

Effect:

- Imposes a capital gains tax at a rate of 8.9 percent beginning January 1, 2020.
- Increases and funds the working families tax exemption program.
- Increases the business and occupation tax credit for small businesses to an amount equivalent to a \$200,000 exclusion for all businesses with a taxable annual income below \$2.5 million.
- Provides sales and use tax exemptions for feminine hygiene products, diapers, durable medical and mobility enhancing equipment, and over-the-counter drugs.
- Expands the property tax relief program for senior citizens, individuals with disabilities, and veterans.
- Establishes a committee to research and evaluate options to modernize and rebalance Washington state's tax structure.

1 AN ACT Relating to improving the equity and sustainability of
2 Washington's tax structure; amending RCW 82.08.0206, 82.04.4451,
3 82.08.0283, 82.12.0277, 82.08.803, 82.12.803, 82.08.940, 82.12.940,
4 84.36.381, 84.36.383, 84.36.385, 84.38.020, 84.38.070, 84.38.130, and
5 84.38.150; reenacting and amending RCW 84.38.030; adding a new
6 section to chapter 82.04 RCW; adding new sections to chapter 82.32
7 RCW; adding new sections to chapter 82.08 RCW; adding new sections to
8 chapter 82.12 RCW; adding a new chapter to Title 82 RCW; creating new
9 sections; prescribing penalties; providing effective dates; providing
10 an expiration date; and providing a contingent expiration date.

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

12 **Part I**
13 **Capital Gains Tax**

14 NEW SECTION. **Sec. 101.** The definitions in this section apply
15 throughout this chapter unless the context clearly requires
16 otherwise.

17 (1) "Accessory dwelling unit" means a separate habitable living
18 area that is subordinate to the principal single-family dwelling
19 unit, which is either internal to, attached to, or located on the

1 same property tax parcel as, the principal single-family dwelling
2 unit.

3 (2) "Adjusted capital gain" means federal net long-term capital
4 gain:

5 (a) Plus any amount of loss from a sale or exchange that is
6 exempt from the tax imposed in this chapter, to the extent such loss
7 was included in calculating federal net long-term capital gain; and

8 (b) Less any amount of gain from a sale or exchange that is
9 exempt from the tax imposed in this chapter, to the extent such gain
10 was included in calculating federal net long-term capital gain.

11 (3) "Capital asset" has the same meaning as provided by Title 26
12 U.S.C. Sec. 1221 of the internal revenue code and also includes any
13 other property if the sale or exchange of the property results in a
14 gain that is treated as a long-term capital gain under Title 26
15 U.S.C. Sec. 1231 or any other provision of the internal revenue code.

16 (4) "Federal net long-term capital gain" means the net long-term
17 capital gain reportable for federal income tax purposes determined as
18 if Title 26 U.S.C. Secs. 1400Z-1 and 1400Z-2 of the internal revenue
19 code did not exist.

20 (5) "Individual" means a natural person.

21 (6) "Internal revenue code" means the United States internal
22 revenue code of 1986, as amended, as of the effective date of this
23 section, or such subsequent date as the department may provide by
24 rule consistent with the purpose of this chapter.

25 (7) "Long-term capital asset" means a capital asset that is held
26 for more than one year.

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

28 (i) Who is domiciled in this state during the taxable year,
29 unless the individual (A) maintained no permanent place of abode in
30 this state during the entire taxable year, (B) maintained a permanent
31 place of abode outside of this state during the entire taxable year,
32 and (C) spent in the aggregate not more than thirty days of the
33 taxable year in this state; or

34 (ii) Who is not domiciled in this state during the taxable year
35 but maintained a place of abode and was physically present in this
36 state for more than one hundred eighty-three days during the taxable
37 year.

38 (b) For purposes of this subsection, "day" includes any portion
39 of a day, except that a continuous period of twenty-four hours or
40 less may not constitute more than one day.

1 (c) An individual who is a resident under (a) of this subsection
2 is a resident for that portion of a taxable year in which the
3 individual was domiciled in this state or maintained a place of abode
4 in this state.

5 (9) "Taxable year" means the taxpayer's taxable year as
6 determined under the internal revenue code.

7 (10) "Taxpayer" means an individual subject to tax under this
8 chapter.

9 (11) "Washington capital gains" means adjusted capital gains
10 allocated to this state as provided in section 107 of this act, less
11 two hundred fifty thousand dollars for each return filed under this
12 chapter.

13 NEW SECTION. **Sec. 102.** (1) Beginning January 1, 2020, a tax is
14 imposed on all individuals for the privilege of selling or exchanging
15 long-term capital assets, or receiving Washington capital gains. The
16 tax equals eight and nine-tenths percent multiplied by the
17 individual's Washington capital gains.

18 (2) If an individual's Washington capital gains are less than
19 zero for a taxable year, no tax is due under this section. No such
20 losses may be carried back or carried forward to another taxable
21 year.

22 (3) (a) The tax imposed in this section applies to (i) the sale or
23 exchange of long-term capital assets owned by the taxpayer, whether
24 the taxpayer was the legal or a beneficial owner of such assets at
25 the time of the sale or exchange, or (ii) Washington capital gains
26 otherwise realized by the taxpayer.

27 (b) For purposes of this chapter, an individual is a beneficial
28 owner of long-term capital assets held by an entity that is a pass-
29 through or disregarded entity for federal tax purposes, such as a
30 partnership, limited liability company, S corporation, or trust, to
31 the extent of the individual's ownership interest in the entity as
32 reported for federal income tax purposes.

33 NEW SECTION. **Sec. 103.** This chapter does not apply to the sale
34 or exchange of:

35 (1) Any residential dwelling along with the land upon which the
36 dwelling is located. For the purposes of this subsection (1),
37 "residential dwelling" means property consisting solely of (a) a
38 single-family residence, a residential condominium unit, or a

1 residential cooperative unit, including any accessory dwelling unit
2 associated with such residence or residential unit, (b) a multifamily
3 residential building consisting of one or more common walls and fewer
4 than four units, or (c) a floating home as defined in RCW 82.45.032;

5 (2) Assets held under a retirement savings account under Title 26
6 U.S.C. Sec. 401(k) of the internal revenue code, a tax-sheltered
7 annuity or custodial account described in Title 26 U.S.C. Sec. 403(b)
8 of the internal revenue code, a deferred compensation plan under
9 Title 26 U.S.C. Sec. 457(b) of the internal revenue code, an
10 individual retirement account or individual retirement annuity
11 described in Title 26 U.S.C. Sec. 408 of the internal revenue code, a
12 Roth individual retirement account described in Title 26 U.S.C. Sec.
13 408A of the internal revenue code, an employee defined contribution
14 program, an employee defined benefit plan, or a similar retirement
15 savings vehicle;

16 (3) Assets pursuant to or under imminent threat of condemnation
17 proceedings by the United States, the state or any of its political
18 subdivisions, or a municipal corporation;

19 (4) Cattle, horses, or breeding livestock held for more than
20 twelve months if for the taxable year of the sale or exchange, more
21 than fifty percent of the taxpayer's gross income for the taxable
22 year, including from the sale or exchange of capital assets, is from
23 farming or ranching;

24 (5) Agricultural land by an individual who has regular,
25 continuous, and substantial involvement in the operation of the
26 agriculture that meets the criteria for material participation in an
27 activity under Title 26 U.S.C. Sec. 469(h) of the internal revenue
28 code for the ten years prior to the date of the sale or exchange of
29 the agricultural land;

30 (6) Property used in a trade or business if the property
31 qualifies for an income tax deduction under Title 26 U.S.C. Sec. 167
32 or 179 of the internal revenue code;

33 (7) Timber, timberland, or the receipt of Washington capital
34 gains as dividends and distributions from real estate investment
35 trusts derived from gains from the sale or exchange of timber or
36 timberland. "Timber" means forest trees, standing or down, on
37 privately or publicly owned land, and includes Christmas trees and
38 short-rotation hardwoods. The sale or exchange of timber includes the
39 cutting or disposal of timber qualifying for capital gains treatment

1 under Title 26 U.S.C. Sec. 631(a) or (b) of the internal revenue
2 code;

3 (8)(a) Affordable rental housing to a nonprofit corporation or
4 housing authority.

5 (b) The definitions in this subsection (8)(b) apply to this
6 subsection (8).

7 (i) "Affordable rental housing" means multifamily rental housing
8 where the property is acquired by the nonprofit organization or
9 housing authority as part of a public investment or subsidy program
10 with rent or income restrictions.

11 (ii) "Housing authority" means a public corporation created under
12 chapter 35.82 RCW.

13 (iii) "Nonprofit corporation" means a corporation created under
14 chapter 24.03 RCW;

15 (9) Residences by a nonprofit entity to a low-income household if
16 the residence at the time of transfer qualified for the exemption
17 under RCW 84.36.049. "Residence," "nonprofit entity," and "low-income
18 household" have the meanings provided in RCW 84.36.049.

19 NEW SECTION. **Sec. 104.** The tax imposed under this chapter is in
20 addition to any other taxes imposed by the state or any of its
21 political subdivisions, or a municipal corporation, with respect to
22 the same sale or exchange, including the taxes imposed in or under
23 the authority of chapter 82.04, 82.08, 82.12, 82.14, 82.45, or 82.46
24 RCW.

25 NEW SECTION. **Sec. 105.** In computing tax, there may be deducted
26 from the measure of tax amounts that the state is prohibited from
27 taxing under the Constitution of this state or the Constitution or
28 laws of the United States.

29 NEW SECTION. **Sec. 106.** (1) In computing tax under this chapter
30 for a taxable year, a taxpayer may deduct from the measure of tax the
31 amount of adjusted capital gain derived in the taxable year from the
32 sale of substantially all of the fair market value of the assets of,
33 or the transfer of substantially all of the taxpayer's interest in, a
34 qualified family-owned small business.

