fraction the numerator of which is the total receipts of the
30 taxpayer in this state during the tax period and the denominator of
31 which is the total receipts of the taxpayer everywhere during the tax
32 period.

33 (a) Receipts from the sale of tangible personal property are in
34 this state if:

35 (i) The property is delivered or shipped to a purchaser, other
36 than the United States government, within this state regardless of
37 the free on board point or other conditions of the sale; or

38 (ii) The property is shipped from an office, store, warehouse,
39 factory, or other place of storage in this state and (A) the

1 purchaser is the United States government or (B) the taxpayer is not
2 taxable in the state of the purchaser.

3 (b)(i) Receipts, other than receipts described in (a) of this
4 subsection (3), are in this state if the taxpayer's market for the
5 sales is in this state. The taxpayer's market for sales is in this
6 state:

7 (A) In the case of sale, rental, lease, or license of real
8 property, if and to the extent the property is located in this state;

9 (B) In the case of rental, lease, or license of tangible personal
10 property, if and to the extent the property is located in this state;

11 (C) In the case of sale of a service, if and to the extent the
12 service is delivered to a location in this state; and

13 (D) In the case of intangible property:

14 (I) That is rented, leased, or licensed, if and to the extent the
15 property is used in this state, provided that intangible property
16 used in marketing a good or service to a consumer is "used in this
17 state" if that good or service is purchased by a consumer who is in
18 this state; and

19 (II) That is sold, if and to the extent the property is used in
20 this state, if:

21 (1) A contract right, government license, or similar intangible
22 property that authorizes the holder to conduct a business activity in
23 a specific geographic area is "used in this state" if the geographic
24 area includes all or part of this state;

25 (2) Receipts from intangible property sales that are contingent
26 on the productivity, use, or disposition of the intangible property
27 must be treated as receipts from the rental, lease, or licensing of
28 such intangible property under subsection (4)(a)(i) of this section;
29 and

30 (3) All other receipts from a sale of intangible property must be
31 excluded from the numerator and denominator of the receipts factor.

32 (c) If the state or states of assignment under (b) of this
33 subsection (3) cannot be determined, the state or states of
34 assignment must be reasonably approximated.

35 (d) If the taxpayer is not taxable in a state to which a receipt
36 is assigned under this subsection (3), or if the state of assignment
37 cannot be determined under (b) of this subsection (3) or reasonably
38 approximated under (c) of this subsection (3), the receipt must be
39 excluded from the denominator of the receipts factor.

1 (4) (a) If the allocation and apportionment provisions in
2 subsection (3) of this section do not fairly represent the extent of
3 the taxpayer's business activity in this state, the taxpayer may
4 petition for or the department may require, in respect to all or any
5 part of the taxpayer's business activity, if reasonable:

6 (i) Separate accounting;

7 (ii) The exclusion of any one or more of the factors;

8 (iii) The inclusion of one or more additional factors that will
9 fairly represent the taxpayer's business activity in this state; or

10 (iv) The employment of any other method to effectuate an
11 equitable allocation and apportionment of the taxpayer's income.

12 (b) If the allocation and apportionment provisions of this
13 section do not fairly represent the extent of business activity in
14 this state for taxpayers engaged in a particular industry or in a
15 particular transaction or activity, the department may, in addition
16 to the authority provided in (a) of this subsection (4), adopt rules
17 for determining alternative allocation and apportionment methods for
18 such taxpayers. Rules adopted pursuant to this subsection (4) (b) must
19 be applied uniformly, except that with respect to any taxpayer to
20 whom such rule applies, the taxpayer may petition for, or the
21 department may require, adjustment under (a) of this subsection (4).

22 (c) (i) The party petitioning for, or the department requiring,
23 the use of any method to effectuate an equitable allocation and
24 apportionment of the taxpayer's income pursuant to (a) of this
25 subsection (4) must prove by clear and convincing evidence:

26 (A) That the allocation and apportionment provisions of this
27 section do not fairly represent the extent of the taxpayer's business
28 activity in this state; and

29 (B) That the alternative to such provisions is reasonable.

30 (ii) The same burden of proof applies whether the taxpayer is
31 petitioning for, or the department is requiring, the use of any
32 reasonable method to effectuate an equitable allocation and
33 apportionment of the taxpayer's income. However, if the department
34 can show that in any two of the prior five tax years, the taxpayer
35 had used an allocation or apportionment method at variance with its
36 allocation or apportionment method or methods used for such other tax
37 years, then the department does not bear the burden of proof in
38 imposing a different method pursuant to (a) of this subsection (4).

39 (iii) If the department requires any method to effectuate an
40 equitable allocation and apportionment of the taxpayer's income, the

1 department may not impose any civil or criminal penalty with
2 reference to the tax due that is attributable to the taxpayer's
3 reasonable reliance solely on the allocation and apportionment
4 provisions of this section.

5 (iv) A taxpayer that has received written permission from the
6 department to use a reasonable method to effectuate an equitable
7 allocation and apportionment of the taxpayer's income may not have
8 that permission revoked with respect to transactions and activities
9 that have already occurred unless there has been a material change
10 in, or a material misrepresentation of, the facts provided by the
11 taxpayer upon which the department reasonably relied.

12 (5) Rents and royalties from real or tangible personal property,
13 capital gains, interest, dividends, or patent or copyright royalties,
14 to the extent that they constitute nonapportionable income, must be
15 allocated as provided in subsections (6) through (9) of this section.

16 (6) (a) Net rents and royalties from real property located in this
17 state are allocable to this state.

18 (b) Net rents and royalties from tangible personal property are
19 allocable to this state: (i) If and to the extent that the property
20 is utilized in this state; or (ii) in their entirety if the
21 taxpayer's commercial domicile is in this state and the taxpayer is
22 not organized under the laws of or taxable in the state in which the
23 property is utilized.

24 (c) The extent of utilization of tangible personal property in a
25 state is determined by multiplying the rents and royalties by a
26 fraction the numerator of which is the number of days of physical
27 location of the property in the state during the rental or royalty
28 period in the taxable year and the denominator of which is the number
29 of days of physical location of the property everywhere during all
30 rental or royalty periods in the taxable year. If the physical
31 location of the property during the rental or royalty period is
32 unknown or unascertainable by the taxpayer, tangible personal
33 property is utilized in the state in which the property was located
34 at the time the rental or royalty payer obtained possession.

35 (7) (a) Short-term capital gains and losses from sales of real
36 property located in this state are allocable to this state.

37 (b) Short-term capital gains and losses from sales of tangible
38 personal property are allocable to this state if: (i) The property
39 had a situs in this state at the time of the sale; or (ii) the

1 taxpayer's commercial domicile is in this state and the taxpayer is
2 not taxable in the state in which the property had a situs.

3 (c) Short-term capital gains and losses from sales of intangible
4 personal property are allocable to this state if the taxpayer's
5 commercial domicile is in this state.

6 (8) Interest and dividends are allocable to this state if the
7 taxpayer's commercial domicile is in this state.

8 (9)(a) Patent and copyright royalties are allocable to this
9 state: (i) If and to the extent that the patent or copyright is
10 utilized by the payer in this state; or (ii) if and to the extent
11 that the patent or copyright is utilized by the payer in a state in
12 which the taxpayer is not taxable and the taxpayer's commercial
13 domicile is in this state.

14 (b) A patent is utilized in a state to the extent that it is
15 employed in production, fabrication, manufacturing, or other
16 processing in the state or to the extent that a patented product is
17 produced in the state. If the basis of receipts from patent royalties
18 does not permit allocation to states or if the accounting procedures
19 do not reflect states of utilization, the patent is utilized in the
20 state in which the taxpayer's commercial domicile is located.

21 (c) A copyright is utilized in a state to the extent that
22 printing or other publication originates in the state. If the basis
23 of receipts from copyright royalties does not permit allocation to
24 states or if the accounting procedures do not reflect states of
25 utilization, the copyright is utilized in the state in which the
26 taxpayer's commercial domicile is located.

27 (10) The definitions in this subsection apply throughout this
28 section unless the context clearly requires otherwise.

29 (a) "Apportionable income" means:

30 (i) All income that is apportionable under the Constitution of
31 the United States and is not allocated under the laws of this state,
32 including:

33 (A) Income arising from transactions and activity in the regular
34 course of the taxpayer's trade or business; and

35 (B) Income arising from tangible and intangible property if the
36 acquisition, management, employment, development, or disposition of
37 the property is or was related to the operation of the taxpayer's
38 trade or business; and

1 (ii) Any income that would be allocable to this state under the
2 Constitution of the United States, but that is apportioned rather
3 than allocated pursuant to the laws of this state.

4 (b) "Commercial domicile" means the principal place from which
5 the trade or business of the taxpayer is directed or managed.

6 (c) "Nonapportionable income" means all income other than
7 apportionable income.

8 (d) "Receipts" means all gross receipts of the taxpayer that are
9 not allocated under this section, and that are received from
10 transactions and activity in the regular course of the taxpayer's
11 trade or business, except that receipts of a taxpayer from hedging
12 transactions and from the maturity, redemption, sale, exchange, loan,
13 or other disposition of cash or securities, shall be excluded.

14 (e) "State" means any state of the United States, the District of
15 Columbia, the Commonwealth of Puerto Rico, any territory or
16 possession of the United States, and any foreign country or political
17 subdivision thereof.

18 (f) "Taxpayer" means a pass-through entity or individual
19 conducting business activity in the state of Washington.

20 NEW SECTION. **Sec. 406.** PRORATION OF PART-YEAR INCOME. (1)

21 Except as provided in subsection (2) of this section, the adjusted
22 gross income of a part-year resident is the sum of the following:

23 (a) For the portion of the year in which the taxpayer was a
24 resident of Washington, the taxpayer's entire adjusted gross income;
25 and

26 (b) For the portion of the year in which the taxpayer was a
27 nonresident, the taxpayer's adjusted gross income derived from
28 sources within this state, as provided in sections 403 through 405
29 and 407 of this act.

30 (2) The adjusted gross income of a part-year resident with
31 federal adjusted gross income that includes an item of income, gain,
32 loss, deduction, or credit from a pass-through entity must include
33 the sum of the following:

34 (a) The total amount of the item that is taken into account in
35 federal adjusted gross income, multiplied by the ratio of the number
36 of days the taxpayer was a resident of Washington during the tax year
37 of the entity over the total number of days in the tax year of the
38 entity; and

1 (b) The total amount of the item that is taken into account in
2 federal adjusted gross income and that is derived from or connected
3 with sources within this state, as determined under sections 403
4 through 405 and 407 of this act, multiplied by the ratio of the
5 number of days the taxpayer was a nonresident of Washington during
6 the tax year of the entity over the total number of days in the tax
7 year of the entity.

8 NEW SECTION. **Sec. 407.** ALLOCATION AND APPORTIONMENT OF
9 NONRESIDENT STUDENT ATHLETE INCOME. (1) The portion of adjusted gross
10 income of a nonresident student athlete derived from the commercial
11 use of the student athlete's name, image, or likeness is allocated to
12 this state if the publicity services provided by the student athlete
13 related to such commercial use of the student athlete's name, image,
14 or likeness primarily occur in Washington.

15 (2) The portion of adjusted gross income of a nonresident student
16 athlete derived from payments by an institution of higher education
17 representing a percentage of institutional athletic revenues shall be
18 apportioned to Washington in a form and manner consistent with a
19 duty-day methodology. By January 1, 2028, the department shall submit
20 proposed legislation to the legislature that would implement an
21 apportionment methodology as specified under this subsection (2).

