

Proposed Substitute House Bill 2157

By Representative Tarleton

H-2957.2

HB 2157 is an act relating to updating Washington's Tax Structure to address the needs of Washingtonians.

PSHB 2157 makes the following changes:

- Removes repeal of bullion and precious metals tax preference.
- Keeps a preferential B&O rate for travel agents and tour operators; however, the new preferential rate is 0.9 percent.
- Provides a B&O tax exemption for eligible hospitals that is owned by a county with a population greater than 2 million and managed by a state university.
- Changes the senior property tax exemption program to allow the floor for income qualification to be adjusted by inflation (with a 1 percent max) beginning in 2024 and every 10 years thereafter.

BILL REQUEST - CODE REVISER'S OFFICE

BILL REQ. #: H-2957.2/19 2nd draft

ATTY/TYPIST: JA:jcm

BRIEF DESCRIPTION: Updating the Washington tax structure to address the needs of Washingtonians.

1 AN ACT Relating to updating the Washington tax structure to
2 address the needs of Washingtonians; amending RCW 82.04.260,
3 82.08.0273, 84.36.381, 84.36.383, 84.36.385, 84.38.020, 84.38.070,
4 84.38.130, and 84.38.150; reenacting and amending RCW 84.38.030;
5 adding a new section to chapter 82.04 RCW; adding a new section to
6 chapter 82.32 RCW; creating new sections; prescribing penalties;
7 providing an effective date; providing expiration dates; and
8 declaring an emergency.

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

10 **Part I**

11 **Intent**

12 NEW SECTION. **Sec. 101.** (1) The legislature finds that the
13 Washington tax structure was developed in the early twentieth century
14 and has been amended over time to include many tax preferences that
15 benefit select taxpayers. The legislature further finds that we must
16 ensure our tax structure is equitable, stable, transparent, and
17 adequate in light of the modernizing economy, our states'
18 extraordinary population growth, and the changing economic reality we
19 currently face as individuals, communities, businesses, and the
20 state.

(2) The legislature finds that the tax structure has driven individual taxpayers and businesses to seek relief from state and local taxes. Over the years, the legislature has adopted approximately seven hundred tax preferences. Although some of those tax preferences have a broad and positive impact, such as property tax relief programs for the most vulnerable members of our communities and tax relief for industries that support the economic and environmental vitality of our state, many preferences are targeted to benefit a very small number of taxpayers. By requiring a series of preferences to mitigate its unintended consequences, the state's tax structure has created structural deficits, instability, and sets of "winners" and "losers" within the code.

(3) Therefore, it is the intent of the legislature to modernize and rebalance our state tax structure by repealing and modifying tax preferences that either no longer support the economic vitality of the state or the quality of life for the most vulnerable members of our communities and revaluating the state tax structure.

Part II

Modifying Preferential Business and Occupation
Tax Rates

Sec. 201. RCW 82.04.260 and 2018 c 164 s 3 are each amended to read as follows:

(1) Upon every person engaging within this state in the business of manufacturing:

(a) Wheat into flour, barley into pearl barley, soybeans into soybean oil, canola into canola oil, canola meal, or canola by-products, or sunflower seeds into sunflower oil; as to such persons the amount of tax with respect to such business is equal to the value of the flour, pearl barley, oil, canola meal, or canola by-product manufactured, multiplied by the rate of 0.138 percent;

(b) Beginning July 1, 2025, seafood products that remain in a raw, raw frozen, or raw salted state at the completion of the manufacturing by that person; or selling manufactured seafood products that remain in a raw, raw frozen, or raw salted state at the completion of the manufacturing, to purchasers who transport in the ordinary course of business the goods out of this state; as to such persons the amount of tax with respect to such business is equal to the value of the products manufactured or the gross proceeds derived

1 from such sales, multiplied by the rate of 0.138 percent. Sellers
2 must keep and preserve records for the period required by RCW
3 82.32.070 establishing that the goods were transported by the
4 purchaser in the ordinary course of business out of this state;

5 (c)(i) Except as provided otherwise in (c)(iii) of this
6 subsection, from July 1, 2025, until January 1, 2036, dairy products;
7 or selling dairy products that the person has manufactured to
8 purchasers who either transport in the ordinary course of business
9 the goods out of state or purchasers who use such dairy products as
10 an ingredient or component in the manufacturing of a dairy product;
11 as to such persons the tax imposed is equal to the value of the
12 products manufactured or the gross proceeds derived from such sales
13 multiplied by the rate of 0.138 percent. Sellers must keep and
14 preserve records for the period required by RCW 82.32.070
15 establishing that the goods were transported by the purchaser in the
16 ordinary course of business out of this state or sold to a
17 manufacturer for use as an ingredient or component in the
18 manufacturing of a dairy product.

19 (ii) For the purposes of this subsection (1)(c), "dairy products"
20 means:

21 (A) Products, not including any marijuana-infused product, that
22 as of September 20, 2001, are identified in 21 C.F.R., chapter 1,
23 parts 131, 133, and 135, including by-products from the manufacturing
24 of the dairy products, such as whey and casein; and

25 (B) Products comprised of not less than seventy percent dairy
26 products that qualify under (c)(ii)(A) of this subsection, measured
27 by weight or volume.

28 (iii) The preferential tax rate provided to taxpayers under this
29 subsection (1)(c) does not apply to sales of dairy products on or
30 after July 1, 2023, where a dairy product is used by the purchaser as
31 an ingredient or component in the manufacturing in Washington of a
32 dairy product;

33 (d)(i) Beginning July 1, 2025, fruits or vegetables by canning,
34 preserving, freezing, processing, or dehydrating fresh fruits or
35 vegetables, or selling at wholesale fruits or vegetables manufactured
36 by the seller by canning, preserving, freezing, processing, or
37 dehydrating fresh fruits or vegetables and sold to purchasers who
38 transport in the ordinary course of business the goods out of this
39 state; as to such persons the amount of tax with respect to such
40 business is equal to the value of the products manufactured or the

gross proceeds derived from such sales multiplied by the rate of 0.138 percent. Sellers must keep and preserve records for the period required by RCW 82.32.070 establishing that the goods were transported by the purchaser in the ordinary course of business out of this state.

