
ENGROSSED SUBSTITUTE SENATE BILL 6346

State of Washington

69th Legislature

2026 Regular Session

By Senate Ways & Means (originally sponsored by Senators Pedersen, Chapman, Frame, Bateman, Orwall, Slatter, Alvarado, Hunt, Lovelett, Riccelli, Shewmake, Valdez, Wellman, Hasegawa, Robinson, Lovick, Conway, Trudeau, Cleveland, Kauffman, C. Wilson, Dhingra, Stanford, Nobles, Saldaña, Salomon, and Cortes)

READ FIRST TIME 02/09/26.

1 AN ACT Relating to investing in Washington families and
2 businesses to fund K-12 education, health care, higher education,
3 other essential governmental services, and the working families' tax
4 credit, and to reduce certain sales and use taxes and certain
5 business and occupation taxes by establishing a tax on millionaires;
6 amending RCW 82.32.050, 82.32.060, 82.32.090, 2.10.180, 2.12.090,
7 2.14.100, 6.15.020, 41.24.240, 41.32.052, 41.34.080, 41.35.100,
8 41.37.090, 41.40.052, 41.44.240, 41.26.053, 43.43.310, 82.08.0206,
9 82.04.4451, 82.32.045, 82.04.288, 82.04.050, 82.04.192, and 1.90.100;
10 amending 2023 c 456 s 3 (uncodified); adding a new section to chapter
11 82.08 RCW; adding a new section to chapter 82.12 RCW; adding a new
12 Title to the Revised Code of Washington to be codified as Title 82A
13 RCW; creating new sections; prescribing penalties; providing
14 effective dates; and providing an expiration date.

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

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

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

6 (3) The general fund supports health care programs that deliver
7 critical, life-saving medical care, provide support for those with
8 developmental and other disabilities, offers long-term care for the
9 elderly, and protects the long-term health and well-being of the
10 public.

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

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

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

24 (7) The legislature further recognizes that reforming our tax
25 code to be common sense, balanced, and sustainable is essential to
26 the long-term economic success of Washington. The Washington tax
27 structure, developed during the Great Depression, relies heavily on
28 excise and consumption taxes, with consequences for equity, adequacy,
29 and long-term fiscal stability that persist today. The legislature
30 recognizes that more progress is needed for the state to have a fair
31 and balanced tax system that can provide sustainable, ample funding
32 for K-12 education, health care, higher education, human services,
33 and other essential governmental services. Washington's tax system
34 remains the second most regressive in the nation as it asks those
35 with the least to pay the most as a percentage of their income. Low-
36 income Washingtonians pay at least three times more in state and
37 local taxes as a percentage of their income than the state's highest
38 income households.

39 (8) Further, due to the action of the federal government through
40 the passage of HR 1, Washington's highest-income households are set

1 to receive an average federal tax break of \$90,850 while Washington's
2 lowest-income households are set to receive a mere \$200. These tax
3 breaks were largely funded through cuts to federal funding in health
4 care and food security programs, negatively impacting Washington's
5 working families.

6 (9) Thus, the legislature intends to limit the tax established by
7 this act to only individuals with annual adjusted gross income of
8 \$1,000,000 or more. Washingtonians with an annual adjusted gross
9 income of less than \$1,000,000 will not owe this tax. As a result,
10 the millionaires' tax is estimated to affect only the wealthiest one-
11 half of one percent of the households in this state, taking a
12 significant step toward reducing the disproportionate reliance on
13 working people to fund K-12 education, health care, higher education,
14 human services, the working families' tax credit, and other essential
15 governmental services to benefit Washingtonians.

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

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

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

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

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

36 (c) Achieve this result by the application of the various
37 provisions of the internal revenue code relating to the definition of
38 income, exemptions and exclusions therefrom, accounting methods,
39 basis, depreciation, and other pertinent provisions, subject to
40 additional exemptions and modifications as provided in this act,

1 resulting in a final amount called "Washington adjusted taxable
2 income"; and

3 (d) Impose a tax on residents of this state measured by
4 Washington adjusted taxable income wherever derived and to impose a
5 tax on nonresidents measured by Washington adjusted taxable income
6 from sources within this state.