22 (3) The definitions in this subsection apply throughout this
23 section unless the context clearly requires otherwise.

24 (a) "Commercial use" means the use of an individual's name,
25 image, or likeness for advertising, selling, or soliciting purchases
26 of products, goods, or services.

27 (b) "Name, image, or likeness" means an individual's readily
28 identifiable name, voice, signature, photograph, or likeness.

29 (c) "Publicity services" includes, but is not limited to, the
30 following activities: Appearing in photoshoots; filming commercials;
31 recording audio endorsements; posting sponsored content on social
32 media platforms; attending promotional events; either wearing or
33 using, or both, branded products; and granting rights by the student
34 athlete to use the student athlete's name, image, or likeness in
35 either advertisements or online campaigns, or both.

36 (d) "Student athlete" means an individual who is enrolled at an
37 institution of higher education and eligible to engage in any varsity
38 intercollegiate athletics program at the institution.

PART V

ESTIMATED TAX PAYMENTS AND PASS-THROUGH ENTITY TAX ELECTION

NEW SECTION.

Sec. 501.

ESTIMATED TAX IMPOSED—DUE DATE OF

ESTIMATED TAXES—AMOUNT OF ESTIMATED TAX—UNDERPAYMENT PENALTY. (1)

Each individual with an estimated tax under this chapter in excess of \$5,000 that 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 chapter.

(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) Estimated tax payments are not required under this section if the annualized estimated tax is less than \$5,000. RCW 82.32.090 applies to underpayments of estimated tax.

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

(5) The department shall adopt rules for making estimated tax payments under this section on wages, salaries, and other compensation subject to federal income tax withholding.

(6) Estimated payments are not required under this section before July 1, 2029.

NEW SECTION.

Sec. 502.

PASS-THROUGH ENTITY TAX ELECTION. (1) (a)

Beginning January 1, 2028, a tax is imposed at a rate of 9.90 percent of the taxable income of an electing entity for each taxable year in which an election under this section is in effect.

(b) The tax is paid by the electing entity.

(2) (a) A pass-through entity may elect to be subject to the tax imposed under this section by filing an election with the department on or before the due date prescribed by the department for making such election, but no later than June 15th of the taxable year.

(b) The election is made annually and is irrevocable for the taxable year once filed.

(c) The election must be made by: (i) In the case of a partnership or limited liability company, any person authorized to

1 sign the entity's return; and (ii) in the case of an S corporation,
2 an officer authorized to sign the return.

3 (d) An election may exclude owners who choose not to participate.
4 At the time of election, the pass-through entity must identify the
5 participating and nonparticipating owners.

6 (3) (a) The taxable income of an electing entity consists of:

7 (i) The entire distributive share of income, gain, loss, and
8 deduction attributable to participating resident owners, regardless
9 of source; and

10 (ii) The state source distributive share of income, gain, loss,
11 and deduction attributable to participating nonresident owners.

12 (b) Taxable income is determined by applying all state specific
13 additions, subtractions, and modifications that would apply to the
14 owners individually.

15 (c) Guaranteed payments, separately stated items, and investment
16 income is included in taxable income to the same extent these items
17 would be included in a participating owner's individual Washington
18 base income under this chapter.

19 (4) (a) An electing entity shall make estimated tax payments in
20 the same manner and at the same times as required for individual
21 estimated tax payments under section 501 of this act.

22 (b) Estimated tax payments are based on the electing entity's
23 reasonable estimate of taxable income for the taxable year.

24 (c) Estimated tax payments paid by the electing entity under this
25 section are in lieu of the estimated tax payments imposed on owners
26 under section 501 of this act with respect to the income included in
27 the electing entity's taxable income.

28 (d) Estimated tax payments are not required under this subsection
29 before July 1, 2029.

30 (5) (a) Each participating owner of an electing entity is allowed
31 a credit against the tax imposed under this section equal to the
32 owner's proportionate share of the tax paid by the electing entity
33 under this chapter as provided in section 206 of this act.

34 (b) Participating resident owners shall include in their
35 Washington base income their full distributive share of the electing
36 entity's income, gains, losses, and deductions and shall claim the
37 credit allowed under section 206 of this act.

38 (c) Participating nonresident owners shall include in their
39 Washington base income their distributive share of the electing
40 entity's income, gains, losses, and deductions as allocated and

1 apportioned under section 405 of this act and shall claim the credit
2 allowed under section 206 of this act.

3 (d) Participating part-year resident owners shall include in
4 their Washington base income their distributive share of the electing
5 entity's income, gains, losses, and deductions, and claim the credit
6 allowed under section 206 of this act, in the manner required under
7 (a) and (b) of this subsection for the portion of the year in which
8 the participating owner was a resident and nonresident, respectively.

9 (6) (a) The electing entity shall file an annual return reporting
10 taxable income, tax due, estimated payments, and any other
11 information required by the department in a form and manner required
12 by the department.

13 (b) The department may adopt rules necessary to administer this
14 section, which to the extent possible, must be consistent with the
15 requirements under this chapter for individuals. The department may
16 adopt rules to streamline and simplify the process and procedures for
17 making an election under this section.

18 (7) The definitions in this subsection apply throughout this
19 section unless the context clearly requires otherwise.

20 (a) "Distributive share" means the owner's share of income, gain,
21 loss, or deduction as determined under the entity's governing
22 documents and federal income tax law.

23 (b) "Electing entity" means a pass-through entity that has made a
24 valid election under subsection (2) (c) of this section.

25 (c) "Nonresident owner" means an owner who is not a resident of
26 this state for individual income tax purposes.

27 (d) "Owner" means a partner, member, or shareholder of a pass-
28 through entity.

29 (e) "Resident owner" means an owner who is a resident of this
30 state for individual income tax purposes.

31 (f) "State source income" means income, gain, or loss derived
32 from sources within this state, determined under the allocation and
33 apportionment provisions of section 405 of this act.

34 **PART VI**
35 **CRIMES**

36 NEW SECTION. **Sec. 601.** CRIMES. (1) Any person who knowingly
37 attempts to evade the tax imposed under this chapter or payment

1 thereof is guilty of a class C felony as provided in chapter 9A.20
2 RCW.

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

6 **PART VII**

7 **ADMINISTRATIVE PROVISIONS**

8 NEW SECTION. **Sec. 701.** METHOD OF ACCOUNTING. (1) A taxpayer's
9 method of accounting for purposes of the tax imposed under this
10 chapter is the same as the taxpayer's method of accounting for
11 federal income tax purposes. If no method of accounting has been
12 regularly used by a taxpayer for federal income tax purposes or if
13 the method used does not clearly reflect income, tax due under this
14 chapter is computed by the cash method of accounting.

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

18 NEW SECTION. **Sec. 702.** FILING TAX RETURNS. (1)(a) Except as
19 otherwise provided in this section or RCW 82.32.080, taxpayers owing
20 tax under this chapter must file, on forms prescribed by the
21 department, a return with the department on or before the date the
22 taxpayer's federal income tax return for the taxable year is required
23 to be filed. Individuals not owing tax under this chapter are not
24 required to file a return under this section.

25 (b)(i) Except as provided in (b)(ii) of this subsection (1),
26 returns and all supporting documents must be filed electronically
27 using the department's online tax filing service or other method of
28 electronic reporting as the department may authorize.

29 (ii) The department may waive the electronic filing requirement
30 in this subsection for good cause as provided in RCW 82.32.080.

31 (2)(a) Every taxpayer owing tax under this chapter must include
32 with the Washington return described in subsection (1) of this
33 section a copy of the taxpayer's federal income tax return filed with
34 the internal revenue service of the United States, including:

35 (i) All federal income tax forms, schedules, and other
36 attachments that directly relate to the taxpayer's federal adjusted
37 gross income; and

1 (ii) Any information returns and federal tax documents received
2 by the taxpayer that directly relate to the taxpayer's federal
3 adjusted gross income including, but not limited to, form W-2, form
4 1099-INT, form 1099-DIV, form 1099-NEC, form 1099-MISC, form 1099-B,
5 schedule K-1 (form 1065), and schedule K-1 (form 1120-S).

6 (b) A taxpayer must provide to the department, upon request,
7 other federal tax return information needed to verify the tax owed
8 under this chapter.

9 (c) The department may prescribe by rule additional reporting or
10 verification requirements under this subsection (2) to substantiate
11 an individual's federal adjusted gross income.

12 (d) The department may prescribe by rule additional Washington-
13 specific reporting or verification requirements under this subsection
14 (2), such as a Washington schedule K-1 form, to substantiate an
15 individual's Washington base income.

16 (3) Each taxpayer required to file a return under this section
17 must, without assessment, notice, or demand, pay any tax due thereon
18 to the department on or before the date fixed for the filing of the
19 return, regardless of any filing extension. The tax must be paid by
20 electronic funds transfer as defined in RCW 82.32.085 or by other
21 forms of electronic payment as may be authorized by the department.
22 The department may waive the electronic payment requirement for good
23 cause as provided in RCW 82.32.080. If any tax due under this chapter
24 is not paid by the due date, interest and penalties as provided in
25 chapter 82.32 RCW apply to the deficiency.

26 (4) If a taxpayer has obtained an extension of time for filing
27 the federal income tax return for the taxable year, the taxpayer is
28 entitled to the same extension of time for filing the return required
29 under this section. An extension under this subsection for the filing
30 of a return under this chapter is not an extension of time to pay the
31 tax due under this chapter.

32 (5)(a) If any return due under subsection (1) of this section,
33 along with a copy of the federal income tax return, is not filed with
34 the department by the due date or any extension granted by the
35 department, the department must assess a penalty in the amount of
36 five percent of the unpaid tax due, as of the due date for the
37 return, for the taxable year covered by the return for each full
38 month that the return remains unfiled. The total penalty assessed
39 under this subsection may not exceed 25 percent of the unpaid tax
40 due, as of the due date for the return, for the taxable year covered

1 by the delinquent return. The penalty under this subsection is in
2 addition to any penalties assessed for the late payment of any tax
3 due on the return.

4 (b) The department must waive or cancel the penalty imposed under
5 this subsection if:

6 (i) The department is persuaded that the taxpayer's failure to
7 file the return by the due date was due to circumstances beyond the
8 taxpayer's control; or

9 (ii) The taxpayer has not been delinquent in filing any return
10 due under this section during the preceding five calendar years and
11 the taxpayer has not been contacted by the department for enforcement
12 purposes regarding the reporting period covered by the waiver
13 request.

14 (6) The department must waive or cancel the penalty imposed under
15 RCW 82.32.090(1) on a payment required under this section when the
16 circumstances under which the delinquency occurred do not qualify for
17 waiver or cancellation under RCW 82.32.105(1) if all of the following
18 apply:

19 (a) A taxpayer requests a waiver of penalty for a payment
20 required under this section;

21 (b) The taxpayer has not been contacted by the department for
22 enforcement purposes regarding the reporting period covered by the
23 waiver request; and

24 (c) The taxpayer has timely remitted payment on all tax returns
25 due under this section during the preceding five calendar years.