(ii) For purposes of this subsection (1)(d), "fruits" and "vegetables" do not include marijuana, useable marijuana, or marijuana-infused products; and

(e) Wood biomass fuel; as to such persons the amount of tax with respect to the business is equal to the value of wood biomass fuel manufactured, multiplied by the rate of 0.138 percent. For the purposes of this section, "wood biomass fuel" means a liquid or gaseous fuel that is produced from lignocellulosic feedstocks, including wood, forest, ~~((~~for~~))~~ or field residue~~((~~r~~))~~ and dedicated energy crops, and that does not include wood treated with chemical preservations such as creosote, pentachlorophenol, or copper-chrome-arsenic.

(2) Upon every person engaging within this state in the business of splitting or processing dried peas; as to such persons the amount of tax with respect to such business is equal to the value of the peas split or processed, multiplied by the rate of 0.138 percent.

(3) Upon every nonprofit corporation and nonprofit association engaging within this state in research and development, as to such corporations and associations, the amount of tax with respect to such activities is equal to the gross income derived from such activities multiplied by the rate of 0.484 percent.

(4) Upon every person engaging within this state in the business of slaughtering, breaking and/or processing perishable meat products and/or selling the same at wholesale only and not at retail; as to such persons the tax imposed is equal to the gross proceeds derived from such sales multiplied by the rate of 0.138 percent.

(5) Upon every person engaging within this state in the business of acting as a travel agent or tour operator; as to such persons the amount of the tax with respect to such activities is equal to the gross income derived from such activities multiplied by the rate of 0.275 percent through June 30, 2019, and 0.9 percent beginning July 1, 2019.

(6) Upon every person engaging within this state in business as an international steamship agent, international customs house broker, international freight forwarder, vessel and/or cargo charter broker

1 in foreign commerce, and/or international air cargo agent; as to such
2 persons the amount of the tax with respect to only international
3 activities is equal to the gross income derived from such activities
4 multiplied by the rate of 0.275 percent.

5 (7) Upon every person engaging within this state in the business
6 of stevedoring and associated activities pertinent to the movement of
7 goods and commodities in waterborne interstate or foreign commerce;
8 as to such persons the amount of tax with respect to such business is
9 equal to the gross proceeds derived from such activities multiplied
10 by the rate of 0.275 percent. Persons subject to taxation under this
11 subsection are exempt from payment of taxes imposed by chapter 82.16
12 RCW for that portion of their business subject to taxation under this
13 subsection. Stevedoring and associated activities pertinent to the
14 conduct of goods and commodities in waterborne interstate or foreign
15 commerce are defined as all activities of a labor, service or
16 transportation nature whereby cargo may be loaded or unloaded to or
17 from vessels or barges, passing over, onto or under a wharf, pier, or
18 similar structure; cargo may be moved to a warehouse or similar
19 holding or storage yard or area to await further movement in import
20 or export or may move to a consolidation freight station and be
21 stuffed, unstuffed, containerized, separated or otherwise segregated
22 or aggregated for delivery or loaded on any mode of transportation
23 for delivery to its consignee. Specific activities included in this
24 definition are: Wharfage, handling, loading, unloading, moving of
25 cargo to a convenient place of delivery to the consignee or a
26 convenient place for further movement to export mode; documentation
27 services in connection with the receipt, delivery, checking, care,
28 custody and control of cargo required in the transfer of cargo;
29 imported automobile handling prior to delivery to consignee; terminal
30 stevedoring and incidental vessel services, including but not limited
31 to plugging and unplugging refrigerator service to containers,
32 trailers, and other refrigerated cargo receptacles, and securing ship
33 hatch covers.

34 (8)(a) Upon every person engaging within this state in the
35 business of disposing of low-level waste, as defined in RCW
36 43.145.010; as to such persons the amount of the tax with respect to
37 such business is equal to the gross income of the business, excluding
38 any fees imposed under chapter 43.200 RCW, multiplied by the rate of
39 3.3 percent.

1 (b) If the gross income of the taxpayer is attributable to
2 activities both within and without this state, the gross income
3 attributable to this state must be determined in accordance with the
4 methods of apportionment required under RCW 82.04.460.

5 (9) Upon every person engaging within this state as an insurance
6 producer or title insurance agent licensed under chapter 48.17 RCW or
7 a surplus line broker licensed under chapter 48.15 RCW; as to such
8 persons, the amount of the tax with respect to such licensed
9 activities is equal to the gross income of such business multiplied
10 by the rate of 0.484 percent.

11 (10) Upon every person engaging within this state in business as
12 a hospital, as defined in chapter 70.41 RCW, that is operated as a
13 nonprofit corporation or by the state or any of its political
14 subdivisions, as to such persons, the amount of tax with respect to
15 such activities is equal to the gross income of the business
16 multiplied by the rate of 0.75 percent through June 30, 1995, and 1.5
17 percent thereafter.

18 (11)(a) Beginning October 1, 2005, upon every person engaging
19 within this state in the business of manufacturing commercial
20 airplanes, or components of such airplanes, or making sales, at
21 retail or wholesale, of commercial airplanes or components of such
22 airplanes, manufactured by the seller, as to such persons the amount
23 of tax with respect to such business is, in the case of
24 manufacturers, equal to the value of the product manufactured and the
25 gross proceeds of sales of the product manufactured, or in the case
26 of processors for hire, equal to the gross income of the business,
27 multiplied by the rate of:

28 (i) 0.4235 percent from October 1, 2005, through June 30, 2007;
29 and

30 (ii) 0.2904 percent beginning July 1, 2007.

31 (b) Beginning July 1, 2008, upon every person who is not eligible
32 to report under the provisions of (a) of this subsection (11) and is
33 engaging within this state in the business of manufacturing tooling
34 specifically designed for use in manufacturing commercial airplanes
35 or components of such airplanes, or making sales, at retail or
36 wholesale, of such tooling manufactured by the seller, as to such
37 persons the amount of tax with respect to such business is, in the
38 case of manufacturers, equal to the value of the product manufactured
39 and the gross proceeds of sales of the product manufactured, or in

1 the case of processors for hire, be equal to the gross income of the
2 business, multiplied by the rate of 0.2904 percent.

3 (c) For the purposes of this subsection (11), "commercial
4 airplane" and "component" have the same meanings as provided in RCW
5 82.32.550.