7 (13) The legislature finds that, in 2024, Washington counties
8 were responsible for more than 90 percent of the costs associated
9 with public defense in the state, creating a system of legal
10 representation that varies greatly depending on where a person lives
11 in Washington state. While fully funding public defense is not the
12 responsibility of the state, the state is responsible under the
13 United States Constitution for ensuring the protection of the right
14 to counsel for all defendants. Furthermore, the Washington state
15 supreme court's decision to modify caseload standards in 2025 will
16 significantly increase the overall cost of providing public defense
17 in Washington state. Through the creation and funding of the local
18 government public defense stabilization account, the legislature
19 intends to provide funding to help counties meet their obligations.

20 **PART I**
21 **DEFINITIONS**

22 NEW SECTION. **Sec. 101.** DEFINITIONS. The definitions in this
23 section apply throughout this chapter unless the context clearly
24 requires otherwise.

25 (1) "Capital asset" has the same meaning as provided in chapter
26 82.87 RCW.

27 (2) "Department" means the department of revenue of the state of
28 Washington.

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

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

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

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

37 (7) "Pass-through entity" means a partnership, limited liability
38 company, or S corporation, which reports out the distributive share

1 of taxable income to its partners, members, or shareholders for
2 federal income tax purposes. "Pass-through entity" also includes any
3 disregarded entity for federal tax purposes.

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

5 (i) Who is domiciled in this state during the taxable year,
6 unless the individual (A) maintained no permanent place of abode in
7 this state during the entire taxable year, (B) maintained a permanent
8 place of abode outside of this state during the entire taxable year,
9 and (C) spent in the aggregate not more than 30 days of the taxable
10 year in this state; or

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

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

16 (c) An individual who is a resident under (a) of this subsection
17 is a resident for that portion of a taxable year in which the
18 individual was domiciled in this state or maintained a place of abode
19 in this state.

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

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

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

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

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

34 **PART II**
35 **DETERMINATION OF TAX**

36 NEW SECTION. **Sec. 201.** TAX IMPOSED—RATES. (1) Beginning January
37 1, 2028, a tax is imposed on the receipt of Washington taxable

1 income. Only individuals are subject to payment of the tax, which
2 equals 9.90 percent multiplied by an individual's Washington taxable
3 income.

4 (2) If an individual's Washington taxable income is less than
5 zero for a taxable year, no tax is due under this section and no
6 amount is allowed as a carryover for use in the calculation of that
7 individual's Washington taxable income for any taxable year. To the
8 extent that a loss carryforward is included in an individual's
9 federal adjusted gross income and the loss carryforward is derived
10 from or connected with sources in this state, the loss carryforward
11 is included in the calculation of that individual's Washington
12 taxable income.

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

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

17 (b) The remainder to the state general fund to fund the sales and
18 use tax relief in sections 903 and 904 of this act, the working
19 families' tax credit program, including its expansion in section 901
20 of this act, and the business and occupation tax relief in sections
21 905 and 906 of this act.

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

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

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

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

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

1 (ii) The amount of tax due under this chapter before application
2 of credits allowable by this chapter, multiplied by a fraction. The
3 numerator of the fraction is the amount of the taxpayer's federal
4 adjusted gross income subject to tax in the other jurisdiction. The
5 denominator of the fraction is the taxpayer's total Washington base
6 income. The fraction may never be greater than one.

7 (2) If the laws of the other taxing jurisdiction contain a
8 provision exempting a resident of this state from liability for the
9 payment of income taxes on income earned for personal services
10 performed in such jurisdiction, then the department may enter into a
11 reciprocal agreement with such jurisdiction providing a similar tax
12 exemption on income earned for personal services performed in this
13 state.