35 (2) For purposes of this section, the following definitions
36 apply:

1 (a) "Assets" means real property and personal property, including
2 tangible personal property and intangible property.

3 (b) "Family" means the same as "member of the family" in RCW
4 83.100.046.

5 (c) (i) "Materially participated" means an individual was involved
6 in the operation of a business on a basis that is regular,
7 continuous, and substantial.

8 (ii) The term "materially participated" must be interpreted
9 consistently with the applicable treasury regulations for Title 26
10 U.S.C. Sec. 469 of the internal revenue code, to the extent that such
11 interpretation does not conflict with any provision of this section.

12 (d) "Qualified family-owned small business" means a business:

13 (i) In which the taxpayer held a qualifying interest for at least
14 eight years immediately preceding the sale or transfer described in
15 subsection (1) of this section;

16 (ii) In which the taxpayer or his or her family member materially
17 participated in operating the business for at least five of the eight
18 years immediately preceding the sale or transfer described in
19 subsection (1) of this section, unless such sale or transfer was to a
20 qualified heir;

21 (iii) (A) That had no more than fifty full-time employees at any
22 time during the twelve-month period immediately preceding the sale or
23 transfer described in subsection (1) of this section.

24 (B) For purposes of this subsection (2) (d) (iii), "full-time
25 employee" means an employee who is, or any combination of employees
26 who are, paid by the business for at least one thousand eight hundred
27 twenty hours of employment, including paid leave, for the twelve-
28 month period described in (d) (iii) (A) of this subsection (2); and

29 (iv) That had worldwide gross revenue of five million dollars or
30 less in the twelve-month period immediately preceding the sale or
31 transfer described in subsection (1) of this section.

32 (e) "Qualified heir" means a member of the taxpayer's family.

33 (f) "Qualifying interest" means:

34 (i) An interest as a proprietor in a business carried on as a
35 sole proprietorship; or

36 (ii) An interest in a business if at least:

37 (A) Fifty percent of the business is owned, directly or
38 indirectly, by the taxpayer and members of the taxpayer's family;

1 (B) Thirty percent of the business is owned, directly or
2 indirectly, by the taxpayer and members of the taxpayer's family, and
3 at least:

4 (I) Seventy percent of the business is owned, directly or
5 indirectly, by members of two families; or

6 (II) Ninety percent of the business is owned, directly or
7 indirectly, by members of three families.

8 (g) "Substantially all" means at least ninety percent.

9 NEW SECTION. **Sec. 107.** (1) For purposes of the tax imposed
10 under this chapter, adjusted capital gains are allocated as follows:

11 (a) Adjusted capital gains from the sale or exchange of real
12 property are allocated to this state if the real property is located
13 in this state or a majority of the fair market value of the real
14 property is located in this state.

15 (b) Adjusted capital gains from the sale or exchange of tangible
16 personal property are allocated to this state if the property was
17 located in this state at the time of the sale or exchange. Adjusted
18 capital gains from the sale or exchange of tangible personal property
19 are also allocated to this state even though the property was not
20 located in this state at the time of the sale or exchange if:

21 (i) The property was located in the state at any time during the
22 taxable year in which the sale or exchange occurred or the
23 immediately preceding taxable year;

24 (ii) The taxpayer was a resident at the time the sale or exchange
25 occurred; and

26 (iii) The taxpayer is not subject to the payment of an income or
27 excise tax legally imposed on the adjusted capital gain by another
28 taxing jurisdiction.

29 (c) Adjusted capital gains derived from intangible personal
30 property are allocated to this state if the taxpayer was domiciled in
31 this state at the time the sale or exchange occurred.

32 (2) (a) A credit is allowed against the tax imposed in section 102
33 of this act equal to the amount of any legally imposed income or
34 excise tax paid by the taxpayer to another taxing jurisdiction on
35 capital gains derived from capital assets within the other taxing
36 jurisdiction to the extent such capital gains are included in the
37 taxpayer's Washington capital gains. The amount of credit under this
38 subsection may not exceed the total amount of tax due under this

1 chapter, and there is no carryback or carryforward of any unused
2 credits.

3 (b) As used in this section, "taxing jurisdiction" means a state
4 of the United States other than the state of Washington, the District
5 of Columbia, the Commonwealth of Puerto Rico, any territory or
6 possession of the United States, or any foreign country or political
7 subdivision of a foreign country.

8 NEW SECTION. **Sec. 108.** (1) Except as otherwise provided in this
9 section or RCW 82.32.080, taxpayers owing tax under this chapter must
10 file, on forms prescribed by the department, a return with the
11 department on or before the date the taxpayer's federal income tax
12 return for the taxable year is required to be filed.

13 (2) In addition to the Washington return required to be filed
14 under subsection (1) of this section, taxpayers owing tax under this
15 chapter must file with the department on or before the date the
16 federal return is required to be filed a copy of the federal income
17 tax return along with all schedules and supporting documentation.

18 (3) Each taxpayer required to file a return under this section
19 must, without assessment, notice, or demand, pay any tax due thereon
20 to the department on or before the date fixed for the filing of the
21 return, regardless of any filing extension. If any tax due under this
22 chapter is not paid by the due date, interest and penalties as
23 provided in chapter 82.32 RCW apply to the deficiency.

24 (4) The department may by rule require that certain individuals
25 and other persons file, at times and on forms prescribed by the
26 department, informational returns for any period.

27 (5) If a taxpayer has obtained an extension of time for filing
28 the federal income tax return for the taxable year, the taxpayer is
29 entitled to the same extension of time for filing the return required
30 under this section if the taxpayer provides the department, before
31 the due date provided in subsection (1) of this section, the
32 extension confirmation number or other evidence satisfactory to the
33 department confirming the federal extension. An extension under this
34 subsection for the filing of a return under this chapter is not an
35 extension of time to pay the tax due under this chapter.

36 (6) (a) If any return due under subsection (1) of this section,
37 along with a copy of the federal income tax return, is not filed with
38 the department by the due date or any extension granted by the
39 department, the department must assess a penalty in the amount of

1 five percent of the tax due for the taxable year covered by the
2 return for each month or portion of a month that the return remains
3 unfiled. The total penalty assessed under this subsection may not
4 exceed twenty-five percent of the tax due for the taxable year
5 covered by the delinquent return. The penalty under this subsection
6 is in addition to any penalties assessed for the late payment of any
7 tax due on the return.

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

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

13 (ii) The taxpayer has not been delinquent in filing any return
14 due under this section during the preceding five calendar years.

15 NEW SECTION. **Sec. 109.** (1) If the federal income tax
16 liabilities of both spouses are determined on a joint federal return
17 for the taxable year, they must file a joint return under this
18 chapter.

19 (2) Except as otherwise provided in this subsection, if the
20 federal income tax liability of either spouse is determined on a
21 separate federal return for the taxable year, they must file separate
22 returns under this chapter. State registered domestic partners may
23 file a joint return under this chapter even if they filed separate
24 federal returns for the taxable year.

25 (3) In any case in which a joint return is filed under this
26 section, the liability of each spouse or state registered domestic
27 partner is joint and several, unless:

28 (a) The spouse is relieved of liability for federal tax purposes
29 as provided under Title 26 U.S.C. Sec. 6015 of the internal revenue
30 code; or

31 (b) The department determines that the domestic partner qualifies
32 for relief as provided by rule of the department. Such rule, to the
33 extent possible without being inconsistent with this chapter, must
34 follow Title 26 U.S.C. Sec. 6015.

35 NEW SECTION. **Sec. 110.** To the extent not inconsistent with the
36 provisions of this chapter, the following statutes apply to the
37 administration of taxes imposed under this chapter: RCW 82.32.050,
38 82.32.055, 82.32.060, 82.32.070, 82.32.080, 82.32.085, 82.32.090,

1 82.32.100, 82.32.105, 82.32.110, 82.32.117, 82.32.120, 82.32.130,
2 82.32.135, 82.32.150, 82.32.160, 82.32.170, 82.32.180, 82.32.190,
3 82.32.200, 82.32.210, 82.32.212, 82.32.220, 82.32.230, 82.32.235,
4 82.32.237, 82.32.240, 82.32.245, 82.32.265, 82.32.300, 82.32.310,
5 82.32.320, 82.32.330, 82.32.340, 82.32.350, 82.32.360, 82.32.410,
6 82.32.805, 82.32.808, and section 114 of this act.

7 NEW SECTION. **Sec. 111.** (1) Any taxpayer who knowingly attempts
8 to evade payment of the tax imposed under this chapter is guilty of a
9 class C felony as provided in chapter 9A.20 RCW.

10 (2) Any taxpayer who knowingly fails to pay tax, make returns,
11 keep records, or supply information, as required under this title, is
12 guilty of a gross misdemeanor as provided in chapter 9A.20 RCW.

13 NEW SECTION. **Sec. 112.** Notwithstanding any common law rule of
14 strict construction of statutes imposing taxes, this chapter, being
15 necessary for the welfare of the state and its inhabitants, must be
16 liberally construed in support of application of the tax.

17 NEW SECTION. **Sec. 113.** A new section is added to chapter 82.04
18 RCW to read as follows:

19 A deduction is allowed against a person's gross income of the
20 business to the extent necessary to avoid taxing the same amounts
21 under this chapter and section 102 of this act.