6 (d) In addition to all other requirements under this title, a
7 person reporting under the tax rate provided in this subsection (11)
8 must file a complete annual tax performance report with the
9 department under RCW 82.32.534.

10 (e)(i) Except as provided in (e)(ii) of this subsection (11),
11 this subsection (11) does not apply on and after July 1, 2040.

12 (ii) With respect to the manufacturing of commercial airplanes or
13 making sales, at retail or wholesale, of commercial airplanes, this
14 subsection (11) does not apply on and after July 1st of the year in
15 which the department makes a determination that any final assembly or
16 wing assembly of any version or variant of a commercial airplane that
17 is the basis of a siting of a significant commercial airplane
18 manufacturing program in the state under RCW 82.32.850 has been sited
19 outside the state of Washington. This subsection (11)(e)(ii) only
20 applies to the manufacturing or sale of commercial airplanes that are
21 the basis of a siting of a significant commercial airplane
22 manufacturing program in the state under RCW 82.32.850.

23 (12)(a) Until July 1, 2024, upon every person engaging within
24 this state in the business of extracting timber or extracting for
25 hire timber; as to such persons the amount of tax with respect to the
26 business is, in the case of extractors, equal to the value of
27 products, including by-products, extracted, or in the case of
28 extractors for hire, equal to the gross income of the business,
29 multiplied by the rate of 0.4235 percent from July 1, 2006, through
30 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,
31 2024.

32 (b) Until July 1, 2024, upon every person engaging within this
33 state in the business of manufacturing or processing for hire: (i)
34 Timber into timber products or wood products; or (ii) timber products
35 into other timber products or wood products; as to such persons the
36 amount of the tax with respect to the business is, in the case of
37 manufacturers, equal to the value of products, including by-products,
38 manufactured, or in the case of processors for hire, equal to the
39 gross income of the business, multiplied by the rate of 0.4235

1 percent from July 1, 2006, through June 30, 2007, and 0.2904 percent
2 from July 1, 2007, through June 30, 2024.

3 (c) Until July 1, 2024, upon every person engaging within this
4 state in the business of selling at wholesale: (i) Timber extracted
5 by that person; (ii) timber products manufactured by that person from
6 timber or other timber products; or (iii) wood products manufactured
7 by that person from timber or timber products; as to such persons the
8 amount of the tax with respect to the business is equal to the gross
9 proceeds of sales of the timber, timber products, or wood products
10 multiplied by the rate of 0.4235 percent from July 1, 2006, through
11 June 30, 2007, and 0.2904 percent from July 1, 2007, through June 30,
12 2024.

13 (d) Until July 1, 2024, upon every person engaging within this
14 state in the business of selling standing timber; as to such persons
15 the amount of the tax with respect to the business is equal to the
16 gross income of the business multiplied by the rate of 0.2904
17 percent. For purposes of this subsection (12)(d), "selling standing
18 timber" means the sale of timber apart from the land, where the buyer
19 is required to sever the timber within thirty months from the date of
20 the original contract, regardless of the method of payment for the
21 timber and whether title to the timber transfers before, upon, or
22 after severance.

23 (e) For purposes of this subsection, the following definitions
24 apply:

25 (i) "Biocomposite surface products" means surface material
26 products containing, by weight or volume, more than fifty percent
27 recycled paper and that also use nonpetroleum-based phenolic resin as
28 a bonding agent.

29 (ii) "Paper and paper products" means products made of interwoven
30 cellulosic fibers held together largely by hydrogen bonding. "Paper
31 and paper products" includes newsprint; office, printing, fine, and
32 pressure-sensitive papers; paper napkins, towels, and toilet tissue;
33 kraft bag, construction, and other kraft industrial papers;
34 paperboard, liquid packaging containers, containerboard, corrugated,
35 and solid-fiber containers including linerboard and corrugated
36 medium; and related types of cellulosic products containing
37 primarily, by weight or volume, cellulosic materials. "Paper and
38 paper products" does not include books, newspapers, magazines,
39 periodicals, and other printed publications, advertising materials,
40 calendars, and similar types of printed materials.

1 (iii) "Recycled paper" means paper and paper products having
2 fifty percent or more of their fiber content that comes from
3 postconsumer waste. For purposes of this subsection (12)(e)(iii),
4 "postconsumer waste" means a finished material that would normally be
5 disposed of as solid waste, having completed its life cycle as a
6 consumer item.

7 (iv) "Timber" means forest trees, standing or down, on privately
8 or publicly owned land. "Timber" does not include Christmas trees
9 that are cultivated by agricultural methods or short-rotation
10 hardwoods as defined in RCW 84.33.035.

11 (v) "Timber products" means:

12 (A) Logs, wood chips, sawdust, wood waste, and similar products
13 obtained wholly from the processing of timber, short-rotation
14 hardwoods as defined in RCW 84.33.035, or both;

15 (B) Pulp, including market pulp and pulp derived from recovered
16 paper or paper products; and

17 (C) Recycled paper, but only when used in the manufacture of
18 biocomposite surface products.

19 (vi) "Wood products" means paper and paper products; dimensional
20 lumber; engineered wood products such as particleboard, oriented
21 strand board, medium density fiberboard, and plywood; wood doors;
22 wood windows; and biocomposite surface products.

23 (f) Except for small harvesters as defined in RCW 84.33.035, a
24 person reporting under the tax rate provided in this subsection (12)
25 must file a complete annual tax performance report with the
26 department under RCW 82.32.534.

27 (13) Upon every person engaging within this state in inspecting,
28 testing, labeling, and storing canned salmon owned by another person,
29 as to such persons, the amount of tax with respect to such activities
30 is equal to the gross income derived from such activities multiplied
31 by the rate of 0.484 percent.

32 (14)(a) Upon every person engaging within this state in the
33 business of printing a newspaper, publishing a newspaper, or both,
34 the amount of tax on such business is equal to the gross income of
35 the business multiplied by the rate of 0.35 percent until July 1,
36 2024, and 0.484 percent thereafter.

37 (b) A person reporting under the tax rate provided in this
38 subsection (14) must file a complete annual tax performance report
39 with the department under RCW 82.32.534.