14 (3) The credit claimed under this section for a taxable year may
15 not exceed the tax otherwise due under this chapter for that taxable
16 year. Unused credit may not be carried forward or backward to another
17 taxable year. No refunds may be granted for unused credit under this
18 section.

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

22 NEW SECTION. **Sec. 204.** CREDIT FOR BUSINESS AND OCCUPATION AND
23 PUBLIC UTILITY TAXES. (1) Beginning in tax year 2028 with taxes due
24 in 2029, to avoid taxing the same Washington taxable income under the
25 business and occupation tax or public utility tax and the tax imposed
26 under this chapter, a nonrefundable credit is allowed against taxes
27 due under this chapter on income that is also subject to the tax
28 imposed under chapter 82.04 or 82.16 RCW. The credit is equal to the
29 amount of tax paid under chapter 82.04 or 82.16 RCW for income
30 included in both the calculation of the tax paid under chapter 82.04
31 or 82.16 RCW and the tax imposed under this chapter.

32 (2) The credit under this section is earned in regard to income
33 reportable for federal income tax purposes and may be claimed against
34 taxes due under this chapter, for the taxable year in which the
35 income is reportable for federal income tax purposes. The credit
36 claimed for a taxable year may not exceed the tax otherwise due under
37 this chapter for that taxable year. Unused credit may not be carried
38 forward or backward to another tax reporting period. No refunds may
39 be granted for unused credit under this section.

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

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

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

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

PART III

ADJUSTED GROSS INCOME MODIFICATIONS

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

1 NEW SECTION. **Sec. 302.** LONG-TERM CAPITAL GAINS AND LOSSES. (1)

2 In computing a taxpayer's Washington base income, the taxpayer must
3 deduct from the taxpayer's federal adjusted gross income any long-
4 term capital gains that have been included in computing federal
5 adjusted gross income.

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

10 (3) After making the modifications required under subsections (1)
11 and (2) of this section, in computing a taxpayer's Washington base
12 income, a taxpayer must add to the taxpayer's federal adjusted gross
13 income the amount of Washington capital gains subject to tax under
14 chapter 82.87 RCW for the same taxable year, plus the amount deducted
15 under RCW 82.87.060(1). This subsection (3) applies only to taxpayers
16 owing tax under chapter 82.87 RCW for that taxable year. "Washington
17 capital gains" has the same meaning as provided in RCW 82.87.020.

18 NEW SECTION. **Sec. 303.** STATE AND LOCAL OBLIGATIONS. In

19 computing a taxpayer's Washington base income, the taxpayer must add
20 to the taxpayer's federal adjusted gross income any income that has
21 been excluded under section 103 of the internal revenue code in
22 computing federal adjusted gross income, except interest on
23 obligations of the state of Washington or political subdivisions of
24 the state of Washington.

25 NEW SECTION. **Sec. 304.** STATE AND LOCAL INCOME TAXES—BUSINESS

26 AND OCCUPATION AND PUBLIC UTILITY TAXES. In computing a taxpayer's
27 Washington base income, the taxpayer must add to the taxpayer's
28 federal adjusted gross income:

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

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

35 NEW SECTION. **Sec. 305.** CARRYOVERS. In computing a taxpayer's

36 Washington base income, the taxpayer must add to the taxpayer's
37 federal adjusted gross income, any amounts that have been deducted in

1 computing federal adjusted gross income to the extent the amounts
2 have been carried over from taxable years ending before the effective
3 date of this section.

4 NEW SECTION. **Sec. 306.** FEDERAL OBLIGATIONS. In computing a
5 taxpayer's Washington base income, the taxpayer must deduct, to the
6 extent included, from the taxpayer's federal adjusted gross income,
7 any income derived from obligations of the United States that this
8 state is prohibited by federal law from subjecting to a net income
9 tax. However, the amount deducted under this section must be reduced
10 by any expense, including amortizable bond premiums, incurred in the
11 production of such income to the extent the expense has been deducted
12 in calculating federal adjusted gross income.