26 (7)(a) In the event a taxpayer's federal income tax return is
27 changed in a manner that is final after their return required under
28 subsection (1) of this section is filed with the department and the
29 taxpayer's federal income tax return is changed in a manner that
30 impacts either the calculation of their Washington adjusted gross
31 income or their tax liability under this chapter, or both, the
32 taxpayer must amend the taxpayer's return due under subsection (1) of
33 this section for the same tax year in which their federal income tax
34 return is changed. For the purposes of this subsection (7), a federal
35 income tax return is changed in a manner that is final when such
36 change is not subject to either administrative review by the United
37 States internal revenue service or judicial review in a court of
38 competent jurisdiction, or both. A change is also final in the case
39 of an audit finding in the following circumstances:

1 (i) The taxpayer has received audit findings from the internal
2 revenue service for the tax period and the taxpayer does not timely
3 file an administrative appeal with the internal revenue service.

4 (ii) The taxpayer consented to any of the audit findings for the
5 tax period through a form or other written agreement with the United
6 States internal revenue service.

7 (b) If the return is not amended, as required under this
8 subsection (7), with the department within 90 days of the federal
9 income tax return change becoming final, the department must assess
10 on the 91st day a penalty in the amount of five percent of any
11 additional tax due for the taxable year covered by the return for
12 each month or portion of a month that the return is not timely
13 amended as required by this subsection. The total penalty assessed
14 under this subsection (7)(b) may not exceed 25 percent of the
15 additional tax due for the taxable year covered by the delinquent
16 return amendment. The penalty under this subsection (7)(b) is in
17 addition to any penalties assessed under this section.

18 (8)(a) No assessment or correction of an assessment for
19 additional taxes, penalties, or interest due may be made by the
20 department more than four years after the year in which a return is
21 filed under subsection (1) of this section except:

22 (i) When the taxpayer's federal income tax return is changed in a
23 manner that requires an amended return under subsection (7) of this
24 section; or

25 (ii) As provided in RCW 82.32.050(4).

26 (b) In the event the statute of limitations is extended under
27 (a)(i) of this subsection, no assessment or correction of an
28 assessment for additional taxes, penalties, or interest due may be
29 made by the department more than four years after the year in which
30 an amended return is filed with the department as required under
31 subsection (7) of this section. Any assessment or correction of an
32 assessment for additional taxes, penalties, or interest due under
33 this subsection (8)(b) but made by the department more than four
34 years after the year in which a return is filed under subsection (1)
35 of this section must be directly related to the federal income tax
36 return change described in subsection (7) of this section.

37 (9) If the federal government extends the due date for filing a
38 tax return, paying tax, or both, by reason of natural disaster or
39 other occurrence, the corresponding deadlines under this section
40 shall be adjusted in the same manner.

1 NEW SECTION. **Sec. 703.** REQUIREMENT FOR SEPARATE OR JOINT

2 RETURNS. (1) If the federal income tax liabilities of both spouses
3 are determined on a joint federal return for the taxable year, they
4 must file a joint return under this chapter.

5 (2) Except as otherwise provided in this subsection (2), if the
6 federal income tax liability of any individual, including either
7 spouse of a marital community, is determined on a separate federal
8 return for the taxable year, they must file separate returns under
9 this chapter. State registered domestic partners may file a joint
10 return under this chapter even if they filed separate federal returns
11 for the taxable year.

12 (3) The liability for tax due under this chapter of each spouse
13 or state registered domestic partner is joint and several, unless:

14 (a) The spouse or state registered domestic partner is relieved
15 of liability for federal tax purposes as provided under sections 66
16 or 6015 of the internal revenue code; or

17 (b) Regardless of whether the spouse or state registered domestic
18 partner qualifies for relief as provided under (a) of this subsection
19 (3), the department determines that the spouse or state registered
20 domestic partner qualifies for relief as provided by rule of the
21 department in a manner consistent with sections 66 or 6015 of the
22 internal revenue code.

23 (4) (a) Unless the context clearly indicates otherwise,
24 individuals who are spouses or state registered domestic partners are
25 not considered separate taxpayers for the purposes of this chapter
26 regardless of whether they file a joint or separate return for the
27 tax imposed under this chapter. The activities and assets of each
28 spouse or state registered domestic partner are combined as if they
29 were one individual for the purposes of determining the applicability
30 of any threshold amounts, caps, deductions, credits, or any other
31 amounts related to the activities or assets of an individual
32 throughout this chapter.

33 (b) When an individual does not file a joint return for the tax
34 imposed under this chapter, both spouses or state registered domestic
35 partners must allocate between themselves their respective share of
36 the marital community's or domestic partnership's income, gains,
37 losses, deductions, and credits in a manner consistent with the
38 community property laws of this state and the applicable provisions
39 of the internal revenue code, and its accompanying regulations,
40 addressing taxpayers domiciled in community property jurisdictions.

1 NEW SECTION. **Sec. 704.** ADMINISTRATION OF CHAPTER CONSISTENT
2 WITH CHAPTER 82.32 RCW. Except as otherwise provided by law and to
3 the extent not inconsistent with the provisions of this chapter,
4 chapter 82.32 RCW applies to the administration of taxes imposed
5 under this chapter.

6 **Sec. 705.** RCW 82.32.050 and 2025 c 409 s 12 are each amended to
7 read as follows:

8 (1) If upon examination of any returns or from other information
9 obtained by the department it appears that a tax or penalty has been
10 paid less than that properly due, the department shall assess against
11 the taxpayer such additional amount found to be due and shall add
12 thereto interest on the tax only. The department shall notify the
13 taxpayer by mail, or electronically as provided in RCW 82.32.135, of
14 the additional amount and the additional amount shall become due and
15 shall be paid within 30 days from the date of the notice, or within
16 such further time as the department may provide.

17 (a) For tax liabilities arising before January 1, 1992, interest
18 shall be computed at the rate of nine percent per annum from the last
19 day of the year in which the deficiency is incurred until the earlier
20 of December 31, 1998, or the date of payment. After December 31,
21 1998, the rate of interest shall be variable and computed as provided
22 in subsection (2) of this section. The rate so computed shall be
23 adjusted on the first day of January of each year for use in
24 computing interest for that calendar year.

25 (b) For tax liabilities arising after December 31, 1991, the rate
26 of interest shall be variable and computed as provided in subsection
27 (2) of this section from the last day of the year in which the
28 deficiency is incurred until the date of payment. The rate so
29 computed shall be adjusted on the first day of January of each year
30 for use in computing interest for that calendar year.

31 (c)(i) Except as otherwise provided in this subsection (1)(c),
32 interest imposed after December 31, 1998, shall be computed from the
33 last day of the month following each calendar year included in a
34 notice, and the last day of the month following the final month
35 included in a notice if not the end of a calendar year, until the due
36 date of the notice.

37 (ii) For interest associated with annual tax reporting periods
38 having a due date as prescribed in RCW 82.32.045(3) (~~and~~),
39 82.87.110, and section 702 of this act, interest must be computed

1 from the last day of April immediately following each such annual
2 reporting period included in the notice, until the due date of the
3 notice.

4 (iii) For purposes of computing interest under (c)(i) and (ii) of
5 this subsection (1):

6 (A) The same computation of interest applies regardless of
7 whether the department grants additional time for filing any return
8 under RCW 82.32.080(4)(a)(i).

9 (B) If the department extends a due date under subsection (3) of
10 this section or RCW 82.32.080(4)(b), and payment is not made in full
11 by the extended due date, interest is computed from the last day of
12 the month in which the extended due date occurs until the date of
13 payment.

14 (iv) If payment in full is not made by the due date of the
15 notice, additional interest shall be computed under this subsection
16 (1)(c) until the date of payment. The rate of interest shall be
17 variable and computed as provided in subsection (2) of this section.
18 The rate so computed shall be adjusted on the first day of January of
19 each year for use in computing interest for that calendar year.

20 (2) For the purposes of this section, the rate of interest to be
21 charged to the taxpayer shall be an average of the federal short-term
22 rate as defined in 26 U.S.C. Sec. 1274(d) plus two percentage points.
23 The rate set for each new year shall be computed by taking an
24 arithmetical average to the nearest percentage point of the federal
25 short-term rate, compounded annually. That average shall be
26 calculated using the rates from four months: January, April, and July
27 of the calendar year immediately preceding the new year, and October
28 of the previous preceding year.

29 (3) During a state of emergency declared under RCW 43.06.010(12),
30 the department, on its own motion or at the request of any taxpayer
31 affected by the emergency, may extend the due date of any assessment
32 or correction of an assessment for additional taxes, penalties, or
33 interest as the department deems proper.

34 (4) No assessment or correction of an assessment for additional
35 taxes, penalties, or interest due may be made by the department more
36 than four years after the close of the tax year, except (a) against a
37 taxpayer who has not registered as required by this chapter, (b) upon
38 a showing of fraud or of misrepresentation of a material fact by the
39 taxpayer, or (c) where a taxpayer has executed a written waiver of
40 such limitation. The execution of a written waiver shall also extend

1 the period for making a refund or credit as provided in RCW
2 82.32.060(2).

3 (5) For the purposes of this section, the following definitions
4 apply:

5 (a) "Due date of the notice" means the date indicated in the
6 notice by which the amount due in the notice must be paid, or such
7 later date as provided by RCW 1.12.070(3).

8 (b) "Return" means any document a person is required by the state
9 of Washington to file to satisfy or establish a tax or fee obligation
10 that is administered or collected by the department and that has a
11 statutorily defined due date. "Return" also means an application for
12 refund under RCW 82.08.0206.

13 **Sec. 706.** RCW 82.32.060 and 2025 c 409 s 13 are each amended to
14 read as follows:

15 (1) If, upon receipt of an application by a taxpayer for a refund
16 or for an audit of the taxpayer's records, or upon an examination of
17 the returns or records of any taxpayer, it is determined by the
18 department that within the statutory period for assessment of taxes,
19 penalties, or interest prescribed by RCW 82.32.050 any amount of tax,
20 penalty, or interest has been paid in excess of that properly due,
21 the excess amount paid within, or attributable to, such period must
22 be credited to the taxpayer's account or must be refunded to the
23 taxpayer, at the taxpayer's option. Except as provided in subsection
24 (2) of this section, no refund or credit may be made for taxes,
25 penalties, or interest paid more than four years prior to the
26 beginning of the calendar year in which the refund application is
27 made or examination of records is completed.

28 (2)(a) The execution of a written waiver under RCW 82.32.050 or
29 82.32.100 will extend the time for making a refund or credit of any
30 taxes paid during, or attributable to, the years covered by the
31 waiver if, prior to the expiration of the waiver period, an
32 application for refund of such taxes is made by the taxpayer or the
33 department discovers a refund or credit is due.

34 (b) A refund or credit must be allowed for an excess payment
35 resulting from the failure to claim a bad debt deduction, credit, or
36 refund under RCW 82.04.4284, 82.08.037, 82.12.037, 82.14B.150, or
37 82.16.050(5) for debts that became bad debts under 26 U.S.C. Sec.
38 166, as amended or renumbered as of January 1, 2003, less than four

1 years prior to the beginning of the calendar year in which the refund
2 application is made or examination of records is completed.

3 (3) Any such refunds must be made by means of vouchers approved
4 by the department and by the issuance of state warrants drawn upon
5 and payable from such funds as the legislature may provide. However,
6 taxpayers who are required to pay taxes by electronic funds transfer
7 under RCW 82.32.080 must have any refunds paid by electronic funds
8 transfer if the department has the necessary account information to
9 facilitate a refund by electronic funds transfer.