1 **Part III**

2 **Providing a Business and Occupation Tax Exemption**

3 NEW SECTION. **Sec. 301.** This section is the tax preference
4 performance statement for the tax preference contained in section
5 302, chapter ..., Laws of 2019 (section 302 of this act). This
6 performance statement is only intended to be used for subsequent
7 evaluation of the tax preference. It is not intended to create a
8 private right of action by any party or be used to determine
9 eligibility for preferential tax treatment.

10 (1) The legislature categorizes this tax preference as one
11 intended to provide tax relief to certain eligible businesses, as
12 indicated in RCW 82.32.808(2)(e).

13 (2) The joint legislative audit and review committee is directed
14 to evaluate the role eligible hospitals play as safety net providers,
15 using metrics including but not limited to:

16 (a) The monetary value of the following services provided by each
17 eligible hospital:

18 (i) Uncompensated care, by category of health care services; and

19 (ii) Medicaid and medicare funded treatment, by category of
20 health care services;

21 (b) Percentage and count of all clients served by each eligible
22 hospital, by category of health care services, who:

23 (i) Receive uncompensated care; and

24 (ii) Use medicare or medicaid to pay for treatment; and

25 (c) Percentage and count of all clients served in all hospitals
26 in Washington who:

27 (i) Receive uncompensated care from an eligible hospital, by
28 category of health care services;

29 (ii) Use medicare and medicaid to pay for treatment from an
30 eligible hospital, by category of health care services; and

31 (iii) Receive uncompensated trauma care from an eligible
32 hospital.

33 (3) For the purposes of this section, "eligible hospital" means a
34 taxpayer claiming the tax preference provided in section 302,
35 chapter ..., Laws of 2019 (section 302 of this act).

36 (4) In order to obtain the data necessary to perform the review
37 in this section, the joint legislative audit and review committee may
38 refer to data from the health care authority and the department of
39 health, as well as any other available data sources.

1 82.08.020 does not apply to the separately stated charge to a
2 nonresident purchaser for the tangible personal property but only if
3 the seller certifies in writing to the purchaser that the separately
4 stated charge does not exceed either the seller's current publicly
5 stated retail price for the tangible personal property or, if no
6 publicly stated retail price is available, the seller's cost for the
7 tangible personal property. However, the exemption provided by this
8 section does not apply if tangible personal property is installed by
9 the seller during the course of repairing, cleaning, altering, or
10 improving motor vehicles, trailers, or campers and the seller makes a
11 single nonitemized charge for providing the tangible personal
12 property and service. All of the ((requirements)) provisions in
13 subsections (1) and (3) through ((+6+)) (7) of this section apply to
14 this subsection.

15 (3)(a) Any person claiming exemption from retail sales tax under
16 the provisions of this section must ~~((display proof of his or her~~
17 ~~current nonresident status as provided in this section))~~ pay the
18 state and local sales tax to the seller at the time of purchase and
19 then request a remittance from the department in accordance with this
20 subsection and subsection (4) of this section. A request for
21 remittance must include proof of the person's status as a nonresident
22 at the time of the purchase for which a remittance is requested. The
23 request for a remittance must also include any additional information
24 and documentation as required by the department, which may include a
25 description of the item purchased for which a remittance is
26 requested, the sales price of the item, the amount of sales tax paid
27 on the item, the date of the purchase, the name of the seller and the
28 physical address where the sale took place, and copies of sales
29 receipts showing the qualified purchases.

30 (b) Acceptable proof of a nonresident person's status includes
31 one piece of identification such as a valid driver's license from the
32 jurisdiction in which the out-of-state residency is claimed or a
33 valid identification card which has a photograph of the holder and is
34 issued by the out-of-state jurisdiction. Identification under this
35 subsection (3)(b) must show the holder's residential address and have
36 as one of its legal purposes the establishment of residency in that
37 out-of-state jurisdiction.

38 ~~((c) In lieu of furnishing proof of a person's nonresident~~
39 ~~status under (b) of this subsection (3), a person claiming exemption~~
40 ~~from retail sales tax under the provisions of this section may~~

1 ~~provide the seller with an exemption certificate in compliance with~~
2 ~~subsection (4) (b) of this section.~~

3 ~~(4) (a) Nothing in this section requires the vendor to make tax~~
4 ~~exempt retail sales to nonresidents. A vendor may choose to make~~
5 ~~sales to nonresidents, collect the sales tax, and remit the amount of~~
6 ~~sales tax collected to the state as otherwise provided by law. If the~~
7 ~~vendor chooses to make a sale to a nonresident without collecting the~~
8 ~~sales tax, the vendor must examine the purchaser's proof of~~
9 ~~nonresidence, determine whether the proof is acceptable under~~
10 ~~subsection (3) (b) of this section, and maintain records for each~~
11 ~~nontaxable sale which must show the type of proof accepted, including~~
12 ~~any identification numbers where appropriate, and the expiration~~
13 ~~date, if any.~~

14 ~~(b) In lieu of using the method provided in (a) of this~~
15 ~~subsection to document an exempt sale to a nonresident, a seller may~~
16 ~~accept from the purchaser a properly completed uniform exemption~~
17 ~~certificate approved by the streamlined sales and use tax agreement~~
18 ~~governing board or any other exemption certificate as may be~~
19 ~~authorized by the department and properly completed by the purchaser.~~
20 ~~A nonresident purchaser who uses an exemption certificate authorized~~
21 ~~in this subsection (4) (b) must include the purchaser's driver's~~
22 ~~license number or other state-issued identification number and the~~
23 ~~state of issuance.~~

24 ~~(c) In lieu of using the methods provided in (a) and (b) of this~~
25 ~~subsection to document an exempt sale to a nonresident, a seller may~~
26 ~~capture the relevant data elements as allowed under the streamlined~~
27 ~~sales and use tax agreement.~~

28 ~~(5) (a) Any person making fraudulent statements, which includes~~
29 ~~the offer of fraudulent identification or fraudulently procured~~
30 ~~identification to a vendor, in order to purchase goods without paying~~
31 ~~retail sales tax is guilty of perjury under chapter 9A.72 RCW.~~

32 ~~(b) Any person making tax exempt purchases under this section by~~
33 ~~displaying proof of identification not his or her own, or counterfeit~~
34 ~~identification, with intent to violate the provisions of this~~
35 ~~section, is guilty of a misdemeanor and, in addition, is liable for~~
36 ~~the tax and subject to a penalty equal to the greater of one hundred~~
37 ~~dollars or the tax due on such purchases.~~