13 NEW SECTION. **Sec. 307.** INCOMPLETE NONGRANTOR TRUSTS FOR
14 WASHINGTON RESIDENTS. In computing a resident taxpayer's Washington
15 base income, the taxpayer must add to the taxpayer's federal adjusted
16 gross income, all income from a trust treated as a nongrantor trust
17 for federal income tax purposes but funded with an incomplete gift
18 for purposes of section 2511 of the internal revenue code and its
19 accompanying regulations, to the extent the trust income is not
20 otherwise included in the calculation of Washington base income.

21 NEW SECTION. **Sec. 308.** CHARITABLE CONTRIBUTIONS. In determining
22 a taxpayer's Washington taxable income, the taxpayer may deduct from
23 their Washington base income the amount of charitable contributions
24 they claimed for the taxable year under section 170 of the internal
25 revenue code, up to a maximum deduction of \$100,000 per individual,
26 or in the case of spouses or domestic partners, their combined
27 charitable deduction is limited to \$100,000, regardless of whether
28 they file joint or separate returns.

29 NEW SECTION. **Sec. 309.** PASS-THROUGH ENTITY TAX PAYMENTS. In
30 computing a taxpayer's Washington taxable income, the taxpayer must
31 add to the taxpayer's Washington base income the taxpayer's
32 distributive share of the tax expense incurred by a pass-through
33 entity under section 502 of this act to the extent the expense has
34 been deducted in calculating the taxpayer's federal adjusted gross
35 income.

1 NEW SECTION. **Sec. 310.** CAPITAL CONSTRUCTION FUND FOR VESSEL
2 IMPROVEMENTS OR ACQUISITION. In determining a taxpayer's Washington
3 taxable income, the taxpayer may deduct from the taxpayer's
4 Washington base income the amount deposited in a capital construction
5 fund under section 7518 of the internal revenue code if the amount
6 has reduced the taxpayer's federal taxable income for the taxable
7 year.

8 NEW SECTION. **Sec. 311.** ONE MILLION DOLLAR STANDARD DEDUCTION.
9 In computing a taxpayer's Washington taxable income, a taxpayer may
10 deduct from the taxpayer's Washington base income a standard
11 deduction of \$1,000,000 per individual, or in the case of spouses or
12 state registered domestic partners, their combined standard deduction
13 is \$1,000,000, regardless of whether they file joint or separate
14 returns. The amount of the standard deduction must be annually
15 adjusted pursuant to section 313 of this act. The standard deduction
16 must be adjusted for nonresidents as provided in section 312 of this
17 act.

18 NEW SECTION. **Sec. 312.** ADJUSTMENT OF DEDUCTIONS FOR
19 NONRESIDENTS. The deduction from Washington base income allowed under
20 section 311 of this act for individual taxpayers who are not
21 residents of this state for the entire taxable year must be reduced
22 by multiplying the amount of the deduction by a fraction. The
23 numerator of the fraction is the individual's Washington base income.
24 The denominator of the fraction is the individual's federal adjusted
25 gross income from all sources. The fraction may never be greater than
26 one.

27 NEW SECTION. **Sec. 313.** INDEX FOR INFLATION. (1) Beginning
28 October 2029 and each October thereafter, the department must adjust
29 the standard deduction under section 311 of this act by multiplying
30 the current standard deduction amount by one plus the percentage by
31 which the most current consumer price index available on October 1st
32 of the current year exceeds the consumer price index for the prior
33 12-month period, and rounding the result to the nearest \$1,000. If an
34 adjustment under this subsection (1) would reduce the standard
35 deduction amount, the department must not adjust the amounts for use
36 in the following year. The department must publish the adjusted
37 standard deduction amount on its public website by October 31st of

1 each year. The adjusted standard deduction amount calculated under
2 this subsection (1) takes effect for taxes due in the following
3 calendar year.

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

6 (a) "Consumer price index" means the consumer price index for all
7 urban consumers, all items, for the Seattle area as calculated by the
8 United States bureau of labor statistics or its successor agency.