10 (4) Any judgment for which a recovery is granted by any court of
11 competent jurisdiction, not appealed from, for tax, penalties, and
12 interest which were paid by the taxpayer, and costs, in a suit by any
13 taxpayer must be paid in the same manner, as provided in subsection
14 (3) of this section, upon the filing with the department of a
15 certified copy of the order or judgment of the court.

16 (a) Interest at the rate of three percent per annum must be
17 allowed by the department and by any court on the amount of any
18 refund, credit, or other recovery allowed to a taxpayer for taxes,
19 penalties, or interest paid by the taxpayer before January 1, 1992.
20 This rate of interest applies for all interest allowed through
21 December 31, 1998. Interest allowed after December 31, 1998, must be
22 computed at the rate as computed under RCW 82.32.050(2). The rate so
23 computed must be adjusted on the first day of January of each year
24 for use in computing interest for that calendar year.

25 (b) For refunds or credits of amounts paid or other recovery
26 allowed to a taxpayer after December 31, 1991, the rate of interest
27 must be the rate as computed for assessments under RCW 82.32.050(2)
28 less one percent. This rate of interest applies for all interest
29 allowed through December 31, 1998. Interest allowed after December
30 31, 1998, must be computed at the rate as computed under RCW
31 82.32.050(2). The rate so computed must be adjusted on the first day
32 of January of each year for use in computing interest for that
33 calendar year.

34 (5) Interest allowed on a credit notice or refund issued after
35 December 31, 2003, must be computed as follows:

36 (a) If all overpayments for each calendar year and all reporting
37 periods ending with the final month included in a notice or refund
38 were made on or before the due date of the final return for each
39 calendar year or the final reporting period included in the notice or
40 refund:

1 (i) Interest must be computed from January 31st following each
2 calendar year included in a notice or refund;

3 (ii) Interest must be computed from the last day of the month
4 following the final month included in a notice or refund; or

5 (iii) For interest associated with annual tax reporting periods
6 having a due date as prescribed in RCW 82.32.045(3) (~~and~~),
7 82.87.110, and section 702 of this act, interest must be computed
8 from the last day of April following each such annual reporting
9 period included in a notice or refund.

10 (b) If the taxpayer has not made all overpayments for each
11 calendar year and all reporting periods ending with the final month
12 included in a notice or refund on or before the dates specified by
13 RCW 82.32.045 for the final return for each calendar year or the
14 final month included in the notice or refund, interest must be
15 computed from the last day of the month following the date on which
16 payment in full of the liabilities was made for each calendar year
17 included in a notice or refund, and the last day of the month
18 following the date on which payment in full of the liabilities was
19 made if the final month included in a notice or refund is not the end
20 of a calendar year.

21 (c) Interest included in a credit notice must accrue up to the
22 date the taxpayer could reasonably be expected to use the credit
23 notice, as defined by the department's rules. If a credit notice is
24 converted to a refund, interest must be recomputed to the date the
25 refund is issued, but not to exceed the amount of interest that would
26 have been allowed with the credit notice.

27 **Sec. 707.** RCW 82.32.090 and 2025 c 409 s 14 are each amended to
28 read as follows:

29 (1) If payment of any tax due on a return to be filed by a
30 taxpayer is not received by the department of revenue by the due
31 date, there is assessed a penalty of nine percent of the amount of
32 the tax; and if the tax is not received on or before the last day of
33 the month following the due date, there is assessed a total penalty
34 of 19 percent of the amount of the tax under this subsection; and if
35 the tax is not received on or before the last day of the second month
36 following the due date, there is assessed a total penalty of 29
37 percent of the amount of the tax under this subsection. No penalty so
38 added may be less than \$5.

1 (2) If the department of revenue determines that any tax has been
2 substantially underpaid, there is assessed a penalty of five percent
3 of the amount of the tax determined by the department to be due. If
4 payment of any tax determined by the department to be due is not
5 received by the department by the due date specified in the notice,
6 or any extension thereof, there is assessed a total penalty of 15
7 percent of the amount of the tax under this subsection; and if
8 payment of any tax determined by the department to be due is not
9 received on or before the 30th day following the due date specified
10 in the notice of tax due, or any extension thereof, there is assessed
11 a total penalty of 25 percent of the amount of the tax under this
12 subsection. No penalty so added may be less than \$5. As used in this
13 (~~section~~) subsection, "substantially underpaid" means that the
14 taxpayer has paid less than 80 percent of the amount of tax
15 determined by the department to be due for all of the types of taxes
16 included in, and for the entire period of time covered by, the
17 department's examination, and the amount of underpayment is at least
18 \$1,000.

19 (3) If a warrant is issued by the department of revenue for the
20 collection of taxes, increases, and penalties, there is added thereto
21 a penalty of 10 percent of the amount of the tax, but not less than
22 \$10.

23 (4) If the department finds that a person has engaged in any
24 business or performed any act upon which a tax is imposed under this
25 title and that person has not obtained from the department a
26 registration certificate as required by RCW 82.32.030, the department
27 must impose a penalty of five percent of the amount of tax due from
28 that person for the period that the person was not registered as
29 required by RCW 82.32.030. The department may not impose the penalty
30 under this subsection (4) if a person who has engaged in business
31 taxable under this title without first having registered as required
32 by RCW 82.32.030, prior to any notification by the department of the
33 need to register, obtains a registration certificate from the
34 department.

35 (5) If the department finds that a taxpayer has disregarded
36 specific written instructions as to reporting or tax liabilities, or
37 willfully disregarded the requirement to file returns or remit
38 payment electronically, as provided by RCW 82.32.080, the department
39 must add a penalty of 10 percent of the amount of the tax that should
40 have been reported and/or paid electronically or the additional tax

1 found due if there is a deficiency because of the failure to follow
2 the instructions. A taxpayer disregards specific written instructions
3 when the department has informed the taxpayer in writing of the
4 taxpayer's tax obligations and the taxpayer fails to act in
5 accordance with those instructions unless, in the case of a
6 deficiency, the department has not issued final instructions because
7 the matter is under appeal pursuant to this chapter or departmental
8 regulations. The department may not assess the penalty under this
9 section upon any taxpayer who has made a good faith effort to comply
10 with the specific written instructions provided by the department to
11 that taxpayer. A taxpayer will be considered to have made a good
12 faith effort to comply with specific written instructions to file
13 returns and/or remit taxes electronically only if the taxpayer can
14 show good cause, as defined in RCW 82.32.080, for the failure to
15 comply with such instructions. A taxpayer will be considered to have
16 willfully disregarded the requirement to file returns or remit
17 payment electronically if the department has mailed or otherwise
18 delivered the specific written instructions to the taxpayer on at
19 least two occasions. Specific written instructions may be given as a
20 part of a tax assessment, audit, determination, closing agreement, or
21 other written communication, provided that such specific written
22 instructions apply only to the taxpayer addressed or referenced on
23 such communication. Any specific written instructions by the
24 department must be clearly identified as such and must inform the
25 taxpayer that failure to follow the instructions may subject the
26 taxpayer to the penalties imposed by this subsection. If the
27 department determines that it is necessary to provide specific
28 written instructions to a taxpayer that does not comply with the
29 requirement to file returns or remit payment electronically as
30 provided in RCW 82.32.080, the specific written instructions must
31 provide the taxpayer with a minimum of 45 days to come into
32 compliance with its electronic filing and/or payment obligations
33 before the department may impose the penalty authorized in this
34 subsection.

35 (6) If the department finds that all or any part of a deficiency
36 resulted from engaging in a disregarded transaction, as described in
37 RCW 82.32.655(3), the department must assess a penalty of 35 percent
38 of the additional tax found to be due as a result of engaging in a
39 transaction disregarded by the department under RCW 82.32.655(2). The
40 penalty provided in this subsection may be assessed together with any

1 other applicable penalties provided in this section on the same tax
2 found to be due, except for the evasion penalty provided in
3 subsection (7) of this section. The department may not assess the
4 penalty under this subsection if, before the department discovers the
5 taxpayer's use of a transaction described under RCW 82.32.655(3), the
6 taxpayer discloses its participation in the transaction to the
7 department.

8 (7) If the department finds that all or any part of the
9 deficiency resulted from an intent to evade the tax payable
10 hereunder, a further penalty of 50 percent of the additional tax
11 found to be due must be added.

12 (8) The penalties imposed under subsections (1) through (4) of
13 this section can each be imposed on the same tax found to be due.
14 This subsection does not prohibit or restrict the application of
15 other penalties authorized by law.

16 (9) The department may not impose the evasion penalty in
17 combination with the penalty for disregarding specific written
18 instructions or the penalty provided in subsection (6) of this
19 section on the same tax found to be due.

20 (10) If a taxpayer substantially underpays an estimated payment
21 of tax imposed under RCW 82.87.040 pursuant to RCW 82.87.110(3),
22 there is assessed a penalty of five percent of the amount of the
23 actual tax due for tax imposed under RCW 82.87.040. As used in this
24 (~~section~~) subsection, "substantially underpaid" means that an
25 individual's estimated payment for taxes imposed under RCW 82.87.040
26 was less than 80 percent of the actual tax due, and at least \$1,000.

27 (11) If the total estimated tax payments under section 501 of
28 this act for the tax year are substantially underpaid, there is
29 assessed a penalty of five percent of the amount of the underpaid
30 tax. If a pass-through entity makes an election under section 502 of
31 this act, this subsection (11) applies to the estimated tax payments
32 of the pass-through entity in lieu of the individual. As used in this
33 subsection, "substantially underpaid" means that an individual's
34 total annual estimated tax payments under section 501 of this act are
35 less than the tax shown on the return required under section 702(1)
36 of this act unless the estimated tax remitted to the department is
37 either: (a) 90 percent of the tax shown on the return required under
38 section 702(1) of this act; or (b) 100 percent of the tax shown on
39 the most recently filed tax return under section 702(1) of this act.

1 (12) For the purposes of this section, "return" means any
2 document a person is required by the state of Washington to file to
3 satisfy or establish a tax or fee obligation that is administered or
4 collected by the department, and that has a statutorily defined due
5 date. "Return" also includes the submission of any estimated payment
6 of tax as provided in RCW 82.87.110(3) and the confirmation of an
7 extension of the filing due date required under RCW 82.87.110(5).

8 NEW SECTION. **Sec. 708.** ESTIMATION AGREEMENTS. The department
9 may reasonably estimate the items of business or nonbusiness income
10 of a taxpayer having an office within the state and one or more other
11 states or foreign countries which may be apportioned or allocated to
12 the state and may enter into estimation agreements with such
13 taxpayers for the determination of their liability for the tax
14 imposed by this chapter.

15 NEW SECTION. **Sec. 709.** PROVISIONS OF INTERNAL REVENUE CODE
16 CONTROL. (1) To the extent possible without being inconsistent with
17 this chapter, all of the provisions of subtitle F (procedure and
18 administration) of the internal revenue code relating to the
19 following subjects apply to the taxes imposed under this chapter:

20 (a) Timing and amount of tax prepayments under section 501 of
21 this act;

22 (b) Liability of transferees; and

23 (c) Time and manner of making returns, extensions of time for
24 filing returns, verification of returns, and the time when a return
25 is deemed to be filed by the department.