22 NEW SECTION. **Sec. 114.** A new section is added to chapter 82.32
23 RCW to read as follows:

24 (1) The department may enter into reciprocal tax collection
25 agreements with the taxing officials of any other state imposing a
26 specified tax. Agreements authorized under this section must require
27 each state to offset delinquent specified taxes owed by a taxpayer to
28 one party to the agreement, including any associated penalties,
29 interest, or other additions, against refunds of overpaid specified
30 taxes owed to the taxpayer by the other party to the agreement. Such
31 agreements may also include provisions governing the sharing of
32 information relevant to the administration of specified taxes.
33 However, the department may not share return or tax information with
34 other states except as allowed under RCW 82.32.330. Likewise, the
35 department may not share federal tax information with other states
36 without the express written consent of the internal revenue service.

1 (2) The definitions in this subsection apply throughout this
2 section unless the context clearly requires otherwise.

3 (a) "Specified taxes" means generally applicable state and local
4 sales taxes and use taxes, broad-based state gross receipts taxes,
5 state income taxes, and stand-alone state taxes on capital gains or
6 interest and dividends. "Specified taxes" include, but are not
7 limited to, the taxes imposed in or under the authority of chapters
8 82.04, 82.08, 82.12, 82.14, 82.16, and 82.--- RCW (the new chapter
9 created in section 802 of this act), and similar taxes imposed by
10 another state. For purposes of this subsection (2)(a), "gross
11 receipts tax," "income tax," "sales tax," and "use tax" have the same
12 meanings as provided in RCW 82.56.010.

13 (b) "State" has the same meaning as provided in RCW 82.56.010.

14 NEW SECTION. **Sec. 115.** All revenue from taxes collected under
15 this chapter, including penalties and interest on such taxes, must be
16 deposited into the general fund of the state. Revenue from taxes
17 collected under this chapter must be used to fund the working
18 families' tax exemption as provided in part II of this act as well as
19 the tax relief specified in parts III through V of this act for
20 businesses, individuals, and property owners.

21 **Part II**

22 **Providing Sales Tax Relief for Working Families**

23 **Sec. 201.** RCW 82.08.0206 and 2008 c 325 s 2 are each amended to
24 read as follows:

25 (1) A working families' tax exemption, in the form of a
26 remittance of tax due under this chapter and chapter 82.12 RCW, is
27 provided to eligible low-income persons for sales taxes paid under
28 this chapter after January 1, (~~(2008)~~) 2019.

29 (2) For purposes of the exemption in this section, an eligible
30 low-income person is:

31 (a) An individual, or an individual and that individual's spouse
32 if they file a federal joint income tax return;

33 (b) (~~(An individual who)~~) An individual who is eligible for,
34 and is granted, the credit provided in Title 26 U.S.C. Sec. 32; and

35 (c) (~~(An individual who)~~) An individual who properly files a
36 federal income tax return as a Washington resident, and has been a

1 resident of the state of Washington more than one hundred eighty days
2 of the year for which the exemption is claimed.

3 (3) (~~For remittances made in 2009 and 2010, the working~~
4 ~~families' tax exemption for the prior year is a retail sales tax~~
5 ~~exemption equal to the greater of five percent of the credit granted~~
6 ~~as a result of Title 26 U.S.C. Sec. 32 in the most recent year for~~
7 ~~which data is available or twenty-five dollars.)) For ((2011)) 2020
8 and thereafter, the working families' tax exemption for the prior
9 year is equal to the greater of ((~~ten~~)) twenty percent of the credit
10 granted as a result of Title 26 U.S.C. Sec. 32 in the most recent
11 year for which data is available or fifty dollars.~~

12 (4) (~~For any fiscal period, the working families' tax exemption~~
13 ~~authorized under this section shall be approved by the legislature in~~
14 ~~the state omnibus appropriations act before persons may claim the~~
15 ~~exemption during the fiscal period.~~

16 ~~(5))~~ The working families' tax exemption ((~~shall~~)) must be
17 administered as provided in this subsection.

18 (a) An eligible low-income person claiming an exemption under
19 this section must pay the tax imposed under chapters 82.08, 82.12,
20 and 82.14 RCW in the year for which the exemption is claimed. The
21 eligible low-income person may then apply to the department for the
22 remittance as calculated under subsection (3) of this section.

23 (b) Application ((~~shall~~)) must be made to the department in a
24 form and manner determined by the department, but the department must
25 provide alternative filing methods for applicants who do not have
26 access to electronic filing.

27 (c) Application for the exemption remittance under this section
28 must be made in the year following the year for which the federal
29 return was filed(~~(, but in no case may any remittance be provided for~~
30 ~~any period before January 1, 2008))~~). The department may use the best
31 available data to process the exemption remittance. The department
32 ((~~shall~~)) must begin accepting applications October 1, ((2009)) 2020.

33 (d) The department ((~~shall~~)) must review the application and
34 determine eligibility for the working families' tax exemption based
35 on information provided by the applicant and through audit and other
36 administrative records, including, when it deems it necessary,
37 verification through internal revenue service data.

38 (e) The department ((~~shall~~)) must remit the exempted amounts to
39 eligible low-income persons who submitted applications. Remittances
40 may be made by electronic funds transfer or other means.

1 (f) The department may, in conjunction with other agencies or
2 organizations, design and implement a public information campaign to
3 inform potentially eligible persons of the existence of and
4 requirements for this exemption.

5 (g) The department may contact persons who appear to be eligible
6 low-income persons as a result of information received from the
7 internal revenue service under such conditions and requirements as
8 the internal revenue service may by law require.

9 ~~((6))~~ (5) The provisions of chapter ~~((82.32))~~ 50.12 RCW apply
10 to the exemption in this section.

11 ~~((7))~~ (6) The department may adopt rules necessary to implement
12 this section.

13 ~~((8))~~ (7) The department ~~((shall))~~ must limit its costs for the
14 exemption program to the initial start-up costs to implement the
15 program. The state omnibus appropriations act ~~((shall))~~ must specify
16 funding to be used for the ongoing administrative costs of the
17 program. These ongoing administrative costs include, but are not
18 limited to, costs for: The processing of internet and mail
19 applications, verification of application claims, compliance and
20 collections, additional full-time employees at the department's call
21 center, processing warrants, updating printed materials and web
22 information, media advertising, and support and maintenance of
23 computer systems.

24 (8) For the purpose of this section and RCW 82.08.02061,
25 "department" means the employment security department.

26 Part III

27 Providing Business and Occupation Tax Relief for Small Businesses

28 **Sec. 301.** RCW 82.04.4451 and 2010 1st sp.s. c 23 s 1102 are each
29 amended to read as follows:

30 (1) In computing the tax imposed under this chapter, a credit is
31 allowed against the amount of tax otherwise due under this chapter
32 after application of all other available credits, if any, as provided
33 in this section.

34 (2) Except for taxpayers that report at least fifty percent of
35 their taxable amount under RCW 82.04.255, 82.04.290(2)(a), and
36 82.04.285, the maximum credit for a taxpayer for a reporting period
37 is ~~((thirty-five dollars))~~ eighty-one dollars multiplied by the
38 number of months in the reporting period, as determined under RCW

1 82.32.045. A taxpayer may not take a credit under this subsection (2)
2 if the taxpayer's tax due, prior to the application of the credit
3 under this subsection, is greater than one thousand eight dollars and
4 sixty-seven cents multiplied by the number of months in the reporting
5 period.

6 (3) For a taxpayer that reports at least fifty percent of its
7 taxable amount under RCW 82.04.255, 82.04.290(2)(a), and 82.04.285,
8 the maximum credit for a reporting period is ((seventy dollars)) two
9 hundred fifty dollars multiplied by the number of months in the
10 reporting period, as determined under RCW 82.32.045. A taxpayer may
11 not take a credit under this subsection (3) if the taxpayer's tax
12 due, prior to the application of the credit under this subsection, is
13 greater than three thousand one hundred twenty-five dollars
14 multiplied by the number of months in the reporting period.

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

18 ~~(3) When the amount of tax otherwise due under this chapter~~
19 ~~exceeds the maximum credit, a reduced credit is allowed equal to~~
20 ~~twice the maximum credit, minus the tax otherwise due under this~~
21 ~~chapter, but not less than zero.))~~

22 ~~(4) ((The department may prepare a tax credit table consisting of~~
23 ~~tax ranges using increments of no more than five dollars and a~~
24 ~~corresponding tax credit to be applied to those tax ranges. The table~~
25 ~~shall be prepared in such a manner that no taxpayer will owe a~~
26 ~~greater amount of tax by using the table than would be owed by~~
27 ~~performing the calculation under subsections (1) through (3) of this~~
28 ~~section. A table prepared by the department under this subsection~~
29 ~~must be used by all taxpayers in taking the credit provided in this~~
30 ~~section.)) The amount of credit under this section for a reporting~~
31 period may not exceed the amount of tax otherwise due under this
32 chapter for that reporting period. Unused credit may not be carried
33 forward or backward and used in another reporting period. No refunds
34 may be granted for unused credit.

35 NEW SECTION. Sec. 302. This part applies to tax reporting
36 periods beginning on or after July 1, 2020.

37 **Part IV**

38 **Providing Sales and Use Tax Relief on Certain Consumer Items**

1 **Subpart A**

2 **Feminine Hygiene Product Sales and Use Tax Exemption**

3 NEW SECTION. **Sec. 401.** The legislature intends to authorize a
4 permanent sales and use tax exemption for feminine hygiene products
5 in order to lessen the tax burden on women and families in
6 Washington.

7 NEW SECTION. **Sec. 402.** A new section is added to chapter 82.08
8 RCW to read as follows:

9 (1) The tax levied by RCW 82.08.020 does not apply to the sales
10 of feminine hygiene products.

11 (2) For the purposes of this section, the term "feminine hygiene
12 product" means tampons, panty liners, menstrual cups, sanitary
13 napkins, and other similar tangible personal property designed for
14 feminine hygiene in connection with the human menstrual cycle.
15 "Feminine hygiene product" does not include "grooming and hygiene
16 products," which mean soaps and cleaning solutions, shampoo,
17 toothpaste, mouthwash, antiperspirants, and suntan lotions and
18 screens, regardless of whether the items meet the definition of over-
19 the-counter-drugs as defined in RCW 82.08.0281.