9 (b) "Seattle area" means the geographic area sample that includes
10 Seattle and surrounding areas.

11 **PART IV**
12 **DIVISION OF INCOME**

13 NEW SECTION. **Sec. 401.** ALLOCATION AND APPORTIONMENT OF INCOME.

14 (1) For resident individuals, all income must be allocated to this
15 state.

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

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

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

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

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

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

34 (f) Income from intangible personal property, including
35 annuities, dividends, interest, and gains from the disposition of
36 intangible personal property, to the extent that the intangible
37 personal property was employed in a business, trade, profession, or
38 occupation carried on within this state.

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

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

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

(2) The allowable modifications and credits under this chapter for partners, members, or shareholders of a pass-through entity are computed by including a pro rata share of the Washington base income and the credits allowed under sections 203 through 205 of this act, if the modification or credit relates to the income of the pass-through entity. Each member's, partner's, or shareholder's pro rata share of a modification or credit is the amount of modification or credit based on the pro rata share of net income or loss on a member's, partner's, or shareholder's federal schedule K-1 form.

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

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

(2) Compensation for services performed by a nonresident as part of their employment must be allocated to this state to the extent such services are rendered within the state. If services are performed both within and outside the state, the compensation must be apportioned based on the ratio of days worked in the state to total

1 days worked, or by another reasonable method approved by the
2 department.

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

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

7 (b) "Employment" means personal service, of whatever nature, as
8 known to the common law or any other legal relationship performed for
9 an employer by an individual for compensation or under any contract
10 calling for the performance of personal services, written or oral,
11 express or implied, where the employer is subject to tax under RCW
12 50.24.010 on any portion of compensation paid by the employer to the
13 individual for the performance of the personal services.

14 NEW SECTION. **Sec. 404.** APPORTIONING INCOME FOR NONRESIDENT
15 MEMBERS OF A PROFESSIONAL ATHLETIC TEAM. (1) For nonresident members
16 of a professional athletic team, the portion of compensation
17 attributable to athletic performances in the state must be
18 apportioned to Washington as provided under this section.

19 (2)(a) The portion of the compensation of a member of a
20 professional athletic team apportioned to Washington is that portion
21 of compensation received for the tax year that bears the same ratio
22 to total compensation received for the tax year as the number of duty
23 days within this state bears to the total number of duty days spent
24 both within and outside this state during the tax year.

25 (b) Notwithstanding the description of the portion of
26 compensation subject to apportionment to the state of Washington
27 under this subsection, the department may provide by rule alternative
28 methodologies for determining the portion of compensation subject to
29 apportionment to the state of Washington that the department
30 determines to be fair and equitable.

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

37 (b) The report required under (a) of this subsection (3) must
38 include:

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

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

7 (A) A taxpayer identification number;

8 (B) Compensation paid to the member; and

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

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

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

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

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

20 (b) "Duty days" means the days during the tax year from the
21 beginning of the official preseason training period of a professional
22 athletic team through the last game in which the professional
23 athletic team competes or is scheduled to compete during the tax
24 year.

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

29 NEW SECTION. **Sec. 405.** GENERAL RULE FOR APPORTIONING AND
30 ALLOCATING NONRESIDENT INCOME FROM BUSINESS ACTIVITY CONDUCTED IN THE
31 STATE. (1) The portion of federal adjusted gross income of a
32 nonresident derived from or connected with a business, trade, or
33 profession carried on in this state, including a sole proprietorship
34 and any distributive share of a pass-through entity of a business,
35 trade, or profession carried on in this state, must be apportioned
36 and allocated as provided in this section. This section does not
37 apply to compensation received as an employee allocated under section
38 403 of this act.

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

5 (3) All apportionable income must be apportioned to this state by
6 multiplying the income by the receipts factor. The receipts factor is
7 a fraction the numerator of which is the total receipts of the
8 taxpayer in this state during the tax period and the denominator of
9 which is the total receipts of the taxpayer everywhere during the tax
10 period.