38 ~~(6) (a) Any vendor who makes sales without collecting the tax and~~
39 ~~who fails to maintain records of sales to nonresidents as provided in~~
40 ~~this section is personally liable for the amount of tax due.~~

~~(b) Any vendor who makes sales without collecting the retail sales tax under this section and who has actual knowledge that the purchaser's proof of identification establishing out-of-state residency is fraudulent is guilty of a misdemeanor and, in addition, is liable for the tax and subject to a penalty equal to the greater of one thousand dollars or the tax due on such sales. In addition, both the purchaser and the vendor are liable for any penalties and interest assessable under chapter 82.32 RCW.~~

~~(7))~~ (4)(a)(i) Beginning January 1, 2020, through December 31, 2020, a person may request a remittance from the department for state sales taxes paid by the person on qualified retail purchases made in Washington between July 1, 2019, and December 31, 2019.

(ii) Beginning January 1, 2021, a person may request a remittance from the department during any calendar year for state sales taxes paid by the person on qualified retail purchases made in Washington during the immediately preceding calendar year only. No application may be made with respect to purchases made before the immediately preceding calendar year.

(b) The remittance request, including proof of nonresident status and any other documentation and information required by the department, must be provided in a form and manner as prescribed by the department. Only one remittance request may be made by a person per calendar year.

(c) The total amount of a remittance request must be at least twenty-five dollars. The department must deny any request for a remittance that is less than twenty-five dollars.

(d) The department will examine the applicant's proof of nonresident status and any other documentation and information as required in the application to determine whether the applicant is entitled to a remittance under this section.

(5)(a) Any person making fraudulent statements to the department, which includes the offer of fraudulent or fraudulently procured identification or fraudulent sales receipts, in order to receive a remittance of retail sales tax is guilty of perjury under chapter 9A.72 RCW and is ineligible to receive any further remittances from the department under this section.

(b) Any person obtaining a remittance of retail sales tax from the department by providing proof of identification or sales receipts not the person's own, or counterfeit identification or sales receipts is:

1 (i) Liable for repayment of the remittance, including interest as
2 provided in chapter 82.32 RCW from the date the remittance was
3 transmitted to the person until repaid in full;

4 (ii) Liable for a civil penalty equal to the greater of one
5 hundred dollars or the amount of the remittance obtained in violation
6 of this subsection (5) (b); and

7 (iii) Ineligible to receive any further remittances from the
8 department under this section.

9 (c) Any person assisting another person in obtaining a remittance
10 of retail sales tax in violation of (b) of this subsection (5) is
11 jointly and severally liable for amounts due under (b) of this
12 subsection (5) and is also ineligible to receive any further
13 remittances from the department under this section.

14 (6) A person who receives a refund of sales tax from the seller
15 for any reason with respect to a purchase made in this state is not
16 entitled to a remittance for the tax paid on the purchase. A person
17 who receives both a remittance under this section and a refund of
18 sales tax from the seller with respect to the same purchase must
19 immediately repay the remittance to the department. Interest as
20 provided in chapter 82.32 RCW applies to amounts due under this
21 section from the date that the department made the remittance until
22 the amount due under this subsection is paid to the department. A
23 person who receives a remittance with respect to a purchase for which
24 the person had, at the time the person submitted the application for
25 a remittance, already received a refund of sales tax from the seller
26 is also liable for a civil penalty equal to the greater of one
27 hundred dollars or the amount of the remittance obtained in violation
28 of this subsection (6) and is ineligible to receive any further
29 remittances from the department under this section.

30 (7) The exemption provided by this section is only for the state
31 portion of the sales tax. For purposes of this section, the state
32 portion of the sales tax is not reduced by any local sales tax that
33 is deducted or credited against the state sales tax as provided by
34 law.

35 (8) The exemption in this section does not apply to sales of
36 marijuana, useable marijuana, or marijuana-infused products.

37 **Part V**

38 **Expanding the Senior Citizen Property Tax Exemption**

1 **Sec. 501.** 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, ~~((or))~~ 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 purpose 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-~~
6 ~~connected disability))~~);

7 (A) A combined service-connected evaluation rating of eighty
8 percent or higher; or

9 (B) A total disability rating for a service-connected disability
10 without regard to evaluation percent.

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

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

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

1 additional regular property taxes identified this exemption in the
2 ordinance placing the RCW 84.55.050 measure on the ballot; and

3 (b) (i) A person who otherwise qualifies under this section and
4 has a combined disposable income (~~((of thirty-five thousand dollars or~~
5 ~~less but greater than thirty thousand dollars))~~ equal to or less than
6 income threshold 2 but greater than income threshold 1 is exempt from
7 all regular property taxes on the greater of fifty thousand dollars
8 or thirty-five percent of the valuation of his or her residence, but
9 not to exceed seventy thousand dollars of the valuation of his or her
10 residence; or

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

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

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

35 (c) This subsection does not apply to subsequent improvements to
36 the property in the year in which the improvements are made.
37 Subsequent improvements to the property must be added to the value
38 otherwise determined under this subsection at their true and fair
39 value in the year in which they are made.

1 **Sec. 502.** RCW 84.36.383 and 2012 c 10 s 74 are each amended to
2 read as follows:

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

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

21 (2) The term "real property" also includes a mobile home which
22 has substantially lost its identity as a mobile unit by virtue of its
23 being fixed in location upon land owned or leased by the owner of the
24 mobile home and placed on a foundation (posts or blocks) with fixed
25 pipe, connections with sewer, water, or other utilities. A mobile
26 home located on land leased by the owner of the mobile home is
27 subject, for tax billing, payment, and collection purposes, only to
28 the personal property provisions of chapter 84.56 RCW and RCW
29 84.60.040.

30 (3) "Department" means the state department of revenue.