20 NEW SECTION. **Sec. 403.** A new section is added to chapter 82.12
21 RCW to read as follows:

22 (1) The provisions of this chapter do not apply in respect to the
23 use of feminine hygiene products.

24 (2) The definition in section 402 of this act applies to this
25 section.

26 **Subpart B**

27 **Diaper Sales and Use Tax Exemption**

28 NEW SECTION. **Sec. 404.** The legislature intends to authorize
29 permanent sales and use tax exemptions for the purchase of diapers in
30 order to lessen the tax burden on Washington families.

31 NEW SECTION. **Sec. 405.** A new section is added to chapter 82.08
32 RCW to read as follows:

1 (1) The tax levied by RCW 82.08.020 does not apply to sales of
2 diapers.

3 (2) For the purposes of this section, "diaper" means an absorbent
4 garment worn by humans who are incapable of or have difficulty
5 controlling their bladder or bowel movements.

6 NEW SECTION. **Sec. 406.** A new section is added to chapter 82.12
7 RCW to read as follows:

8 (1) The provisions of this chapter do not apply with respect to
9 the use of diapers.

10 (2) The definitions in section 405 of this act apply to this
11 section.

12 **Subpart C**

13 **Durable Medical Equipment Used in the Home and Prescribed Mobility** 14 **Enhancing Equipment Sales and Use Tax Exemption**

15 NEW SECTION. **Sec. 407.** (1) This section is the tax preference
16 performance statement for the tax preferences contained in sections
17 408 through 411, chapter . . . , Laws of 2019 (this subpart of this
18 act). This performance statement is only intended to be used for
19 subsequent evaluation of the tax preferences. It is not intended to
20 create a private right of action by any party or be used to determine
21 eligibility for preferential tax treatment.

22 (2) The legislature categorizes the tax preferences in sections
23 408 through 411, chapter . . . , Laws of 2019 (this subpart of this
24 act) as ones intended to provide tax relief for certain businesses or
25 individuals, as indicated in RCW 82.32.808(2)(e).

26 (3) It is the legislature's specific public policy objective to
27 provide financial relief to individuals needing certain medically
28 necessary items. It is the legislature's intent to provide a sales
29 and use tax exemption for durable medical equipment for home use and
30 mobility enhancing equipment.

31 (4) To measure the effectiveness of this act in achieving the
32 specific public policy objective described in subsection (3) of this
33 section, the joint legislative audit and review committee may refer
34 to data provided by the department of revenue.

35 **Sec. 408.** RCW 82.08.0283 and 2007 c 6 s 1101 are each amended to
36 read as follows:

1 (1) The tax levied by RCW 82.08.020 (~~shall~~) does not apply to
2 sales of:

3 (a) Prosthetic devices prescribed, fitted, or furnished for an
4 individual by a person licensed under the laws of this state to
5 prescribe, fit, or furnish prosthetic devices, and the components of
6 such prosthetic devices;

7 (b) Medicines of mineral, animal, and botanical origin
8 prescribed, administered, dispensed, or used in the treatment of an
9 individual by a person licensed under chapter 18.36A RCW; (~~and~~)

10 (c) Medically prescribed oxygen, including, but not limited to,
11 oxygen concentrator systems, oxygen enricher systems, liquid oxygen
12 systems, and gaseous, bottled oxygen systems prescribed for an
13 individual by a person licensed under chapter 18.57 or 18.71 RCW for
14 use in the medical treatment of that individual;

15 (d) Durable medical equipment, and the components of durable
16 medical equipment, for home use and prescribed by a person licensed
17 under the laws of this state to prescribe such equipment; and

18 (e) Mobility enhancing equipment, and the components of mobility
19 enhancing equipment, prescribed by a person licensed under the laws
20 of this state to prescribe such equipment.

21 (2) In addition, the tax levied by RCW 82.08.020 (~~shall~~) does
22 not apply to charges made for labor and services rendered in respect
23 to the repairing, cleaning, altering, or improving of any of the
24 items exempted under subsection (1) of this section.

25 ~~(3) ((The exemption in subsection (1) of this section shall not~~
26 ~~apply to sales of durable medical equipment, other than as specified~~
27 ~~in subsection (1)(c) of this section, or mobility enhancing~~
28 ~~equipment.~~

29 ~~(4))~~ The definitions in this subsection apply throughout this
30 section unless the context clearly requires otherwise.

31 (a) "Prosthetic device" means a replacement, corrective, or
32 supportive device, including repair and replacement parts for a
33 prosthetic device, worn on or in the body to:

- 34 (i) Artificially replace a missing portion of the body;
- 35 (ii) Prevent or correct a physical deformity or malfunction; or
- 36 (iii) Support a weak or deformed portion of the body.

37 (b) "Durable medical equipment" means equipment, including repair
38 and replacement parts for durable medical equipment that:

- 39 (i) Can withstand repeated use;

1 (ii) Is primarily and customarily used to serve a medical
2 purpose;

3 (iii) Generally is not useful to a person in the absence of
4 illness or injury; and

5 (iv) Is not worn in or on the body.

6 (c) "Mobility enhancing equipment" means equipment, including
7 repair and replacement parts for mobility enhancing equipment that:

8 (i) Is primarily and customarily used to provide or increase the
9 ability to move from one place to another and that is appropriate for
10 use either in a home or a motor vehicle;

11 (ii) Is not generally used by persons with normal mobility; and

12 (iii) Does not include any motor vehicle or equipment on a motor
13 vehicle normally provided by a motor vehicle manufacturer.

14 (d) The terms "durable medical equipment" and "mobility enhancing
15 equipment" are mutually exclusive.

16 **Sec. 409.** RCW 82.12.0277 and 2007 c 6 s 1102 are each amended to
17 read as follows:

18 (1) The provisions of this chapter (~~shall~~) do not apply in
19 respect to the use of:

20 (a) Prosthetic devices prescribed, fitted, or furnished for an
21 individual by a person licensed under the laws of this state to
22 prescribe, fit, or furnish prosthetic devices, and the components of
23 such prosthetic devices;

24 (b) Medicines of mineral, animal, and botanical origin
25 prescribed, administered, dispensed, or used in the treatment of an
26 individual by a person licensed under chapter 18.36A RCW; (~~and~~)

27 (c) Medically prescribed oxygen, including, but not limited to,
28 oxygen concentrator systems, oxygen enricher systems, liquid oxygen
29 systems, and gaseous, bottled oxygen systems prescribed for an
30 individual by a person licensed under chapter 18.57 or 18.71 RCW for
31 use in the medical treatment of that individual;

32 (d) Durable medical equipment, and the components of durable
33 medical equipment, for home use and prescribed by a person licensed
34 under the laws of this state to prescribe such equipment; and

35 (e) Mobility enhancing equipment, and the components of mobility
36 enhancing equipment, prescribed by a person licensed under the laws
37 of this state to prescribe such equipment.

38 (2) In addition, the provisions of this chapter (~~shall~~) do not
39 apply in respect to the use of labor and services rendered in respect

1 to the repairing, cleaning, altering, or improving of any of the
2 items exempted under subsection (1) of this section.

3 ~~(3) ((The exemption provided by subsection (1) of this section
4 shall not apply to the use of durable medical equipment, other than
5 as specified in subsection (1)(c) of this section, or mobility
6 enhancing equipment.~~

7 ~~(4))~~ "Prosthetic device," "durable medical equipment," and
8 "mobility enhancing equipment" have the same meanings as in RCW
9 82.08.0283.

10 **Sec. 410.** RCW 82.08.803 and 2007 c 6 s 1103 are each amended to
11 read as follows:

12 (1) An exemption from the tax imposed by RCW 82.08.020 in the
13 form of a refund is provided for sales of nebulizers for other than
14 home use, including repair, replacement, and component parts for such
15 nebulizers, for human use pursuant to a prescription. In addition,
16 the tax levied by RCW 82.08.020 (~~shall~~) does not apply to charges
17 made for labor and services rendered in respect to the repairing,
18 cleaning, altering, or improving of nebulizers that are exempt under
19 this section. "Nebulizer" means a device, not a building fixture,
20 that converts a liquid medication into a mist so that it can be
21 inhaled.

22 (2) Sellers (~~shall~~) must collect tax on sales subject to this
23 exemption. The buyer (~~shall~~) must apply for a refund directly from
24 the department in a form and manner prescribed by the department.

25 **Sec. 411.** RCW 82.12.803 and 2007 c 6 s 1104 are each amended to
26 read as follows:

27 (1) The provisions of this chapter (~~shall~~) do not apply in
28 respect to the use of nebulizers for other than home use, including
29 repair, replacement, and component parts for such nebulizers, for
30 human use pursuant to a prescription. In addition, the provisions of
31 this chapter (~~shall~~) do not apply in respect to labor and services
32 rendered in respect to the repairing, cleaning, altering, or
33 improving of nebulizers that are exempt under this section.
34 "Nebulizer" has the same meaning as in RCW 82.08.803.

35 (2) Sellers obligated to collect use tax (~~shall~~) must collect
36 tax on sales subject to this exemption. The buyer (~~shall~~) must
37 apply for a refund directly from the department in a form and manner
38 prescribed by the department.

1 **Subpart D**

2 **Over-The-Counter Drug Sales and Use Tax Exemption**

3 **Sec. 412.** RCW 82.08.940 and 2003 c 168 s 405 are each amended to
4 read as follows:

5 The tax levied by RCW 82.08.020 (~~shall~~) does not apply to sales
6 of over-the-counter drugs for human use (~~dispensed or to be~~
7 ~~dispensed to patients, pursuant to a prescription~~). "Over-the-
8 counter drug" has the same meaning as provided in RCW 82.08.0281.