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

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

16 (ii) The property is shipped from an office, store, warehouse,
17 factory, or other place of storage in this state and (A) the
18 purchaser is the United States government or (B) the taxpayer is not
19 taxable in the state of the purchaser.

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

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

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

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

30 (D) In the case of intangible property:

31 (I) That is rented, leased, or licensed, if and to the extent the
32 property is used in this state, provided that intangible property
33 used in marketing a good or service to a consumer is "used in this
34 state" if that good or service is purchased by a consumer who is in
35 this state; and

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

38 (1) A contract right, government license, or similar intangible
39 property that authorizes the holder to conduct a business activity in

1 a specific geographic area is "used in this state" if the geographic
2 area includes all or part of this state;

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

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

10 (c) If the state or states of assignment under (b) of this
11 subsection (3) cannot be determined, the state or states of
12 assignment must be reasonably approximated.

13 (d) If the taxpayer is not taxable in a state to which a receipt
14 is assigned under this subsection (3), or if the state of assignment
15 cannot be determined under (b) of this subsection (3) or reasonably
16 approximated under (c) of this subsection (3), the receipt must be
17 excluded from the denominator of the receipts factor.

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

23 (i) Separate accounting;

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

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

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

29 (b) If the allocation and apportionment provisions of this
30 section do not fairly represent the extent of business activity in
31 this state for taxpayers engaged in a particular industry or in a
32 particular transaction or activity, the department may, in addition
33 to the authority provided in (a) of this subsection (4), adopt rules
34 for determining alternative allocation and apportionment methods for
35 such taxpayers. Rules adopted pursuant to this subsection (4)(b) must
36 be applied uniformly, except that with respect to any taxpayer to
37 whom such rule applies, the taxpayer may petition for, or the
38 department may require, adjustment under (a) of this subsection (4).

39 (c)(i) The party petitioning for, or the department requiring,
40 the use of any method to effectuate an equitable allocation and

1 apportionment of the taxpayer's income pursuant to (a) of this
2 subsection (4) must prove by clear and convincing evidence:

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

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

7 (ii) The same burden of proof applies whether the taxpayer is
8 petitioning for, or the department is requiring, the use of any
9 reasonable method to effectuate an equitable allocation and
10 apportionment of the taxpayer's income. However, if the department
11 can show that in any two of the prior five tax years, the taxpayer
12 had used an allocation or apportionment method at variance with its
13 allocation or apportionment method or methods used for such other tax
14 years, then the department does not bear the burden of proof in
15 imposing a different method pursuant to (a) of this subsection (4).

16 (iii) If the department requires any method to effectuate an
17 equitable allocation and apportionment of the taxpayer's income, the
18 department may not impose any civil or criminal penalty with
19 reference to the tax due that is attributable to the taxpayer's
20 reasonable reliance solely on the allocation and apportionment
21 provisions of this section.

22 (iv) A taxpayer that has received written permission from the
23 department to use a reasonable method to effectuate an equitable
24 allocation and apportionment of the taxpayer's income may not have
25 that permission revoked with respect to transactions and activities
26 that have already occurred unless there has been a material change
27 in, or a material misrepresentation of, the facts provided by the
28 taxpayer upon which the department reasonably relied.

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

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

35 (b) Net rents and royalties from tangible personal property are
36 allocable to this state: (i) If and to the extent that the property
37 is utilized in this state; or (ii) in their entirety if the
38 taxpayer's commercial domicile is in this state and the taxpayer is
39 not organized under the laws of or taxable in the state in which the
40 property is utilized.

1 (c) The extent of utilization of tangible personal property in a
2 state is determined by multiplying the rents and royalties by a
3 fraction the numerator of which is the number of days of physical
4 location of the property in the state during the rental or royalty
5 period in the taxable year and the denominator of which is the number
6 of days of physical location of the property everywhere during all
7 rental or royalty periods in the taxable year. If the physical
8 location of the property during the rental or royalty period is
9 unknown or unascertainable by the taxpayer, tangible personal
10 property is utilized in the state in which the property was located
11 at the time the rental or royalty payer obtained possession.