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

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

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

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

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

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

15 (b) Amounts deducted for loss;

16 (c) Amounts deducted for depreciation;

17 (d) Pension and annuity receipts;

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

20 (f) Veterans benefits, other than:

21 (i) Attendant-care payments;

22 (ii) Medical-aid payments;

23 (iii) Disability compensation, as defined in Title 38, part 3,
24 section 3.4 of the code of federal regulations, as of January 1,
25 2008; and

26 (iv) Dependency and indemnity compensation, as defined in Title
27 38, part 3, section 3.5 of the code of federal regulations, as of
28 January 1, 2008;

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

30 (h) Dividend receipts; and

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

32 (6) "Cotenant" means a person who resides with the person
33 claiming the exemption and who has an ownership interest in the
34 residence.

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

39 (8) "County median household income" means the median household
40 income estimates for the state of Washington by county of the legal

1 address of the principal place of residence, as published by the
2 office of financial management.

3 (9) "Income threshold 1" means:

4 (a) For taxes levied for collection in calendar years prior to
5 2020, a combined disposable income equal to thirty thousand dollars;
6 and

7 (b) For taxes levied for collection in calendar year 2020 and
8 thereafter, a combined disposable income equal to the greater of
9 "income threshold 1" for the previous year or forty-five percent of
10 the county median household income, adjusted every five years
11 beginning August 1, 2019, as provided in RCW 84.36.385(7).

12 (10) "Income threshold 2" means:

13 (a) For taxes levied for collection in calendar years prior to
14 2020, a combined disposable income equal to thirty-five thousand
15 dollars; and

16 (b) For taxes levied for collection in calendar year 2020 and
17 thereafter, a combined disposable income equal to the greater of
18 "income threshold 2" for the previous year or fifty-five percent of
19 the county median household income, adjusted every five years
20 beginning August 1, 2019, as provided in RCW 84.36.385(7).

21 (11) "Income threshold 3" means:

22 (a) For taxes levied for collection in calendar years prior to
23 2020, a combined disposable income equal to forty thousand dollars;
24 and

25 (b) For taxes levied for collection in calendar year 2020 and
26 thereafter, a combined disposable income equal to the greater of
27 "income threshold 3" for the previous year or sixty-five percent of
28 the county median household income, adjusted every five years
29 beginning August 1, 2019, as provided in RCW 84.36.385(7).

30 **Sec. 503.** RCW 84.36.385 and 2011 c 174 s 106 are each amended to
31 read as follows:

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

1 (2) A person granted an exemption under RCW 84.36.381 must inform
2 the county assessor of any change in status affecting the person's
3 entitlement to the exemption on forms prescribed and furnished by the
4 department of revenue.

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

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

16 (5) If the assessor finds that the applicant does not meet the
17 qualifications as set forth in RCW 84.36.381, as now or hereafter
18 amended, the claim or exemption must be denied but such denial is
19 subject to appeal under the provisions of RCW 84.48.010 and in
20 accordance with the provisions of RCW 84.40.038. If the applicant had
21 received exemption in prior years based on erroneous information, the
22 taxes must be collected subject to penalties as provided in RCW
23 84.40.130 for a period of not to exceed five years.

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

33 (7) Beginning August 1, 2019, and by March 1st every fifth year
34 thereafter, the department must publish updated income thresholds.
35 The adjusted thresholds must be rounded to the nearest one dollar. If
36 the income threshold adjustment is negative, the income threshold for
37 the prior year continues to apply. The department must adjust income
38 thresholds for each county to reflect the most recent year available
39 of estimated county median household incomes, including preliminary
40 estimates or projections, as published by the office of financial

1 management. For the purposes of this subsection, "county median
2 household income" has the same meaning as provided in RCW 84.36.383.

3 (8) Beginning with the adjustment made by March 1, 2024, as
4 provided in subsection (7) of this section, and every second
5 adjustment thereafter, if an income threshold in a county is not
6 adjusted based on percentage of county median income, then the income
7 threshold must be adjusted based on the growth of the consumer price
8 index for all urban consumers (CPI-U) for the prior twelve month
9 period as published by the United States bureau of labor statistics.
10 In no case may the adjustment be greater than one percent. The
11 adjusted thresholds must be rounded to the nearest one dollar. If the
12 income threshold adjustment is negative, the income threshold for the
13 prior year continues to apply.

14 **Sec. 504.** RCW 84.38.020 and 2006 c 62 s 2 are each amended to
15 read as follows:

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

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

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

28 (2) ~~(("Department" means the state department of revenue.))~~
29 "Devisee" has the same meaning as provided in RCW 21.35.005.

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

34 (4) "Heir" has the same meaning as provided in RCW 21.35.005.

35 (5) "Income threshold" means: (a) For taxes levied for collection
36 in calendar years prior to 2020, a combined disposable income equal
37 to forty-five thousand dollars; and (b) for taxes levied for
38 collection in calendar year 2020 and thereafter, a combined
39 disposable income equal to the greater of the income threshold for

1 the previous year, or seventy-five percent of the county median
2 household income, adjusted every five years beginning August 1, 2019,
3 as provided in RCW 84.36.385(7).

4 (6) "Local government" means any city, town, county, water-sewer
5 district, public utility district, port district, irrigation
6 district, flood control district, or any other municipal corporation,
7 quasi-municipal corporation, or other political subdivision
8 authorized to levy special assessments.

9 ~~((+5))~~ (7) "Real property taxes" means ad valorem property taxes
10 levied on a residence in this state in the preceding calendar year.

11 ~~((+6))~~ (8) "Residence" has the meaning given in RCW 84.36.383.

12 ~~((+7))~~ (9) "Special assessment" means the charge or obligation
13 imposed by a local government upon property specially benefited.

14 **Sec. 505.** RCW 84.38.030 and 2015 3rd sp.s. c 30 s 3 and 2015 c
15 86 s 313 are each reenacted and amended to read as follows:

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

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

23 (2) The claimant must be sixty years of age or older on December
24 31st of the year in which the deferral claim is filed, or must have
25 been, at the time of filing, retired from regular gainful employment
26 by reason of disability as defined in RCW 84.36.383. However, any
27 surviving spouse ~~((or))~~, surviving domestic partner, heir, or devisee
28 of a person who was receiving a deferral at the time of the person's
29 death qualifies if the surviving spouse ~~((or))~~, surviving domestic
30 partner, heir, or devisee is fifty-seven years of age or older and
31 otherwise meets the requirements of this section.