9 **Sec. 413.** RCW 82.12.940 and 2003 c 168 s 408 are each amended to
10 read as follows:

11 The provisions of this chapter (~~shall~~) do not apply to the use
12 of over-the-counter drugs (~~dispensed or to be dispensed to patients,~~
13 ~~pursuant to a prescription~~), if the over-the-counter drugs are for
14 human use. "Over-the-counter drug" has the same meaning as provided
15 in RCW 82.08.0281.

16 **Part V**

17 **Providing Property Tax Relief to Senior Citizens, Individuals with**
18 **Disabilities, and Veterans**

19 NEW SECTION. **Sec. 501.** (1) This section is the tax preference
20 performance statement for the tax preference contained in section
21 502, chapter . . ., Laws of 2019 (section 502 of this act). This
22 performance statement is only intended to be used for subsequent
23 evaluation of the tax preference. It is not intended to create a
24 private right of action by any party or be used to determine
25 eligibility for preferential tax treatment.

26 (2) The legislature categorizes this tax preference as one
27 intended to provide tax relief for certain businesses or individuals,
28 as indicated in RCW 82.32.808(2)(e).

29 (3) It is the legislature's specific public policy objective to
30 provide tax relief to senior citizens, disabled persons, and
31 veterans. The legislature recognizes that property taxes impose a
32 substantial financial burden on those with fixed incomes and that
33 property tax relief programs have considerable value in addressing
34 this burden. It is the legislature's intent to establish a mechanism
35 for adjusting income thresholds into the future. Income thresholds
36 were last adjusted in 2015.

1 **Sec. 502.** RCW 84.36.381 and 2018 c 46 s 2 are each amended to
2 read as follows:

3 A person is exempt from any legal obligation to pay all or a
4 portion of the amount of excess and regular real property taxes due
5 and payable in the year following the year in which a claim is filed,
6 and thereafter, in accordance with the following:

7 (1) (a) The property taxes must have been imposed upon a residence
8 which was occupied by the person claiming the exemption as a
9 principal place of residence as of the time of filing. However, any
10 person who sells, transfers, or is displaced from his or her
11 residence may transfer his or her exemption status to a replacement
12 residence, but no claimant may receive an exemption on more than one
13 residence in any year. Moreover, confinement of the person to a
14 hospital, nursing home, assisted living facility, ~~((e))~~ adult family
15 home, or home of a relative for the purpose of long-term care does
16 not disqualify the claim of exemption if:

17 ~~((a))~~ (i) The residence is temporarily unoccupied;

18 ~~((b))~~ (ii) The residence is occupied by a spouse or a domestic
19 partner and/or a person financially dependent on the claimant for
20 support; or

21 ~~((c))~~ (iii) The residence is rented for the purpose of paying
22 nursing home, hospital, assisted living facility, or adult family
23 home costs;

24 (b) For the purposes of this subsection (1), "relative" means any
25 individual related to the claimant by blood, marriage, or adoption;

26 (2) The person claiming the exemption must have owned, at the
27 time of filing, in fee, as a life estate, or by contract purchase,
28 the residence on which the property taxes have been imposed or if the
29 person claiming the exemption lives in a cooperative housing
30 association, corporation, or partnership, such person must own a
31 share therein representing the unit or portion of the structure in
32 which he or she resides. For purposes of this subsection, a residence
33 owned by a marital community or state registered domestic partnership
34 or owned by cotenants is deemed to be owned by each spouse or each
35 domestic partner or each cotenant, and any lease for life is deemed a
36 life estate;

37 (3) (a) The person claiming the exemption must be:

38 (i) Sixty-one years of age or older on December 31st of the year
39 in which the exemption claim is filed, or must have been, at the time

1 of filing, retired from regular gainful employment by reason of
2 disability; or

3 (ii) A veteran of the armed forces of the United States entitled
4 to and receiving compensation from the United States department of
5 veterans affairs at a total disability rating for a service-connected
6 disability.

7 (b) However, any surviving spouse or surviving domestic partner
8 of a person who was receiving an exemption at the time of the
9 person's death will qualify if the surviving spouse or surviving
10 domestic partner is fifty-seven years of age or older and otherwise
11 meets the requirements of this section;

12 (4) The amount that the person is exempt from an obligation to
13 pay is calculated on the basis of combined disposable income, as
14 defined in RCW 84.36.383. If the person claiming the exemption was
15 retired for two months or more of the assessment year, the combined
16 disposable income of such person must be calculated by multiplying
17 the average monthly combined disposable income of such person during
18 the months such person was retired by twelve. If the income of the
19 person claiming exemption is reduced for two or more months of the
20 assessment year by reason of the death of the person's spouse or the
21 person's domestic partner, or when other substantial changes occur in
22 disposable income that are likely to continue for an indefinite
23 period of time, the combined disposable income of such person must be
24 calculated by multiplying the average monthly combined disposable
25 income of such person after such occurrences by twelve. If it is
26 necessary to estimate income to comply with this subsection, the
27 assessor may require confirming documentation of such income prior to
28 May 31 of the year following application;

29 (5)(a) A person who otherwise qualifies under this section and
30 has a combined disposable income (~~of forty thousand dollars or~~
31 ~~less~~) equal to or less than income threshold 3 is exempt from all
32 excess property taxes, the additional state property tax imposed
33 under RCW 84.52.065(2), and the portion of the regular property taxes
34 authorized pursuant to RCW 84.55.050 and approved by the voters, if
35 the legislative authority of the county or city imposing the
36 additional regular property taxes identified this exemption in the
37 ordinance placing the RCW 84.55.050 measure on the ballot; and

38 (b)(i) A person who otherwise qualifies under this section and
39 has a combined disposable income (~~of thirty-five thousand dollars or~~
40 ~~less but greater than thirty thousand dollars~~) equal to or less than

1 income threshold 2 but greater than income threshold 1 is exempt from
2 all regular property taxes on the greater of fifty thousand dollars
3 or thirty-five percent of the valuation of his or her residence, but
4 not to exceed seventy thousand dollars of the valuation of his or her
5 residence; or

6 (ii) A person who otherwise qualifies under this section and has
7 a combined disposable income (~~(of thirty thousand dollars or less)~~)
8 equal to or less than income threshold 1 is exempt from all regular
9 property taxes on the greater of sixty thousand dollars or sixty
10 percent of the valuation of his or her residence;

11 (6) (a) For a person who otherwise qualifies under this section
12 and has a combined disposable income (~~(of forty thousand dollars or~~
13 ~~less)~~) equal to or less than income threshold 3, the valuation of the
14 residence is the assessed value of the residence on the later of
15 January 1, 1995, or January 1st of the assessment year the person
16 first qualifies under this section. If the person subsequently fails
17 to qualify under this section only for one year because of high
18 income, this same valuation must be used upon requalification. If the
19 person fails to qualify for more than one year in succession because
20 of high income or fails to qualify for any other reason, the
21 valuation upon requalification is the assessed value on January 1st
22 of the assessment year in which the person requalifies. If the person
23 transfers the exemption under this section to a different residence,
24 the valuation of the different residence is the assessed value of the
25 different residence on January 1st of the assessment year in which
26 the person transfers the exemption.

27 (b) In no event may the valuation under this subsection be
28 greater than the true and fair value of the residence on January 1st
29 of the assessment year.

30 (c) This subsection does not apply to subsequent improvements to
31 the property in the year in which the improvements are made.
32 Subsequent improvements to the property must be added to the value
33 otherwise determined under this subsection at their true and fair
34 value in the year in which they are made.

35 **Sec. 503.** RCW 84.36.383 and 2012 c 10 s 74 are each amended to
36 read as follows:

37 As used in RCW 84.36.381 through 84.36.389, (~~(except where the~~
38 ~~context clearly indicates a different meaning)~~) unless the context
39 clearly requires otherwise:

1 (1) The term "residence" means a single-family dwelling unit
2 whether such unit be separate or part of a multiunit dwelling,
3 including the land on which such dwelling stands not to exceed one
4 acre, except that a residence includes any additional property up to
5 a total of five acres that comprises the residential parcel if this
6 larger parcel size is required under land use regulations. The term
7 also includes a share ownership in a cooperative housing association,
8 corporation, or partnership if the person claiming exemption can
9 establish that his or her share represents the specific unit or
10 portion of such structure in which he or she resides. The term also
11 includes a single-family dwelling situated upon lands the fee of
12 which is vested in the United States or any instrumentality thereof
13 including an Indian tribe or in the state of Washington, and
14 notwithstanding the provisions of RCW 84.04.080 and 84.04.090, such a
15 residence is deemed real property.

16 (2) The term "real property" also includes a mobile home which
17 has substantially lost its identity as a mobile unit by virtue of its
18 being fixed in location upon land owned or leased by the owner of the
19 mobile home and placed on a foundation (posts or blocks) with fixed
20 pipe, connections with sewer, water, or other utilities. A mobile
21 home located on land leased by the owner of the mobile home is
22 subject, for tax billing, payment, and collection purposes, only to
23 the personal property provisions of chapter 84.56 RCW and RCW
24 84.60.040.

25 (3) (~~"Department" means the state department of revenue.~~)
26 "Principal place of residence" means a residence occupied for more
27 than nine months each calendar year by a person claiming an exemption
28 under RCW 84.36.381.