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

30 NEW SECTION. **Sec. 710.** RULES. The department may adopt rules
31 under chapter 34.05 RCW for the administration and enforcement of
32 this chapter. The rules, to the extent possible without being
33 inconsistent with this chapter, must follow the internal revenue code
34 and the regulations and rulings of the United States treasury
35 department with respect to the federal income tax. The department may
36 adopt as a part of these rules any portions of the internal revenue

1 code and United States treasury department regulations and rulings,
2 in whole or in part.

3 NEW SECTION. **Sec. 711.** LOCAL GOVERNMENT PUBLIC DEFENSE FUNDING
4 STABILIZATION ACCOUNT. (1) The local government public defense
5 funding stabilization account is hereby created in the state
6 treasury. All receipts specified under section 202(1)(a) of this act
7 must be deposited in the account. Moneys in the account may be spent
8 only after appropriation. Expenditures from the account may be used
9 only for distributions to counties and cities for public defense
10 services consistent with chapter 10.101 RCW. Counties and cities
11 receiving funds must comply with the requirements of RCW 10.101.060.

12 (2) On a quarterly basis, the state treasurer shall distribute
13 moneys deposited in the local government public defense funding
14 stabilization account as follows:

15 (a) 10 percent to cities on a pro rata basis, based upon the
16 annual number of misdemeanor criminal cases filed in courts under
17 each city's jurisdiction, as determined by the office of public
18 defense.

19 (b) The remainder to counties as follows:

20 (i) Six percent shall be distributed as a base allocation among
21 the counties. A county's base allocation is equal to the total amount
22 to be distributed under this subsection (2)(b)(i) divided by 39.

23 (ii) 94 percent shall be distributed as follows:

24 (A) 40 percent shall be distributed on a pro rata basis to each
25 county based on the county's personal income ratio as determined
26 under subsection (3) of this section; and

27 (B) 60 percent shall be distributed on a pro rata basis to each
28 county based upon the annual number of criminal cases filed in the
29 county superior court as a percentage of the total annual number of
30 criminal cases filed in the superior courts of all counties, as
31 determined under subsection (5) of this section.

32 (3) The office of financial management shall calculate each
33 county's personal income ratio by December 31, 2028, and December
34 31st of each year thereafter, using the most recent annual county
35 personal income data published by the federal bureau of economic
36 analysis for the state of Washington and notify the state treasurer.
37 The updated county personal income ratio applies to county
38 distributions in the following calendar year.

1 (4) For the purpose of this section, "county's personal income
2 ratio" means the personal income of the county divided by the
3 personal income of the state of Washington, as determined under
4 subsection (3) of this section.

5 (5) For the purposes of this section, the annual number of
6 criminal cases filed in the county superior court is determined by
7 the most recent annual report of the courts of Washington, as
8 published by the office of the administrator for the courts.

9 (6) For the purposes of this section, the annual number of
10 misdemeanor criminal cases filed in courts under the city's
11 jurisdiction is determined by the most recent annual report of the
12 courts of Washington, as published by the office of the administrator
13 for the courts.

14 **PART VIII**
15 **APPLICATION OF TAX TO PUBLIC PENSIONS**

16 **Sec. 801.** RCW 2.10.180 and 2012 c 159 s 17 are each amended to
17 read as follows:

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

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

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

36 (4) Subsection (1) of this section shall not prohibit the
37 department of retirement systems from complying with (a) a wage
38 assignment order for child support issued pursuant to chapter 26.18

1 RCW, (b) a notice of payroll deduction issued under chapter 26.23
2 RCW, (c) an order to withhold and deliver issued pursuant to chapter
3 74.20A RCW, (d) a mandatory benefits assignment order issued pursuant
4 to chapter 41.50 RCW, (e) a court order directing the department of
5 retirement systems to pay benefits directly to an obligee under a
6 dissolution order as defined in RCW 41.50.500(3) which fully complies
7 with RCW 41.50.670 and 41.50.700, or (f) any administrative or court
8 order expressly authorized by federal law.

9 (5) Subsection (1) of this section does not exempt any pension or
10 other benefit received under this chapter from tax under Title 82A
11 RCW (the new title created in section 1003 of this act).

12 **Sec. 802.** RCW 2.12.090 and 2012 c 159 s 18 are each amended to
13 read as follows:

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

24 (2) Subsection (1) of this section shall not prohibit the
25 department of retirement systems from complying with (a) a wage
26 assignment order for child support issued pursuant to chapter 26.18
27 RCW, (b) a notice of payroll deduction issued under chapter 26.23
28 RCW, (c) an order to withhold and deliver issued pursuant to chapter
29 74.20A RCW, (d) a mandatory benefits assignment order issued pursuant
30 to chapter 41.50 RCW, (e) a court order directing the department of
31 retirement systems to pay benefits directly to an obligee under a
32 dissolution order as defined in RCW 41.50.500(3) which fully complies
33 with RCW 41.50.670 and 41.50.700, or (f) any administrative or court
34 order expressly authorized by federal law.

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

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

4 (5) Subsection (1) of this section does not exempt any pension or
5 other benefit received under this chapter from tax under Title 82A
6 RCW (the new title created in section 1003 of this act).

7 **Sec. 803.** RCW 2.14.100 and 2007 c 108 s 1 are each amended to
8 read as follows:

9 (1) A member who separates from judicial service for any reason
10 is entitled to receive a lump sum distribution of the member's
11 accumulated contributions. The administrator for the courts may adopt
12 rules establishing other payment options, in addition to lump sum
13 distributions, if the other payment options conform to the
14 requirements of the federal internal revenue code.

15 (2) The right of a person to receive a payment under this chapter
16 and the moneys in the accounts created under this chapter are exempt
17 from any state, county, municipal, or other local tax and are not
18 subject to execution, garnishment, attachment, the operation of
19 bankruptcy or insolvency law, or any other process of law whatsoever
20 and is not assignable, except as is otherwise specifically provided
21 in this section.

22 (3) If a judgment, decree or other order, including a
23 court-approved property settlement agreement, that relates to the
24 provision of child support, spousal maintenance, or the marital
25 property rights of a spouse or former spouse, child, or other
26 dependent of a member is made pursuant to the domestic relations law
27 of the state of Washington or such order issued by a court of
28 competent jurisdiction in another state or country, that has been
29 registered or otherwise made enforceable in this state, then the
30 amount of the member's accumulated contributions shall be paid in the
31 manner and to the person or persons so directed in the domestic
32 relations order. However, this subsection does not permit or require
33 a benefit to be paid or to be provided that is not otherwise
34 available under the terms of this chapter or any rules adopted under
35 this chapter. The administrator for the courts shall establish
36 reasonable procedures for determining the status or any such decree
37 or order and for effectuating distribution pursuant to the domestic
38 relations order.

1 (4) The administrator for the courts may pay from a member's
2 accumulated contributions the amount that the administrator finds is
3 lawfully demanded under a levy issued by the internal revenue service
4 with respect to that member or is sought to be collected by the
5 United States government under a judgment resulting from an unpaid
6 tax assessment against the member.

7 (5) Subsection (2) of this section does not exempt any payment or
8 other benefit received under this chapter from tax under Title 82A
9 RCW (the new title created in section 1003 of this act).

10 **Sec. 804.** RCW 6.15.020 and 2011 c 162 s 3 are each amended to
11 read as follows:

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

18 (2) Unless otherwise provided by federal law, any money received
19 by any citizen of the state of Washington as a pension from the
20 government of the United States, whether the same be in the actual
21 possession of such person or be deposited or loaned, shall be exempt
22 from execution, attachment, garnishment, or seizure by or under any
23 legal process whatever, and when a debtor dies, or absconds, and
24 leaves his or her family any money exempted by this subsection, the
25 same shall be exempt to the family as provided in this subsection.
26 This subsection shall not apply to child support collection actions
27 issued under chapter 26.18, 26.23, or 74.20A RCW, if otherwise
28 permitted by federal law, or to collection actions for taxes imposed
29 under Title 82A RCW (the new title created in section 1003 of this
30 act).

31 (3) The right of a person to a pension, annuity, or retirement
32 allowance or disability allowance, or death benefits, or any optional
33 benefit, or any other right accrued or accruing to any citizen of the
34 state of Washington under any employee benefit plan, and any fund
35 created by such a plan or arrangement, shall be exempt from
36 execution, attachment, garnishment, or seizure by or under any legal
37 process whatever. This subsection shall not apply to child support
38 collection actions issued under chapter 26.18, 26.23, or 74.20A RCW
39 if otherwise permitted by federal law, or to collection actions for

1 taxes imposed under Title 82A RCW (the new title created in section
2 1003 of this act). This subsection shall permit benefits under any
3 such plan or arrangement to be payable to a spouse, former spouse,
4 child, or other dependent of a participant in such plan to the extent
5 expressly provided for in a qualified domestic relations order that
6 meets the requirements for such orders under the plan, or, in the
7 case of benefits payable under a plan described in 26 U.S.C. Sec.
8 403(b) or 408 of the internal revenue code of 1986, as amended, or
9 section 409 of such code as in effect before January 1, 1984, to the
10 extent provided in any order issued by a court of competent
11 jurisdiction that provides for maintenance or support. This
12 subsection does not prohibit actions against an employee benefit
13 plan, or fund for valid obligations incurred by the plan or fund for
14 the benefit of the plan or fund.

15 (4) For the purposes of this section, the term "employee benefit
16 plan" means any plan or arrangement that is described in RCW
17 49.64.020, including any Keogh plan, whether funded by a trust or by
18 an annuity contract, and in 26 U.S.C. Sec. 401(a) or 403(a) of the
19 internal revenue code of 1986, as amended; or that is a tax-sheltered
20 annuity or a custodial account described in section 403(b) of such
21 code or an individual retirement account or an individual retirement
22 annuity described in section 408 of such code; or a Roth individual
23 retirement account described in section 408A of such code; or a
24 medical savings account or a health savings account described in
25 sections 220 and 223, respectively, of such code; or a retirement
26 bond described in section 409 of such code as in effect before
27 January 1, 1984. The term "employee benefit plan" shall not include
28 any employee benefit plan that is established or maintained for its
29 employees by the government of the United States, by the state of
30 Washington under chapter 2.10, 2.12, 41.26, 41.32, 41.34, 41.35,
31 41.37, 41.40, or 43.43 RCW or RCW 41.50.770, or by any agency or
32 instrumentality of the government of the United States.

33 (5) An employee benefit plan shall be deemed to be a spendthrift
34 trust, regardless of the source of funds, the relationship between
35 the trustee or custodian of the plan and the beneficiary, or the
36 ability of the debtor to withdraw or borrow or otherwise become
37 entitled to benefits from the plan before retirement. This subsection
38 shall not apply to child support collection actions issued under
39 chapter 26.18, 26.23, or 74.20A RCW, if otherwise permitted by
40 federal law, or to collection actions for taxes imposed under Title

1 82A RCW (the new title created in section 1003 of this act). This
2 subsection shall permit benefits under any such plan or arrangement
3 to be payable to a spouse, former spouse, child, or other dependent
4 of a participant in such plan to the extent expressly provided for in
5 a qualified domestic relations order that meets the requirements for
6 such orders under the plan, or, in the case of benefits payable under
7 a plan described in 26 U.S.C. Sec. 403(b) or 408 of the internal
8 revenue code of 1986, as amended, or section 409 of such code as in
9 effect before January 1, 1984, to the extent provided in any order
10 issued by a court of competent jurisdiction that provides for
11 maintenance or support.