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

35 (4) The claimant must have owned, at the time of filing, the
36 residence on which the special assessment and/or real property taxes
37 have been imposed. For purposes of this subsection, a residence owned
38 by a marital community, owned by domestic partners, or owned by
39 cotenants is deemed to be owned by each spouse, each domestic

1 partner, or each cotenant. A claimant who has only a share ownership
2 in cooperative housing, a life estate, a lease for life, or a
3 revocable trust does not satisfy the ownership requirement.

4 (5) The claimant must have and keep in force fire and casualty
5 insurance in sufficient amount to protect the interest of the state
6 in the claimant's equity value. However, if the claimant fails to
7 keep fire and casualty insurance in force to the extent of the
8 state's interest in the claimant's equity value, the amount deferred
9 may not exceed one hundred percent of the claimant's equity value in
10 the land or lot only.

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

14 **Sec. 506.** RCW 84.38.070 and 2008 c 6 s 703 are each amended to
15 read as follows:

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

26 **Sec. 507.** RCW 84.38.130 and 2008 c 6 s 704 are each amended to
27 read as follows:

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

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

33 (2) Upon the death of the claimant with an outstanding deferred
34 special assessment and/or real property tax lien except a surviving
35 spouse (~~((or))~~), surviving domestic partner, heir, or devisee who is
36 qualified under this chapter may elect to incur the special
37 assessment and/or real property tax lien, which (~~((shall))~~) is then

1 ((be)) payable by that spouse ((or that)) domestic partner, heir, or
2 devisee as provided in this section.

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

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

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

10 **Sec. 508.** RCW 84.38.150 and 2008 c 6 s 705 are each amended to
11 read as follows:

12 (1) A surviving spouse ((or)) surviving domestic partner, heir,
13 or devisee of the claimant may elect to continue the property in its
14 deferred tax status if the property is the residence of the spouse
15 ((or)) domestic partner, heir, or devisee of the claimant and the
16 spouse ((or)) domestic partner, heir, or devisee meets the
17 requirements of this chapter.

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

33 Part VI

34 Tax Structure Work Group

35 NEW SECTION. **Sec. 601.** A new section is added to chapter 82.32
36 RCW to read as follows:

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

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

7 (b) The speaker of the house of representatives must appoint two
8 members from each of the two largest caucuses of the house of
9 representatives; and

10 (c) The governor must appoint one member who represents the
11 office of the governor.

12 (2) The work group must also include the following nonvoting
13 members:

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

15 (b) One representative of the association of Washington cities;
16 and

17 (c) One representative of the Washington state association of
18 counties.

19 (3) All voting members of the work group must indicate, in
20 writing, their interest in serving on the tax structure work group
21 and provide a statement of understanding that the commitment to serve
22 on the tax structure work group is through December 31, 2024. Elected
23 officials not reelected to their respective offices may be relieved
24 of their responsibilities on the tax structure work group.

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

27 (5) The work group must choose a chair or cochair from among its
28 legislative membership. The chair is, or cochair is, responsible
29 for convening the meetings of the work group no less than quarterly
30 each year.

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

36 (7) The duties of the department of revenue, with assistance of a
37 technical advisory group(s), are to:

38 (a) With respect to the final report of findings and alternatives
39 submitted by the Washington state tax structure study committee to

1 the legislature under section 138, chapter 7, Laws of 2001 2nd sp.
2 sess.:

3 (i) Update the data and research that informed the
4 recommendations and other analysis contained in the final report;

5 (ii) Estimate how much revenue all the revenue replacement
6 alternatives recommended in the final report would have generated for
7 the 2017-2019 biennium if the state had implemented the alternatives
8 on January 1, 2003;

9 (iii) Estimate the tax rates necessary to implement all
10 recommended revenue replacement alternatives in order to achieve the
11 revenues generated during the 2017-2019 biennium as reported by the
12 economic and revenue forecast council;

13 (iv) Estimate the impact on taxpayers, including tax paid as a
14 share of household income for various income levels, and tax paid as
15 a share of total business revenue for various business activities,
16 for (a) (ii) and (iii) of this subsection; and

17 (v) Estimate how much revenue would have been generated in the
18 2017-2019 biennium, if the incremental revenue alternatives
19 recommended in the final report would have been implemented on
20 January 1, 2003, excluding any recommendations implemented before the
21 effective date of this section;

22 (b) With respect to the recommendations in the final report of
23 the 2018 tax structure work group:

24 (i) Conduct economic modeling or comparable analysis of replacing
25 the business and occupation tax with an alternative, such as
26 corporate income tax or margins tax, and estimate the impact on
27 taxpayers, such as tax paid as a share of total business revenue for
28 various business activities, assuming the same revenues generated by
29 business and occupation taxes during the 2017-2019 biennium as
30 reported by the economic and revenue forecast council; and

31 (ii) Estimate how much revenue would have been generated for the
32 2017-2019 biennium if the one percent revenue growth limit on regular
33 property taxes was replaced with a limit based on population growth
34 and inflation if the state had implemented this policy on January 1,
35 2003;

36 (c) To analyze our economic competitiveness with border states:

37 (i) Estimate the revenues that would have been generated during
38 the 2017-2019 biennium, had Washington adopted the tax structure of
39 those states, assuming the economic tax base for the 2017-2019

1 biennium as reported by the economic and revenue forecast council;
2 and

3 (ii) Estimate the impact on taxpayers, including tax paid as a
4 share of household income for various income levels, and tax paid as
5 a share of total business revenue for various business activities for
6 (c)(i) of this subsection;

7 (d) To analyze our economic competitiveness in the context of a
8 national and global economy, provide comparisons of the effective
9 state and local tax rate of the tax structure during the 2017-2019
10 biennium and various alternatives under consideration, as they
11 compare to other states and the federal government, as well as
12 consider implications of recent changes to federal tax law;

13 (e) To the degree it is practicable, conduct tax incidence
14 analysis of the various alternatives under consideration to account
15 for the impacts of tax shifting, such as business taxes passed along
16 to consumers and property taxes passed along to renters;

17 (f) To the degree it is practicable, present findings and
18 alternatives by geographic area, in addition to statewide; and

19 (g) Conduct other analysis as directed by the work group.