29 (4) "Combined disposable income" means the disposable income of
30 the person claiming the exemption, plus the disposable income of his
31 or her spouse or domestic partner, and the disposable income of each
32 cotenant occupying the residence for the assessment year, less
33 amounts paid by the person claiming the exemption or his or her
34 spouse or domestic partner during the assessment year for:

35 (a) Drugs supplied by prescription of a medical practitioner
36 authorized by the laws of this state or another jurisdiction to issue
37 prescriptions;

38 (b) The treatment or care of either person received in the home
39 or in a nursing home, assisted living facility, or adult family home;
40 and

1 (c) Health care insurance premiums for medicare under Title XVIII
2 of the social security act.

3 (5) "Disposable income" means adjusted gross income as defined in
4 the federal internal revenue code, as amended prior to January 1,
5 1989, or such subsequent date as the director may provide by rule
6 consistent with the purpose of this section, plus all of the
7 following items to the extent they are not included in or have been
8 deducted from adjusted gross income:

9 (a) Capital gains, other than gain excluded from income under
10 section 121 of the federal internal revenue code to the extent it is
11 reinvested in a new principal residence;

12 (b) Amounts deducted for loss;

13 (c) Amounts deducted for depreciation;

14 (d) Pension and annuity receipts;

15 (e) Military pay and benefits other than attendant-care and
16 medical-aid payments;

17 (f) Veterans benefits, other than:

18 (i) Attendant-care payments;

19 (ii) Medical-aid payments;

20 (iii) Disability compensation, as defined in Title 38, part 3,
21 section 3.4 of the code of federal regulations, as of January 1,
22 2008; and

23 (iv) Dependency and indemnity compensation, as defined in Title
24 38, part 3, section 3.5 of the code of federal regulations, as of
25 January 1, 2008;

26 (g) Federal social security act and railroad retirement benefits;

27 (h) Dividend receipts; and

28 (i) Interest received on state and municipal bonds.

29 (6) "Cotenant" means a person who resides with the person
30 claiming the exemption and who has an ownership interest in the
31 residence.

32 (7) "Disability" has the same meaning as provided in 42 U.S.C.
33 Sec. 423(d)(1)(A) as amended prior to January 1, 2005, or such
34 subsequent date as the department may provide by rule consistent with
35 the purpose of this section.

36 (8) "Income threshold 1" means:

37 (a) For taxes levied for collection in calendar years prior to
38 2021, a combined disposable income equal to thirty thousand dollars;
39 and

1 (b) For taxes levied for collection in calendar year 2021 and
2 thereafter, a combined disposable income equal to the greater of
3 "income threshold 1" for the previous year or forty-five percent of
4 the county median household income, adjusted every five years
5 beginning March 1, 2020, as provided in RCW 84.36.385(8).

6 (9) "Income threshold 2" means:

7 (a) For taxes levied for collection in calendar years prior to
8 2021, a combined disposable income equal to thirty-five thousand
9 dollars; and

10 (b) For taxes levied for collection in calendar year 2021 and
11 thereafter, a combined disposable income equal to the greater of
12 "income threshold 2" for the previous year or fifty-five percent of
13 the county median household income, adjusted every five years
14 beginning March 1, 2020, as provided in RCW 84.36.385(8).

15 (10) "Income threshold 3" means:

16 (a) For taxes levied for collection in calendar years prior to
17 2021, a combined disposable income equal to forty thousand dollars;
18 and

19 (b) For taxes levied for collection in calendar year 2021 and
20 thereafter, a combined disposable income equal to the greater of
21 "income threshold 3" for the previous year or sixty-five percent of
22 the county median household income, adjusted every five years
23 beginning March 1, 2020, as provided in RCW 84.36.385(8).

24 (11) "County median household income" means the median household
25 income estimates for the state of Washington by county of the legal
26 address of the principal place of residence, as published by the
27 office of financial management.

28 **Sec. 504.** RCW 84.36.385 and 2011 c 174 s 106 are each amended to
29 read as follows:

30 (1) A claim for exemption under RCW 84.36.381 as now or hereafter
31 amended, may be made and filed at any time during the year for
32 exemption from taxes payable the following year and thereafter and
33 solely upon forms as prescribed and furnished by the department of
34 revenue. However, an exemption from tax under RCW 84.36.381 continues
35 for no more than six years unless a renewal application is filed as
36 provided in subsection (3) of this section.

37 (2) A person granted an exemption under RCW 84.36.381 must inform
38 the county assessor of any change in status affecting the person's

1 entitlement to the exemption on forms prescribed and furnished by the
2 department of revenue.

3 (3) Each person exempt from taxes under RCW 84.36.381 in 1993 and
4 thereafter((7)) must file with the county assessor a renewal
5 application not later than December 31st of the year the assessor
6 notifies such person of the requirement to file the renewal
7 application. Renewal applications must be on forms prescribed and
8 furnished by the department of revenue.

9 (4) At least once every six years, the county assessor must
10 notify those persons receiving an exemption from taxes under RCW
11 84.36.381 of the requirement to file a renewal application. The
12 county assessor may also require a renewal application following an
13 amendment of the income requirements set forth in RCW 84.36.381.

14 (5) If the assessor finds that the applicant does not meet the
15 qualifications as set forth in RCW 84.36.381, as now or hereafter
16 amended, the claim or exemption must be denied but such denial is
17 subject to appeal under the provisions of RCW 84.48.010 and in
18 accordance with the provisions of RCW 84.40.038. If the applicant had
19 received exemption in prior years based on erroneous information, the
20 taxes must be collected subject to penalties as provided in RCW
21 84.40.130 for a period of not to exceed five years.

22 (6) The department and each local assessor is hereby directed to
23 publicize the qualifications and manner of making claims under RCW
24 84.36.381 through 84.36.389, through communications media, including
25 such paid advertisements or notices as it deems appropriate. Notice
26 of the qualifications, method of making applications, the penalties
27 for not reporting a change in status, and availability of further
28 information must be included on or with property tax statements and
29 revaluation notices for all residential property including mobile
30 homes, except rental properties.

31 (7) The department must authorize an option for electronic filing
32 of applications and renewal applications for the exemption under RCW
33 84.36.381.

34 (8) Beginning March 1, 2020, and by March 1st every fifth year
35 thereafter, the department must publish updated income thresholds.
36 The adjusted thresholds must be rounded to the nearest one dollar. If
37 the income threshold adjustment is negative, the income threshold for
38 the prior year continues to apply. The department must adjust income
39 thresholds for each county to reflect the most recent year available
40 of estimated county median household income, including preliminary

1 estimates or projections, as published by the office of financial
2 management. For the purposes of this subsection, "county median
3 household income" has the same meaning as in RCW 84.36.383.

4 (9) Beginning December 1, 2022, and every fifth year thereafter,
5 to assist the legislature in evaluating the extent to which the
6 changes under this act are uniformly and equitably benefiting
7 residential property owners across the state, the department, using
8 data provided by county assessors, must submit a report to the
9 legislature that includes the most recently available income
10 thresholds for each county under RCW 84.36.381 resulting from the
11 changes under this act, the number of additional properties exempted
12 under RCW 84.36.381, and any other information the department deems
13 relevant to the legislature's evaluation of the efficacy of this act
14 in providing additional, uniform, and equitable statewide residential
15 property tax relief.

16 **Sec. 505.** RCW 84.38.020 and 2006 c 62 s 2 are each amended to
17 read as follows:

18 ~~((Unless a different meaning is plainly required by the context,~~
19 ~~the following words and phrases as hereinafter used in this chapter~~
20 ~~shall have the following meanings:)) The definitions in this section
21 apply throughout this chapter unless the context clearly requires
22 otherwise.~~

23 (1) (a) "Claimant" means a person who either elects or is required
24 under RCW 84.64.050 to defer payment of the special assessments
25 and/or real property taxes accrued on the claimant's residence by
26 filing a declaration to defer as provided by this chapter.

27 (b) When two or more individuals of a household file or seek to
28 file a declaration to defer, they may determine between them as to
29 who is the claimant (~~shall be~~)).

30 (2) ~~(("Department" means the state department of revenue.~~
31 ~~(3)) "Devisee" means any person designated in a will to receive~~
32 a disposition of real or personal property.

33 (3) "Equity value" means the amount by which the fair market
34 value of a residence as determined from the records of the county
35 assessor exceeds the total amount of any liens or other obligations
36 against the property.

37 (4) "Heirs" means those persons, including the surviving spouse,
38 who are entitled under the statutes of intestate succession to the
39 property of a decedent.

1 (5) "Income threshold" means:

2 (a) For taxes levied for collection in calendar years prior to
3 2021, a combined disposable income equal to forty-five thousand
4 dollars; and

5 (b) For taxes levied for collection in calendar year 2021 or
6 thereafter, a combined disposable income equal to the greater of the
7 "income threshold" for the previous year, or seventy-five percent of
8 the county median household income, adjusted every five years
9 beginning March 1, 2020, as provided in RCW 84.36.385(8).

10 (6) "Local government" means any city, town, county, water-sewer
11 district, public utility district, port district, irrigation
12 district, flood control district, or any other municipal corporation,
13 quasi-municipal corporation, or other political subdivision
14 authorized to levy special assessments.

15 ~~((+5))~~ (7) "Real property taxes" means ad valorem property taxes
16 levied on a residence in this state in the preceding calendar year.

17 ~~((+6))~~ (8) "Residence" has the meaning given in RCW 84.36.383.

18 ~~((+7))~~ (9) "Special assessment" means the charge or obligation
19 imposed by a local government upon property specially benefited.

20 **Sec. 506.** RCW 84.38.030 and 2015 3rd sp.s. c 30 s 3 and 2015 c
21 86 s 313 are each reenacted and amended to read as follows:

22 A claimant may defer payment of special assessments and/or real
23 property taxes on up to eighty percent of the amount of the
24 claimant's equity value in the claimant's residence if the following
25 conditions are met:

26 (1) The claimant must meet all requirements for an exemption for
27 the residence under RCW 84.36.381, other than the age and income
28 limits under RCW 84.36.381.