12 (6) Unless prohibited by federal law, nothing contained in
13 subsection (3), (4), or (5) of this section shall be construed as a
14 termination or limitation of a spouse's community property interest
15 in an employee benefit plan held in the name of or on account of the
16 other spouse, who is the participant or the account holder spouse.
17 Unless prohibited by applicable federal law, at the death of the
18 nonparticipant, nonaccount holder spouse, the nonparticipant,
19 nonaccount holder spouse may transfer or distribute the community
20 property interest of the nonparticipant, nonaccount holder spouse in
21 the participant or account holder spouse's employee benefit plan to
22 the nonparticipant, nonaccount holder spouse's estate, testamentary
23 trust, inter vivos trust, or other successor or successors pursuant
24 to the last will of the nonparticipant, nonaccount holder spouse or
25 the law of intestate succession, and that distributee may, but shall
26 not be required to, obtain an order of a court of competent
27 jurisdiction, including a nonjudicial binding agreement or order
28 entered under chapter 11.96A RCW, to confirm the distribution. For
29 purposes of subsection (3) of this section, the distributee of the
30 nonparticipant, nonaccount holder spouse's community property
31 interest in an employee benefit plan shall be considered a person
32 entitled to the full protection of subsection (3) of this section.
33 The nonparticipant, nonaccount holder spouse's consent to a
34 beneficiary designation by the participant or account holder spouse
35 with respect to an employee benefit plan shall not, absent clear and
36 convincing evidence to the contrary, be deemed a release, gift,
37 relinquishment, termination, limitation, or transfer of the
38 nonparticipant, nonaccount holder spouse's community property
39 interest in an employee benefit plan. For purposes of this
40 subsection, the term "nonparticipant, nonaccount holder spouse" means

1 the spouse of the person who is a participant in an employee benefit
2 plan or in whose name an individual retirement account is maintained.
3 As used in this subsection, an order of a court of competent
4 jurisdiction entered under chapter 11.96A RCW includes an agreement,
5 as that term is used under RCW 11.96A.220.

6 **Sec. 805.** RCW 41.24.240 and 1995 c 11 s 13 are each amended to
7 read as follows:

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

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

25 (3) Subsection (1) of this section does not exempt any pension or
26 other benefit received under this chapter from tax under Title 82A
27 RCW (the new title created in section 1003 of this act).

28 **Sec. 806.** RCW 41.32.052 and 2012 c 159 s 20 are each amended to
29 read as follows:

30 (1) Subject to subsections (2) ~~((and))~~, (3), and (4) of this
31 section, the right of a person to a pension, an annuity, a retirement
32 allowance, or disability allowance, to the return of contributions,
33 any optional benefit or death benefit, any other right accrued or
34 accruing to any person under the provisions of this chapter and the
35 moneys in the various funds created by this chapter shall be
36 unassignable, and are hereby exempt from any state, county, municipal
37 or other local tax, and shall not be subject to execution,
38 garnishment, attachment, the operation of bankruptcy or insolvency

1 laws, or other process of law whatsoever whether the same be in
2 actual possession of the person or be deposited or loaned.

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

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

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

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

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

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

33 (4) Subsection (1) of this section does not exempt any pension or
34 other benefit received under this chapter from tax under Title 82A
35 RCW (the new title created in section 1003 of this act).

36 **Sec. 807.** RCW 41.34.080 and 2012 c 159 s 23 are each amended to
37 read as follows:

38 (1) Subject to subsections (2) (~~and~~), (3), and (4) of this
39 section, the right of a person to a pension, an annuity, a retirement

1 allowance, any optional benefit, any other right accrued or accruing
2 to any person under the provisions of this chapter, and the various
3 funds created by chapter 239, Laws of 1995; chapter 341, Laws of
4 1998; and chapter 247, Laws of 2000 and all moneys and investments
5 and income thereof, is hereby exempt from any state, county,
6 municipal, or other local tax, and shall not be subject to execution,
7 garnishment, attachment, the operation of bankruptcy or insolvency
8 laws, or other process of law whatsoever, whether the same be in
9 actual possession of the person or be deposited or loaned and shall
10 be unassignable.

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

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

36 (4) Subsection (1) of this section does not exempt any pension or
37 other benefit received under this chapter from tax under Title 82A
38 RCW (the new title created in section 1003 of this act).

1 **Sec. 808.** RCW 41.35.100 and 2012 c 159 s 24 are each amended to
2 read as follows:

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

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

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

1 (4) Subsection (1) of this section does not exempt any pension or
2 other benefit received under this chapter from tax under Title 82A
3 RCW (the new title created in section 1003 of this act).

4 **Sec. 809.** RCW 41.37.090 and 2012 c 159 s 25 are each amended to
5 read as follows:

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

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

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

1 (4) Subsection (1) of this section does not exempt any pension or
2 other benefit received under this chapter from tax under Title 82A
3 RCW (the new title created in section 1003 of this act).

4 **Sec. 810.** RCW 41.40.052 and 2012 c 159 s 26 are each amended to
5 read as follows:

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

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

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

35 (3) Subsection (1) of this section shall not prohibit the
36 department from complying with (a) a wage assignment order for child
37 support issued pursuant to chapter 26.18 RCW, (b) an order to
38 withhold and deliver issued pursuant to chapter 74.20A RCW, (c) ~~((a~~
39 ~~notice of payroll deduction))~~ an income withholding order issued

1 pursuant to RCW 26.23.060, (d) a mandatory benefits assignment order
2 issued by the department, (e) a court order directing the department
3 of retirement systems to pay benefits directly to an obligee under a
4 dissolution order as defined in RCW 41.50.500(3) which fully complies
5 with RCW 41.50.670 and 41.50.700, or (f) any administrative or court
6 order expressly authorized by federal law.

7 (4) Subsection (1) of this section does not exempt any pension or
8 other benefit received under this chapter from tax under Title 82A
9 RCW (the new title created in section 1003 of this act).

10 **Sec. 811.** RCW 41.44.240 and 2012 c 159 s 27 are each amended to
11 read as follows:

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

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

28 (3) Subsection (1) of this section does not exempt any pension or
29 other benefit received under this chapter from tax under Title 82A
30 RCW (the new title created in section 1003 of this act).

31 **Sec. 812.** RCW 41.26.053 and 2012 c 159 s 21 are each amended to
32 read as follows:

33 (1) Subject to subsections (2) ~~((and)),~~ (3), and (4) of this
34 section, the right of a person to a retirement allowance, disability
35 allowance, or death benefit, to the return of accumulated
36 contributions, the retirement, disability or death allowance itself,
37 any optional benefit, any other right accrued or accruing to any
38 person under the provisions of this chapter, and the moneys in the

1 fund created under this chapter, are hereby exempt from any state,
2 county, municipal, or other local tax and shall not be subject to
3 execution, garnishment, attachment, the operation of bankruptcy or
4 insolvency laws, or any other process of law whatsoever, whether the
5 same be in actual possession of the person or be deposited or loaned
6 and shall be unassignable.

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

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

26 (4) Subsection (1) of this section does not exempt any pension or
27 other benefit received under this chapter from tax under Title 82A
28 RCW (the new title created in section 1003 of this act).

29 **Sec. 813.** RCW 43.43.310 and 2012 c 159 s 28 are each amended to
30 read as follows:

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

1 loaned and shall be unassignable except as herein specifically
2 provided.

3 (2) Subsection (1) of this section shall not prohibit the
4 department of retirement systems from complying with (a) a wage
5 assignment order for child support issued pursuant to chapter 26.18
6 RCW, (b) an order to withhold and deliver issued pursuant to chapter
7 74.20A RCW, (c) ~~((a notice of payroll deduction))~~ an income
8 withholding order issued pursuant to RCW 26.23.060, (d) a mandatory
9 benefits assignment order issued pursuant to chapter 41.50 RCW, (e) a
10 court order directing the department of retirement systems to pay
11 benefits directly to an obligee under a dissolution order as defined
12 in RCW 41.50.500(3) which fully complies with RCW 41.50.670 and
13 41.50.700, or (f) any administrative or court order expressly
14 authorized by federal law.

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

22 (4) Subsection (1) of this section does not exempt any pension or
23 other benefit received under this chapter from tax under Title 82A
24 RCW (the new title created in section 1003 of this act).

25 **PART IX**
26 **TAX RELIEF**

27 **Sec. 901.** RCW 82.08.0206 and 2024 c 3 s 1 are each amended to
28 read as follows:

29 (1) A working families' tax credit, funded by sales and use tax
30 imposed, is provided to eligible low-income persons for calendar
31 years beginning on or after January 1, 2022. The credit is refundable
32 and is calculated as provided in this section.

33 (2) For purposes of the credit in this section, the following
34 definitions apply:

35 (a) (i) "Eligible low-income person" means an individual who:

36 (A) Is eligible for the credit provided in Title 26 U.S.C. Sec.
37 32 of the internal revenue code;

1 (B) Properly files a federal income tax return for the prior
2 federal tax year, and was a Washington resident during the year for
3 which the credit is claimed; and

4 (C) Has paid either retail sales tax under this chapter or use
5 tax under chapter 82.12 RCW, or both. There is a rebuttable
6 presumption that a person paid either retail sales tax under this
7 chapter or use tax under chapter 82.12 RCW, or both, if they were a
8 Washington resident during the year for which the credit is claimed.

9 (ii) "Eligible low-income person" also means an individual who
10 meets the requirements provided in (a)(i)(B) of this subsection and
11 would otherwise qualify for the credit provided in Title 26 U.S.C.
12 Sec. 32 of the internal revenue code except that one or any
13 combination of the following conditions apply:

14 (A) The individual filed a federal income tax return for the
15 prior federal tax year using a valid individual taxpayer
16 identification number in lieu of a social security number, and the
17 individual's spouse, if any, and all qualifying children, if any,
18 have a valid individual taxpayer identification number or a social
19 security number; ((~~or~~))

20 (B) The individual filed their federal income tax return for the
21 prior federal tax year under the married filing separately status.
22 For purposes of the refund provided in this section, the special rule
23 for separated spouse under Title 26 U.S.C. Sec. 32(d)(2)(B) of the
24 internal revenue code does not apply; or

25 (C) The individual does not meet the age requirement under Title
26 26 U.S.C. Sec. 32(c)(1)(A)(ii)(II) of the internal revenue code, but
27 is at least age 18 by the end of the prior federal tax year.

28 (b) "Income" means earned income as defined by Title 26 U.S.C.
29 Sec. 32 of the internal revenue code.

30 (c) "Individual" means an individual or an individual and that
31 individual's spouse if they file a federal joint income tax return.

32 (d) "Internal revenue code" means the United States internal
33 revenue code of 1986, as amended, as of June 9, 2022, or such
34 subsequent date as the department may provide by rule consistent with
35 the purpose of this section.

36 (e) "Maximum qualifying income" means the maximum federally
37 adjusted gross income for the prior federal tax year.

38 (f) "Qualifying child" means a qualifying child as defined by
39 Title 26 U.S.C. Sec. 32 of the internal revenue code, except the

1 child may have a valid individual taxpayer identification number in
2 lieu of a social security number.

3 (g) "Washington resident" means an individual who is physically
4 present and residing in this state for at least 183 days. "Washington
5 resident" also includes an individual who is not physically present
6 and residing in this state for at least 183 days but is the spouse of
7 a Washington resident. For purposes of this subsection, "day" means a
8 calendar day or any portion of a calendar day.