20 (8) To assist the work group with its duties, the department of
21 revenue must create one or more technical advisory group(s) that:

22 (a) Must include at least one:

23 (i) Academic scholar from research institutions in the fields of
24 economics, taxation, business administration, public administration,
25 public policy, or other relevant disciplines as determined by the
26 work group;

27 (ii) Academic scholar or other recognized expert in the fields of
28 artificial intelligence, the automated economy, or labor primarily
29 provided on a freelance or temporary basis;

30 (iii) Expert in international trade;

31 (iv) Expert in economic theory; and

32 (v) Tax law practitioner, such as a certified public accountant,
33 tax attorney, or other tax preparation professional; and

34 (b) May include academic scholars and experts from regional
35 universities and community and technical colleges from diverse
36 regions across the state in the fields of economics, taxation,
37 business administration, public administration, and public policy.
38 The department must ensure that the perspective of different regional
39 economies are represented by members of the technical advisory group.

(9) Per the recommendations of the 2018 tax structure work group, the work group is required to develop policy proposals for consideration by the appropriate fiscal committees of the legislature. Any policy proposals developed by the work group may include the analysis done under subsection (7) of this section but proposals are not limited to only the analysis done by the department. Any policy proposals made to the legislature may not result in a loss of revenue to the state as compared to the most recent biennial revenue forecast published by the economic and revenue forecast council. In developing the policy proposals, the work group must be guided by principles for a well-designed tax system, namely, equity, adequacy, stability, and transparency, and address the following key challenges of the Washington state tax structure, as identified by the 2018 report of the tax structure work group:

- (a) Regressive nature of the tax code;
- (b) Negative impact of the business and occupation tax on small, start-up, and low-margin businesses;
- (c) Need to modernize the tax structure to reflect the changing economy; and
- (d) Excessive number of tax preferences and exemptions.

(10) The work group must complete its duties on the following schedule:

(a) By December 31, 2019, convene no less than one meeting to elect a chair, or cochair, and conduct other business of the work group;

(b) By December 1, 2020, the department of revenue and technical advisory group must prepare a summary report of their preliminary findings and alternatives as described in subsection (7) of this section.

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

(i) Hold no less than one meeting in Olympia to review the preliminary findings described in subsection (7) of this section. At least one meeting must engage stakeholder groups. These stakeholder groups must include, at a minimum, organizations and individuals representing the following:

(A) Small, start-up, or low-margin business owners and employees and/or associations expressly dedicated to representing these businesses; and

1 (B) Individual taxpayers with income at or below one hundred
2 percent of area median income in their county of residence and/or
3 organizations expressly dedicated to representing low-income and
4 middle-income taxpayers;

5 (ii) Begin to plan strategies to engage taxpayers and key
6 stakeholder groups to encourage participation in the public meetings
7 described in (d) of this subsection;

8 (iii) Present the summary report described in (b) of this
9 subsection in compliance with RCW 43.01.036 to the appropriate
10 committees of the legislature;

11 (iv) Be available to deliver a presentation to the appropriate
12 committees of the legislature including:

13 (A) The findings and alternatives included in the summary report
14 described in (b) of this subsection; and

15 (B) The preliminary plan to engage taxpayers directly in a robust
16 conversation about the state's tax structure, including presenting
17 the findings and alternatives described in (b) of this subsection,
18 and collecting feedback to inform development of recommendations; and

19 (v) Finalize the logistics of the engagement strategies described
20 in (d) of this subsection;

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

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

25 (ii) Present the findings described in (b) of this subsection and
26 alternatives to the state's current tax structure at the public
27 meetings;

28 (iii) Provide an opportunity at the public meetings for taxpayers
29 to engage in a conversation about the state tax structure, including
30 but not limited to, providing feedback on possible recommendations
31 for changes to the state tax structure and asking questions about the
32 report and findings and alternatives to the state's current tax
33 structure presented by the work group;

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

38 (v) Encourage legislators to inform their constituents about the
39 public meetings that occur within and near their legislative
40 districts;

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

3 (vii) Summarize the feedback that taxpayers and other
4 stakeholders communicated during the public meetings and other public
5 engagement methods, and submit a final summary report, in accordance
6 with RCW 43.01.036, to the appropriate committees of the legislature.
7 This report may be submitted as an appendix or update to the summary
8 report described in (b) of this subsection;

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

10 (i) Present the findings and reports described in (b) and (d) of
11 this subsection to the appropriate committees of the legislature; and

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

14 (f)(i) Between the conclusion of the 2022 legislative session and
15 December 31, 2022, the work group is directed to finalize policy
16 recommendations and develop legislation to implement modifications to
17 the tax structure, informed by the findings described in (b) of this
18 subsection and the feedback received from taxpayers as reflected in
19 the report described in (d) of this subsection;

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

23 (iii) If the proposal is not adopted during the 2023 legislative
24 session, the work group is directed to host no less than three public
25 meetings to collect feedback on the legislation proposed in the 2023
26 session, and may also collect feedback on other proposals under
27 consideration by the work group. The work group is directed to modify
28 the proposal to address the feedback collected during the public
29 meetings;

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

33 (g) By December 31, 2024, the work group is directed to submit a
34 final report that is a compilation of all other reports previously
35 submitted since July 1, 2019, and may include additional content to
36 summarize final activities of the tax structure work group and
37 related legislation, in compliance with RCW 43.01.036, to the
38 appropriate committees of the legislature.

39 (11) Staff support for the work group must be provided by the
40 department of revenue, subject to the degree such support is funded

1 through appropriation. The department of revenue may engage one or
2 more outside consultant(s) to assist in providing support for the
3 work group.

4 (12) Members of the work group must serve without compensation
5 but may be reimbursed for travel expenses under RCW 44.04.120,
6 43.03.050, and 43.03.060.

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

8 **Part VII**

9 **Miscellaneous Provisions**

10 NEW SECTION. **Sec. 701.** Part V of this act applies for taxes
11 levied for collection in 2020 and thereafter.

12 NEW SECTION. **Sec. 702.** The provisions of RCW 82.32.805 and
13 82.32.808 do not apply to parts II, IV, and V of this act.

14 NEW SECTION. **Sec. 703.** Parts II, III, IV, and VI of this act
15 are necessary for the immediate preservation of the public peace,
16 health, or safety, or support of the state government and its
17 existing public institutions, and take effect July 1, 2019.

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