29 (2) The claimant must be sixty years of age or older on December
30 31st of the year in which the deferral claim is filed, or must have
31 been, at the time of filing, retired from regular gainful employment
32 by reason of disability as defined in RCW 84.36.383. However, any
33 surviving spouse ~~((\oplus))~~, surviving domestic partner, heir, or devisee
34 of a person who was receiving a deferral at the time of the person's
35 death qualifies if the surviving spouse ~~((\oplus))~~, surviving domestic
36 partner, heir, or devisee is fifty-seven years of age or older and
37 otherwise meets the requirements of this section.

1 (3) The claimant must have a combined disposable income, as
2 defined in RCW 84.36.383, (~~of forty-five thousand dollars or less~~)
3 equal to or less than the income threshold.

4 (4) The claimant must have owned, at the time of filing, the
5 residence on which the special assessment and/or real property taxes
6 have been imposed. For purposes of this subsection, a residence owned
7 by a marital community, owned by domestic partners, or owned by
8 cotenants is deemed to be owned by each spouse, each domestic
9 partner, or each cotenant. A claimant who has only a share ownership
10 in cooperative housing, a life estate, a lease for life, or a
11 revocable trust does not satisfy the ownership requirement.

12 (5) The claimant must have and keep in force fire and casualty
13 insurance in sufficient amount to protect the interest of the state
14 in the claimant's equity value. However, if the claimant fails to
15 keep fire and casualty insurance in force to the extent of the
16 state's interest in the claimant's equity value, the amount deferred
17 may not exceed one hundred percent of the claimant's equity value in
18 the land or lot only.

19 (6) In the case of special assessment deferral, the claimant must
20 have opted for payment of such special assessments on the installment
21 method if such method was available.

22 **Sec. 507.** RCW 84.38.070 and 2008 c 6 s 703 are each amended to
23 read as follows:

24 If the claimant declaring his or her intention to defer special
25 assessments or real property tax obligations under this chapter
26 ceases to reside permanently on the property for which the
27 declaration to defer is made between the date of filing the
28 declaration and December 15th of that year, the deferral otherwise
29 allowable under this chapter (~~shall~~) is not (~~be~~) allowed on such
30 tax roll. However, this section (~~shall~~) does not apply where the
31 claimant dies, leaving a spouse (~~or~~), domestic partner, heir, or
32 devisee surviving, who is also eligible for deferral of special
33 assessment and/or property taxes.

34 **Sec. 508.** RCW 84.38.130 and 2008 c 6 s 704 are each amended to
35 read as follows:

36 Special assessments and/or real property tax obligations deferred
37 under this chapter (~~shall~~) become payable together with interest as
38 provided in RCW 84.38.100:

1 (1) Upon the sale of property which has a deferred special
2 assessment and/or real property tax lien upon it.

3 (2) Upon the death of the claimant with an outstanding deferred
4 special assessment and/or real property tax lien except a surviving
5 spouse (~~(or)~~), surviving domestic partner, heir, or devisee who is
6 qualified under this chapter may elect to incur the special
7 assessment and/or real property tax lien, which (~~shall~~) is then
8 (~~be~~) payable by that spouse (~~or that~~), domestic partner, heir, or
9 devisee as provided in this section.

10 (3) Upon the condemnation of property with a deferred special
11 assessment and/or real property tax lien upon it by a public or
12 private body exercising eminent domain power, except as otherwise
13 provided in RCW 84.60.070.

14 (4) At such time as the claimant ceases to reside permanently in
15 the residence upon which the deferral has been granted.

16 (5) Upon the failure of any condition set forth in RCW 84.38.030.

17 **Sec. 509.** RCW 84.38.150 and 2008 c 6 s 705 are each amended to
18 read as follows:

19 (1) A surviving spouse (~~(or)~~), surviving domestic partner, heir,
20 or devisee of the claimant may elect to continue the property in its
21 deferred tax status if the property is the residence of the spouse
22 (~~(or)~~), domestic partner, heir, or devisee of the claimant and the
23 spouse (~~(or)~~), domestic partner, heir, or devisee meets the
24 requirements of this chapter.

25 (2) The election under this section to continue the property in
26 its deferred status by the spouse (~~or the~~), domestic partner, heir,
27 or devisee of the claimant (~~shall~~) must be filed in the same manner
28 as an original claim for deferral is filed under this chapter (~~(not~~
29 ~~later than ninety days from the date of the claimant's death)~~).
30 Thereupon, the property with respect to which the deferral of special
31 assessments and/or real property taxes is claimed (~~shall~~) must
32 continue to be treated as deferred property. When the property has
33 been continued in its deferred status by the filing of the spouse
34 (~~or the~~), domestic partner, heir, or devisee of the claimant of an
35 election under this section, the spouse (~~or the~~), domestic partner,
36 heir, or devisee of the claimant may continue the property in its
37 deferred status in subsequent years by filing a claim under this
38 chapter so long as the spouse (~~or the~~), domestic partner, heir, or
39 devisee meets the qualifications set out in this section.

1 on food, many are targeted to benefit a very small number of
2 taxpayers. The need for tax preferences to mitigate the consequences
3 of the state tax structure has created structural deficits along with
4 "winners" and "losers" within the code. According to the 2016 tax
5 exemption study completed by the department of revenue, these tax
6 preferences forego 50.4 billion dollars in revenue per biennium. This
7 means the state foregoes more revenue in tax preferences than it
8 collects from its remaining revenue sources, leaving those taxpayers
9 without preferential tax treatment to assume a disproportionate share
10 of the responsibility to fund critical local and state investments.

11 (2) The legislature further finds that in 2001, the Washington
12 state tax structure study committee under section 138, chapter 7,
13 Laws of 2001 2nd sp. sess., was established to study the elasticity,
14 equity, and adequacy of the state's tax structure.

15 (a) The tax structure study committee produced a comprehensive
16 report of their research, economic modeling, and resulting tax policy
17 prescriptions. The legislature has adopted some of the recommended
18 changes, including establishing the budget stabilization account,
19 limiting new tax preferences with ten-year expiration dates, and
20 streamlining online retail sales tax administration. While these
21 incremental changes were made, none of the major alternatives have
22 been adopted, including the recommendation to replace the business
23 and occupation tax with a business value added tax.

24 (b) Since the tax structure study committee's final report was
25 published in November 2002, Washington's population, economy, and
26 communities have changed dramatically. Our state population has
27 increased by more than twenty percent (an estimated 1.3 million
28 additional people). In the decade since the great recession, some
29 business sectors have rebounded, stronger than ever, while many other
30 Washington industries have not recovered. Five Washington counties
31 have captured seventy-four percent of all new jobs created since
32 2001. Economic analysis indicates state revenues are decoupling from
33 the state's economic activity, creating structural revenue declines
34 that undermine the state's ability to provide essential services to
35 the people and communities of the state. Washington state and local
36 revenue collections as a share of personal income has dropped
37 approximately ten percent since the late 1990s. Legislative policy
38 choices, voter initiatives, consumer behavior, federal changes, low
39 interest rates, and our transition from a manufacturing economy to a

1 service based economy have all contributed to the erosion of the
2 state general fund revenue.

3 (3) The legislature further finds that in 2017, the Washington
4 state house tax structure work group under section 101, chapter 1,
5 Laws of 2017 3rd sp. sess., was established to facilitate public
6 discussions throughout the state about the advantages and
7 disadvantages of the state's current tax structure and potential
8 options to improve the current structure for the benefit of
9 individuals, families, and businesses in Washington state.
10 Legislators traveled across the state to hear directly from taxpayers
11 about key challenges in the tax structure that should be studied and
12 addressed in the future.

13 (a) The taxpayers recommended finding solutions to address the:

14 (i) Regressive nature of the tax code;

15 (ii) Negative impact of the business and occupation tax on small,
16 start-up, and low-margin businesses;

17 (iii) Need to modernize the tax structure to reflect the changing
18 economy; and

19 (iv) Excessive number of tax preferences and exemptions;

20 (b) The taxpayers also recommended conducting economic modeling
21 and comparative research of major alternatives to current revenue
22 sources, including but not limited to replacing:

23 (i) The business and occupation tax with an alternative taxing
24 mechanism such as corporate income tax or margins tax;

25 (ii) The one percent revenue growth limit on regular property
26 taxes with a limit based on population growth and inflation;

27 (iii) A portion of the state property tax with a capital gains
28 tax; and

29 (iv) Other existing revenue sources with alternative revenue
30 sources.

31 (4) Therefore, it is the intent of the legislature to modernize
32 and rebalance our state tax structure. To accomplish this, the
33 legislature will:

34 (a) Directly engage in robust conversations with taxpayers,
35 stakeholders, and experts across the state about how to make our tax
36 structure more equitable, adequate, stable, and transparent;

37 (b) Expand upon the successes of the 2017 tax structure work
38 group by increasing outreach and involving more taxpayers in the
39 conversation;

1 (c) Reevaluate the state tax structure, taking into particular
2 consideration the modernizing economy and changing economic reality
3 we currently face as individuals, communities, businesses, and the
4 state;

5 (d) Develop alternatives to our current tax structure for
6 consideration by taxpayers and policymakers, considering the
7 principles of equity, adequacy, stability, and transparency, while
8 also taking into consideration the effect on economic vitality and
9 the harmony with neighboring state's tax system; and

10 (e) Recommend policies that consider the principles named in (d)
11 of this subsection and reduce the tax burden on low-income and
12 middle-class households and small, new, and low-margin businesses.