9 (3) (a) Except as provided in (b) and (c) of this subsection, for
10 calendar year 2023 and thereafter, the working families' tax credit
11 refund amount for the prior calendar year is:

- 12 (i) \$300 for eligible persons with no qualifying children;
- 13 (ii) \$600 for eligible persons with one qualifying child;
- 14 (iii) \$900 for eligible persons with two qualifying children; or
- 15 (iv) \$1,200 for eligible persons with three or more qualifying
16 children.

17 (b) Except as provided in (f) of this subsection, the refund
18 amounts provided in (a) of this subsection will be reduced, rounded
19 to the nearest dollar, as follows:

20 (i) For eligible persons with no qualifying children, beginning
21 at \$2,500 of income below the federal phase-out income for the prior
22 federal tax year, by 18 percent per additional dollar of income until
23 the minimum credit amount as specified in (c) of this subsection is
24 reached.

25 (ii) For eligible persons with one qualifying child, beginning at
26 \$5,000 of income below the federal phase-out income for the prior
27 federal tax year, by 12 percent per additional dollar of income until
28 the minimum credit amount as specified in (c) of this subsection is
29 reached.

30 (iii) For eligible persons with two qualifying children,
31 beginning at \$5,000 of income below the federal phase-out income for
32 the prior federal tax year, by 15 percent per additional dollar of
33 income until the minimum credit amount as specified in (c) of this
34 subsection is reached.

35 (iv) For eligible persons with three or more qualifying children,
36 beginning at \$5,000 of income below the federal phase-out income for
37 the prior federal tax year, by 18 percent per additional dollar of
38 income until the minimum credit amount as specified in (c) of this
39 subsection is reached.

1 (c) If the refund for an eligible person as calculated in this
2 section is greater than zero cents, but less than \$50, the refund
3 amount is \$50.

4 (d) The refund amounts in this section shall be adjusted for
5 inflation every year beginning January 1, 2024, based upon changes in
6 the consumer price index that are published by November 15th of the
7 previous year for the most recent 12-month period. The adjusted
8 refund amounts must be rounded to the nearest \$5.

9 (e) For purposes of this section, "consumer price index" means,
10 for any 12-month period, the average consumer price index for that
11 12-month period for the Seattle, Washington area for urban wage
12 earners and clerical workers, all items, compiled by the bureau of
13 labor statistics, United States department of labor.

14 (f) The percentage rate of remittance reductions in (b) of this
15 subsection must be adjusted every year beginning January 1, 2023,
16 based on calculations by the department that result in the minimum
17 credit being received at the maximum qualifying income level.

18 (4) The working families' tax credit shall be administered as
19 provided in this subsection.

20 (a) The refund paid under this section will be paid to eligible
21 filers who apply pursuant to this subsection.

22 (i) Application must be made to the department in a form and
23 manner determined by the department. If the application process is
24 initially done electronically, the department must provide a paper
25 application upon request. The application must include any
26 information and documentation as required by the department. The
27 department may use the information provided by the individual to
28 calculate the refund amount. Income reported on the application may
29 be rounded to the nearest dollar.

30 (ii) An individual applying for the credit under this section
31 must keep records necessary for the department to verify eligibility
32 under this section. Any information provided by the individual is
33 subject to audit verification by the department.

34 (iii) In addition to information provided on the application, the
35 department may verify that an individual qualifies as a Washington
36 resident through the use of automated verification tools or other
37 reasonable means.

38 (iv) (A) Except as provided in (a) (iv) (B) of this subsection (4),
39 application for a refund under this section must be made in the year
40 following the year for which the federal tax return was filed, but in

1 no case may any refund be provided for any period before January 1,
2 2022.

3 (B)(I) A person may apply for any refund for which they were
4 eligible but did not claim under (a)(iv)(A) of this subsection (4)
5 for up to three additional years. A person must complete an
6 application to claim this refund within the three calendar years
7 after the end of the calendar year in which the federal income tax
8 return for that tax year was legally due for federal income tax
9 purposes, without regard to any federal extension.

10 (II) If a person seeks to increase the amount of a refund that
11 has been made under this subsection (4), the person must apply for
12 the amended refund within the nonclaims period established under RCW
13 82.32.060(1).

14 (v) A person may not claim a credit on behalf of a deceased
15 individual. No individual may claim a credit under this section for
16 any year in a disallowance period under Title 26 U.S.C. Sec. 32(k)(1)
17 of the internal revenue code or for any year for which the individual
18 is ineligible to claim the credit in Title 26 U.S.C. Sec. 32 of the
19 internal revenue code by reason of Title 26 U.S.C. Sec. 32(k)(2) of
20 the internal revenue code.

21 (b) The department shall protect the privacy and confidentiality
22 of personal data of refund recipients in accordance with chapter
23 82.32 RCW.

24 (c) The department shall, in conjunction with other agencies or
25 organizations, design and implement a public information campaign to
26 inform potentially eligible persons of the existence of, and
27 requirements for, the credit provided in this section.

28 (d) The department must work with the internal revenue service of
29 the United States to administer the credit on an automatic basis as
30 soon as practicable.

31 (5) Receipt of a refund under this section may not be used in
32 eligibility determinations for any state income support programs or
33 in making public charge determinations.

34 (6) The department may adopt rules necessary to implement this
35 section. This includes establishing a date by which applications will
36 be accepted, with the aim of accepting applications as soon as
37 possible.

38 (7) The department must review the application and determine
39 eligibility for the working families' tax credit based on information
40 provided by the applicant and through audit and other administrative

1 records, including, when it deems it necessary, verification through
2 information from the internal revenue service of the United States,
3 other federal agencies, Washington state agencies, third-party
4 entities, or other persons. The department may accept a signed
5 attestation in a form and manner determined by the department from an
6 individual to presumptively validate that an individual meets all the
7 eligibility requirements as provided in this section. The signed
8 attestation is subject to audit verification by the department to
9 validate an individual's eligibility for the working families' tax
10 credit.

11 (8) If, upon review of internal revenue service data or other
12 information obtained by the department, it appears that an individual
13 received a refund that the individual was not entitled to, or
14 received a larger refund than the individual was entitled to, the
15 department may assess against the individual the overpaid amount. The
16 department may also assess such overpaid amount against the
17 individual's spouse if the refund in question was based on both
18 spouses filing a joint federal income tax return for the year for
19 which the refund was claimed.

20 (a) Interest as provided under RCW 82.32.050 applies to
21 assessments authorized under this subsection (8) starting six months
22 after the date the department issued the assessment until the amount
23 due under this subsection (8) is paid in full to the department.
24 Except as otherwise provided in this subsection, penalties may not be
25 assessed on amounts due under this subsection.

26 (b) If an amount due under this subsection is not paid in full by
27 the date due, or the department issues a warrant for the collection
28 of amounts due under this subsection, the department may assess the
29 applicable penalties under RCW 82.32.090. Penalties under this
30 subsection (8)(b) may not be made due until six months after the
31 department's issuance of the assessment.

32 (c) If the department finds by clear, cogent, and convincing
33 evidence that an individual knowingly submitted, caused to be
34 submitted, or consented to the submission of, a fraudulent claim for
35 refund under this section, the department must assess a penalty of 50
36 percent of the overpaid amount. This penalty is in addition to any
37 other applicable penalties assessed in accordance with (b) of this
38 subsection (8).

39 (9) If, within the period allowed for refunds under RCW
40 82.32.060, the department finds that an individual received a lesser

1 refund than the individual was entitled to, the department must remit
2 the additional amount due under this section to the individual.

3 (10) Interest does not apply to refunds provided under this
4 section.

5 (11) Chapter 82.32 RCW applies to the administration of this
6 section.

7 **Sec. 902.** 2023 c 456 s 3 (uncodified) is amended to read as
8 follows:

9 (1) This section is the tax preference performance statement for
10 the tax preference contained in section 2, chapter 195, Laws of 2021
11 (~~and~~), section 1, chapter 456, Laws of 2023, and section 901,
12 chapter . . ., Laws of 2026 (section 901 of this act). This
13 performance statement is only intended to be used for subsequent
14 evaluation of the tax preference. It is not intended to create a
15 private right of action by any party or be used to determine
16 eligibility for the preferential tax treatment.

17 (2) The legislature categorizes this tax preference as one
18 intended to provide tax relief for certain individuals as indicated
19 in RCW 82.32.808(2) (e).

20 (3) It is the legislature's specific public policy objective to
21 allow low-income and middle-income workers to recover some or all of
22 the sales tax they pay to support state and local government as a way
23 to increase their economic security and to decrease the regressivity
24 of our state tax code. It is the legislature's intent to provide a
25 sales and use tax credit, in the form of a remittance, to low-income
26 and middle-income working families.

27 (4) The joint legislative audit and review committee shall review
28 this preference in 2028 and every 10 years thereafter. If a review
29 finds that the working families' tax credit does not provide
30 meaningful financial relief to low-income and middle-income
31 households, RCW 82.08.0206 expires at the end of the calendar year
32 two years after the adoption of the final report containing that
33 finding. The joint legislative audit and review committee shall
34 provide written notice of the expiration date of RCW 82.08.0206 to
35 the department of revenue, the chief clerk of the house of
36 representatives, the secretary of the senate, the office of the code
37 reviser, and others as deemed appropriate by the joint legislative
38 audit and review committee. In its review of the program, the joint
39 legislative audit and review committee should use at least the

1 following metrics: Size of the benefit per household, number of
2 household beneficiaries statewide, and demographic information of
3 beneficiaries to include family size, income level, race and
4 ethnicity, and geographic location.(5) In order to obtain the data
5 necessary to perform the review in subsection (4) of this section,
6 the joint legislative audit and review committee may refer to the
7 remittance data prepared by the department of revenue.

8 NEW SECTION. **Sec. 903.** A new section is added to chapter 82.08
9 RCW to read as follows:

10 (1) Beginning January 1, 2029, the tax levied by RCW 82.08.020
11 does not apply to the sales of grooming and hygiene products.

12 (2) For the purpose of this section, "grooming and hygiene
13 products" means soaps and cleaning solutions, shampoo, toothpaste,
14 mouthwash, antiperspirants, and sun tan lotions and screens,
15 regardless of whether the item meets the definition of "over-the-
16 counter drug," as defined in RCW 82.08.0281.

17 NEW SECTION. **Sec. 904.** A new section is added to chapter 82.12
18 RCW to read as follows:

19 (1) Beginning January 1, 2029, the tax levied by RCW 82.12.020
20 does not apply to the use of grooming and hygiene products.

21 (2) For purposes of this section, "grooming and hygiene products"
22 has the same meaning as provided in section 903 of this act.

23 **Sec. 905.** RCW 82.04.4451 and 2022 c 295 s 1 are each amended to
24 read as follows:

25 (1) In computing the tax imposed under this chapter, a credit is
26 allowed against the amount of tax otherwise due under this chapter,
27 as provided in this section. Except for taxpayers that report at
28 least 50 percent of their taxable amount under RCW 82.04.255,
29 82.04.290(2)(a), and 82.04.285, the maximum credit for a taxpayer for
30 a reporting period is (~~(\$55)~~) \$125 multiplied by the number of months
31 in the reporting period, as determined under RCW 82.32.045. For a
32 taxpayer that reports at least 50 percent of its taxable amount under
33 RCW 82.04.255, 82.04.290(2)(a), and 82.04.285, the maximum credit for
34 a reporting period is (~~(\$160)~~) \$375 multiplied by the number of
35 months in the reporting period, as determined under RCW 82.32.045.