13 NEW SECTION. **Sec. 602.** A new section is added to chapter 82.32
14 RCW to read as follows:

15 (1) The tax structure work group created within the 2017-2019
16 operating budget (chapter 1, Laws of 2017 3rd sp. sess. (Substitute
17 Senate Bill No. 5883)) is reauthorized and expanded to include nine
18 voting members, appointed as follows:

19 (a) The president of the senate must appoint two members from
20 each of the two largest caucuses of the senate;

21 (b) The speaker of the house of representatives must appoint two
22 members from each of the two largest caucuses of the house of
23 representatives; and

24 (c) The governor must appoint one member who represents the
25 office of the governor.

26 (2) The work group must also include the following nonvoting
27 members:

28 (a) One representative of the department of revenue;

29 (b) One representative of the association of Washington cities;
30 and

31 (c) One representative of the Washington state association of
32 counties.

33 (3) All work group members must indicate, in writing, their
34 interest in serving on the tax structure work group and provide a
35 statement of understanding that the commitment to serve on the tax
36 structure work group is through December 31, 2024. Elected officials
37 not reelected to their respective offices may be relieved of their
38 responsibilities on the tax structure work group.

1 (4) Vacancies on the tax structure work group must be filled
2 within sixty days of notice of the vacancy.

3 (5) The work group must choose a chair or cochairs from among its
4 legislative membership. The chair is responsible for convening the
5 meetings of the work group.

6 (6) Voting on recommendations and other decisions of the work
7 group are to be agreed upon by a simple majority vote. All work group
8 members may have a representative attend meetings of the tax
9 structure work group in lieu of the member, but voting by proxy is
10 not permitted.

11 (7) The duties of the work group are:

12 (a) Update the information contained in the final report of
13 findings and alternatives submitted by the Washington state tax
14 structure study committee to the legislature under section 138,
15 chapter 7, Laws of 2001 2nd sp. sess., and investigate other matters
16 that may be material to changing the state tax structure, such as
17 those recommended in the final report of the 2018 tax structure work
18 group; and

19 (b) Based on the update to the final report, provided in (a) of
20 this subsection, and other information gathered by the work group,
21 make recommendations to the legislature for changes to the state tax
22 structure. Any recommendation provided by the work group may not
23 result in a loss of revenue to the state as compared to the most
24 recent biennial revenue forecast published by the economic and
25 revenue forecast council.

26 (c) In making the recommendations under (b) of this subsection,
27 the work group must be guided by the following principles for a well-
28 designed tax system: Equity, adequacy, stability, and transparency.

29 (8) To assist the work group with its duties, the department of
30 revenue may create one or more technical advisory group(s) that may
31 include academic scholars from state research institutions or
32 regional universities and other recognized experts in the fields of
33 economics, taxation, business administration, public administration,
34 public policy, or other relevant disciplines as determined by the
35 department of revenue. It is the legislature's intent to include in a
36 technical advisory group both experts in economic theory as well as
37 tax law practitioners, such as certified public accountants, tax
38 attorneys, and other tax preparation professionals.

39 (9) The work group must complete its duties on the following
40 schedule:

1 (a) By December 1, 2020, the work group and technical advisory
2 group must prepare a preliminary report summarizing their findings
3 and alternatives, including:

4 (i) Updates to the findings and alternatives in the final report
5 submitted by the Washington state tax structure study committee to
6 the legislature under section 138, chapter 7, Laws of 2001 2nd sp.
7 sess., to include current information and data, and to account for
8 any of the original findings that have been addressed through
9 legislation since the original submission of that report; and

10 (ii) Economic modeling or other comparable analysis addressing
11 key challenges of the Washington state tax code (as reflected in the
12 final report of the tax structure work group submitted on December 3,
13 2018, as required by chapter 1, Laws of 2017 3rd sp. sess.
14 (Substitute Senate Bill No. 5883));

15 (b) By May 1, 2021, the work group must:

16 (i) Hold no less than two meetings in Olympia to review the
17 preliminary report described in (a) of this subsection. Some of these
18 meetings must include stakeholder groups. These stakeholder groups
19 must include, at a minimum, organizations and individuals
20 representing the following:

21 (A) Low-margin business owners and employees and/or associations
22 expressly dedicated to representing these businesses; and

23 (B) Individual taxpayers with income at or below one hundred
24 percent of area median income in their county of residence and/or
25 organizations expressly dedicated to representing low-income and
26 middle-income taxpayers;

27 (ii) Present the report described in (a) of this subsection with
28 findings and alternatives related to changes to the state tax system,
29 in compliance with RCW 43.01.036, to the appropriate committees of
30 the legislature; and

31 (iii) Begin to plan strategies to engage taxpayers and key
32 stakeholder groups to encourage participation in the public meetings
33 described in (d) (ii) of this subsection;

34 (c) During the 2021 legislative session, the work group must:

35 (i) Be available to deliver a presentation to the appropriate
36 committees of the legislature including:

37 (A) The findings and alternatives included in the report
38 described in (a) of this subsection; and

39 (B) The preliminary plan to engage taxpayers directly in a robust
40 conversation about the state's tax structure, including presenting

1 the findings and alternatives in the report described in (d) of this
2 subsection, and collecting feedback to inform development of
3 recommendations; and

4 (ii) Finalize the logistics of the engagement strategies
5 described in (d) of this subsection;

6 (d) Between the conclusion of the 2021 legislative session and
7 December 31, 2021, the work group must:

8 (i) Hold no less than five public meetings in geographically
9 dispersed areas of the state;

10 (ii) Present the report and findings described in (a) of this
11 subsection and alternatives to the state's current tax structure at
12 the public meetings;

13 (iii) Provide an opportunity at the public meetings for taxpayers
14 to engage in a conversation about the state tax structure, including
15 but not limited to, providing feedback on possible recommendations
16 for changes to the state tax structure and asking questions about the
17 report and findings and alternatives to the state's current tax
18 structure presented by the work group;

19 (iv) Utilize methods to collect taxpayer feedback before, during,
20 or after the public meetings that may include, but is not limited to:
21 Small group discussions, in-person written surveys, in-person visual
22 surveys, online surveys, written testimony, and public testimony;

23 (v) Encourage legislators to inform their constituents about the
24 public meetings that occur within and near their legislative
25 districts;

26 (vi) Inform local elected officials about the public meetings
27 that occur within and near their communities; and

28 (vii) Summarize the feedback that taxpayers and other
29 stakeholders communicated during the public meetings and other public
30 engagement methods, and submit a final summary report, in accordance
31 with RCW 43.01.036, to the appropriate committees of the legislature.
32 This report may be submitted as an appendix or update to the report
33 described in (a) of this subsection;

34 (e) During the 2022 legislative session, the work group must:

35 (i) Present the reports described in (a) and (d) of this
36 subsection to the appropriate committees of the legislature; and

37 (ii) Be available to deliver a presentation to and/or participate
38 in a work session for the appropriate committees of the legislature;
39 and

1 (f) (i) Between the conclusion of the 2022 legislative session and
2 December 31, 2022, the work group is directed to finalize policy
3 recommendations and develop legislation to implement modifications to
4 the tax structure, informed by the findings described in (a) of this
5 subsection and the feedback received from taxpayers as reflected in
6 the port described in (d) of this subsection;

7 (ii) During the 2023 legislative session, it is the intent of the
8 legislature to consider the proposal described in (f) (i) of this
9 subsection;

10 (iii) If the proposal is not adopted during the 2023 legislative
11 session, the work group is directed to host no less than three public
12 meetings to collect feedback on the legislation proposed in the 2023
13 session, and may also collect feedback on other proposals under
14 consideration by the work group. The work group is directed to modify
15 the proposal to address the feedback collected during the public
16 meetings;

17 (iv) During the 2024 legislative session, it is the intent of the
18 legislature to consider the modified proposal described in (f) (iii)
19 of this subsection; and

20 (g) By December 31, 2024, the work group is directed to submit a
21 final report that is a compilation of all other reports previously
22 submitted since December 1, 2020, and may include additional content
23 to summarize final activities of the tax structure work group and
24 related legislation, in compliance with RCW 43.01.036, to the
25 appropriate committees of the legislature.

26 (10) Staff support for the work group must be provided by the
27 department of revenue, subject to the degree such support is funded
28 through appropriation. The department of revenue may engage one or
29 more outside consultant(s) to assist in providing support for the
30 work group.

31 (11) Members of the work group must serve without compensation
32 but may be reimbursed for travel expenses under RCW 44.04.120,
33 43.03.050, and 43.03.060.

34 (12) The expenses of the work group must be paid jointly by the
35 senate and the house of representatives. Work group expenditures are
36 subject to approval by the senate facilities and operations committee
37 and the house of representatives executive rules committee, or their
38 successor committees.

39 (13) This section expires December 31, 2024.

1 **Part VII**

2 **Miscellaneous Provisions**

3 NEW SECTION. **Sec. 701.** The provisions of RCW 82.32.805 and
4 82.32.808 do not apply to this act.

5 NEW SECTION. **Sec. 702.** Sections 101 through 112 and 115 of this
6 act constitute a new chapter in Title 82 RCW.

7 NEW SECTION. **Sec. 703.** (1) If any provision of this act or its
8 application to any person or circumstance is held invalid by a court
9 of competent jurisdiction, in a judgment no longer subject to appeal,
10 this act expires on the date that such judicial proceedings become
11 final.

12 (2) The department of revenue must provide written notice of the
13 expiration date under this section to affected parties, the chief
14 clerk of the house of representatives, the secretary of the senate,
15 the office of the code reviser, and others as deemed appropriate by
16 the department.

17 NEW SECTION. **Sec. 704.** Parts I and II of this act take effect
18 January 1, 2020.

19 NEW SECTION. **Sec. 705.** Parts III and IV of this act take effect
20 July 1, 2020.

21 NEW SECTION. **Sec. 706.** Part V of this act takes effect March 1,
22 2020.

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