1 (2) When the amount of tax otherwise due under this chapter is
2 equal to or less than the maximum credit, a credit is allowed equal
3 to the amount of tax otherwise due under this chapter.

4 (3) When the amount of tax otherwise due under this chapter
5 exceeds the maximum credit, a reduced credit is allowed equal to
6 twice the maximum credit, minus the tax otherwise due under this
7 chapter, but not less than zero.

8 (4) The department may prepare a tax credit table consisting of
9 tax ranges using increments of no more than five dollars and a
10 corresponding tax credit to be applied to those tax ranges. The table
11 shall be prepared in such a manner that no taxpayer will owe a
12 greater amount of tax by using the table than would be owed by
13 performing the calculation under subsections (1) through (3) of this
14 section. A table prepared by the department under this subsection
15 must be used by all taxpayers in taking the credit provided in this
16 section.

17 **Sec. 906.** RCW 82.32.045 and 2023 c 374 s 12 are each amended to
18 read as follows:

19 (1) Except as otherwise provided in this chapter and subsection
20 (6) of this section, payments of the taxes imposed under chapters
21 82.04, 82.08, 82.12, 82.14, 82.16, and 82.27 RCW, along with reports
22 and returns on forms prescribed by the department, are due monthly
23 within 25 days after the end of the month in which the taxable
24 activities occur.

25 (2) The department of revenue may relieve any taxpayer or class
26 of taxpayers from the obligation of remitting monthly and may require
27 the return to cover other longer reporting periods, but in no event
28 may returns be filed for a period greater than one year. Except as
29 provided in subsection (3) of this section, for these taxpayers, tax
30 payments are due on or before the last day of the month next
31 succeeding the end of the period covered by the return.

32 (3) For annual filers, tax payments, along with reports and
33 returns on forms prescribed by the department, are due on or before
34 April 15th of the year immediately following the end of the period
35 covered by the return.

36 (4) The department of revenue may also require verified annual
37 returns from any taxpayer, setting forth such additional information
38 as it may deem necessary to correctly determine tax liability.

1 (5) Notwithstanding subsections (1) and (2) of this section, the
2 department may relieve any person of the requirement to file returns
3 if the following conditions are met:

4 (a) The person's value of products, gross proceeds of sales, or
5 gross income of the business, from all business activities taxable
6 under chapter 82.04 RCW, is less than (~~(\$125,000)~~) \$250,000 per year;

7 (b) The person's gross income of the business from all activities
8 taxable under chapter 82.16 RCW is less than \$24,000 per year; and

9 (c) The person is not required to collect or pay to the
10 department of revenue any other tax or fee which the department is
11 authorized to collect.

12 (6) (a) Taxes imposed under chapter 82.08 or 82.12 RCW on taxable
13 events that occur beginning January 1, 2019, through June 30, 2019,
14 and payable by a consumer directly to the department are due, on
15 returns prescribed by the department, by July 25, 2019.

16 (b) This subsection (6) does not apply to the reporting and
17 payment of taxes imposed under chapters 82.08 and 82.12 RCW:

18 (i) On the retail sale or use of motor vehicles, vessels, or
19 aircraft; or

20 (ii) By consumers who are engaged in business, unless the
21 department has relieved the consumer of the requirement to file
22 returns pursuant to subsection (5) of this section.

23 **Sec. 907.** RCW 82.04.288 and 2025 c 420 s 201 are each amended to
24 read as follows:

25 (1) Beginning January 1, 2026, in addition to all other taxes
26 imposed under this chapter, persons must pay a surcharge on
27 Washington taxable income over \$250,000,000 in a calendar year.

28 (2) The rate of the tax is 0.5 percent of the amount of
29 Washington taxable income over \$250,000,000.

30 (3) (a) Any Washington taxable income subject to the tax in RCW
31 82.04.29004 is exempt from the surcharge imposed in this section.

32 (b) (i) Any Washington taxable income subject to the manufacturing
33 tax rates in RCW 82.04.240, 82.04.2404, 82.04.241, 82.04.260,
34 82.04.2602, 82.04.287, 82.04.2909, or 82.04.294(1) is exempt from the
35 surcharge imposed in this section.

36 (ii) Any Washington taxable income attributable to the wholesale
37 or retail sale of products so manufactured by a person subject to the
38 manufacturing tax rates specified in (b) (i) of this subsection (3) is
39 exempt from the surcharge imposed in this section.

1 (iii) Any Washington taxable income attributable to retail sales
2 that are exempt from the imposition of sales tax in RCW 82.08.0293,
3 82.08.0297, and 82.08.0281 is exempt from the surcharge imposed in
4 this section.

5 (iv) Any Washington taxable income subject to the tax rates in
6 RCW 82.04.260(12) is exempt from the surcharge imposed in this
7 section.

8 (v) Any Washington taxable income attributable to the wholesale
9 or retail sale of petroleum products by a person who is both located
10 in a state other than Washington and the owner of such materials
11 processed for it in Washington by an affiliated processor for hire
12 subject to the rate in RCW 82.04.280(1)(c), is exempt from the
13 surcharge imposed in this section. For the purposes of this
14 subsection (3)(b)(v), the following definitions apply:

15 (A) "Affiliated" means a person that directly or indirectly,
16 through one or more intermediaries, controls, is controlled by, or is
17 under common control with another person;

18 (B) "Control" means the possession, directly or indirectly, of
19 more than 50 percent of the power to direct or cause the direction of
20 the management and policies of a person, whether through the
21 ownership of voting shares, by contract, or otherwise; and

22 (C) "Petroleum product" has the same meaning as in RCW 82.21.020.

23 (4)(a) The surcharge imposed under this section does not apply to
24 taxable income for which a credit is allowed under RCW 82.04.440.

25 (b) The surcharge imposed under this section does not apply to a
26 person engaged in business primarily as a farmer or eligible apiarist
27 as defined in RCW 82.04.213.

28 (c) The surcharge imposed under this section does not apply to a
29 person subject to the tax imposed pursuant to RCW 82.04.299.

30 (d) The surcharge imposed under this section does not apply to
31 taxable income for wholesale and retail transactions of fuel as
32 defined in RCW 82.38.020.

33 (5) Any income that is exempt from the surcharge imposed under
34 this section is not included in the calculation of Washington taxable
35 income in subsection (1) of this section.

36 (6) This section expires December 31, (~~2029~~) 2028.

37 NEW SECTION. **Sec. 908.** Sections 905 and 906 of this act apply
38 to taxes initially due and payable on or after January 1, 2029.

PART X
MISCELLANEOUS

Sec. 1001. RCW 1.90.100 and 2024 c 5 s 1 (Initiative Measure No. 2111) are each amended to read as follows:

(1) Neither the state nor any county, city, or other local jurisdiction in the state of Washington may tax any individual person on any form of personal income. For the purposes of this chapter, "income" has the same meaning as "gross income" in 26 U.S.C. Sec. 61.

(2) Subsection (1) of this section does not apply to the tax authorized in chapter 82A.--- RCW (the new chapter created in section 1003 of this act).

NEW SECTION. **Sec. 1002.** NULL AND VOID. If a court of final jurisdiction invalidates section 201 of this act, this act is null and void in its entirety.

NEW SECTION. **Sec. 1003.** CODIFICATION. Sections 101 through 704 and 708 through 711 of this act constitute a new chapter in a new title in the Revised Code of Washington, to be codified as Title 82A RCW.

NEW SECTION. **Sec. 1004.** CONFORMING AMENDMENTS. If any amendments in this act, or any sections enacted or affected by chapter . . ., Laws of 2026 (this act), are enacted in a 2026 legislative session that do not take cognizance of chapter . . ., Laws of 2026 (this act), the code reviser must prepare a bill for introduction in the 2027 or 2028 legislative session that incorporates any such amendments into the reorganization adopted by chapter . . ., Laws of 2026 (this act) and corrects any incorrect cross-references.

NEW SECTION. **Sec. 1005.** (1) Section 901 of this act takes effect January 1, 2029.

(2) Refunds may not be provided under section 901 of this act for any period before January 1, 2028.

NEW SECTION. **Sec. 1006.** Except as provided in section 902 of this act, RCW 82.32.805 and 82.32.808 do not apply to this act.

1 NEW SECTION. **Sec. 1007.** The tax imposed in this act is
2 necessary for the support of the state government and its existing
3 public institutions.

4 NEW SECTION. **Sec. 1008.** It is the intent of the legislature for
5 the department of revenue to spend appropriated amounts to implement
6 this act regardless of litigation."

SSB 6346 - S AMD 679
By Senator Pedersen

ADOPTED AS AMENDED 02/16/2026

7 On page 1, line 5 of the title, after "millionaires;" strike the
8 remainder of the title and insert "amending RCW 82.32.050, 82.32.060,
9 82.32.090, 2.10.180, 2.12.090, 2.14.100, 6.15.020, 41.24.240,
10 41.32.052, 41.34.080, 41.35.100, 41.37.090, 41.40.052, 41.44.240,
11 41.26.053, 43.43.310, 82.08.0206, 82.04.4451, 82.32.045, 82.04.288,
12 and 1.90.100; amending 2023 c 456 s 3 (uncodified); adding a new
13 section to chapter 82.08 RCW; adding a new section to chapter 82.12
14 RCW; adding a new Title to the Revised Code of Washington to be
15 codified as Title 82A RCW; creating new sections; prescribing
16 penalties; providing an effective date; and providing an expiration
17 date."

EFFECT: • Removes authority for DOR to periodically update the internal revenue code used for computing tax liability.
• Clarifies the definition of pass-through entity.
• Specifies that the credit for income taxes due to another jurisdiction can also be paid by a pass-through entity in which an individual is an owner.
• Allows charitable deductions claimed for state capital gains tax purposes to offset the amount of long-term capital gains included in the computation of Washington base income for the new tax.
• Specifies that income from an incomplete nongrantor trust is included in an individual's computation of Washington base income.
• Allows owners in a pass-through entity to separately opt in or opt out of a pass-through entity tax election.
• Eliminates criminal liability for any person required to collect tax who knowingly fails to truthfully account for or pay over the tax (since the bill does not include tax collection or withholding requirements).
• Authorizes DOR to create Washington-specific reporting requirements such as a Washington schedule K-1 form.
• Allows an automatic extension for state tax filing purposes if the taxpayer has obtained an extension for federal income tax purposes.

- Specifies that the penalty for failure to file a return is based on the unpaid portion of the tax due.
- Specifies that if the federal government extends the due date for filing a tax return, paying tax, or both, by reason of natural disaster or other occurrence, the corresponding deadlines for the state tax must be adjusted in the same manner.
- Clarifies that a spouse or state registered domestic partner is relieved of joint liability if the individual obtains relief under either federal spousal relief provisions or similar state-level spousal relief provisions.
- Provides that when spouses or state registered domestic partners file separate returns, income, gains, losses, deductions, and credits must be divided in a manner consistent with the community property laws of this state and the applicable provisions of the internal revenue code and its accompanying regulations.
- Clarifies the five percent penalty for substantially underpaid estimated tax payments, which applies to underpaid estimated payments unless the estimated tax remitted is either 90 percent of the tax shown on the return for the current year or 100 percent of the tax shown on the most recent prior tax return filing.
- Makes additional technical corrections and clarifications, including incorporating two pension-related statutes to provide consistency with other pension provisions in the bill.

--- END ---