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

14 (b) Short-term capital gains and losses from sales of tangible
15 personal property are allocable to this state if: (i) The property
16 had a situs in this state at the time of the sale; or (ii) the
17 taxpayer's commercial domicile is in this state and the taxpayer is
18 not taxable in the state in which the property had a situs.

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

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

24 (9)(a) Patent and copyright royalties are allocable to this
25 state: (i) If and to the extent that the patent or copyright is
26 utilized by the payer in this state; or (ii) if and to the extent
27 that the patent or copyright is utilized by the payer in a state in
28 which the taxpayer is not taxable and the taxpayer's commercial
29 domicile is in this state.

30 (b) A patent is utilized in a state to the extent that it is
31 employed in production, fabrication, manufacturing, or other
32 processing in the state or to the extent that a patented product is
33 produced in the state. If the basis of receipts from patent royalties
34 does not permit allocation to states or if the accounting procedures
35 do not reflect states of utilization, the patent is utilized in the
36 state in which the taxpayer's commercial domicile is located.

37 (c) A copyright is utilized in a state to the extent that
38 printing or other publication originates in the state. If the basis
39 of receipts from copyright royalties does not permit allocation to
40 states or if the accounting procedures do not reflect states of

1 utilization, the copyright is utilized in the state in which the
2 taxpayer's commercial domicile is located.

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

5 (a) "Apportionable income" means:

6 (i) All income that is apportionable under the Constitution of
7 the United States and is not allocated under the laws of this state,
8 including:

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

11 (B) Income arising from tangible and intangible property if the
12 acquisition, management, employment, development, or disposition of
13 the property is or was related to the operation of the taxpayer's
14 trade or business; and

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

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

20 (c) "Nonapportionable income" means all income other than
21 apportionable income.

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

28 (e) "State" means any state of the United States, the District of
29 Columbia, the Commonwealth of Puerto Rico, any territory or
30 possession of the United States, and any foreign country or political
31 subdivision thereof.

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

34 NEW SECTION. **Sec. 406.** PRORATION OF PART-YEAR INCOME. (1)
35 Except as provided in subsection (2) of this section, the adjusted
36 gross income of a part-year resident is the sum of the following:

37 (a) For the portion of the year in which the taxpayer was a
38 resident of Washington, the taxpayer's entire adjusted gross income;
39 and

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

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

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

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

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

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

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

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

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

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

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

PART V

ESTIMATED TAX PAYMENTS AND PASS-THROUGH ENTITY TAX ELECTION

NEW SECTION. **Sec. 501.** ESTIMATED TAX IMPOSED—DUE DATE OF ESTIMATED TAXES—AMOUNT OF ESTIMATED TAX—UNDERPAYMENT PENALTY. (1) Each individual with an estimated tax under this chapter in excess of \$5,000 that is required by the internal revenue code to make payment of estimated taxes must pay to the department on forms prescribed by the department the estimated taxes due under this chapter.

(2) The provisions of the internal revenue code relating to the determination of reporting periods and due dates of payments of estimated tax applies to the estimated tax payments due under this section.

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

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

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

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

1 NEW SECTION. **Sec. 502.** PASS-THROUGH ENTITY TAX ELECTION. (1) (a)
2 Beginning January 1, 2028, a tax is imposed at a rate of 9.90 percent
3 of the taxable income of an electing entity for each taxable year in
4 which an election under this section is in effect.

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

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

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

12 (c) The election must be made by: (i) In the case of a
13 partnership or limited liability company, any person authorized to
14 sign the entity's return; and (ii) in the case of an S corporation,
15 an officer authorized to sign the return.

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

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

20 (i) The entire distributive share of income, gain, loss, and
21 deduction attributable to participating resident owners, regardless
22 of source; and

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

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

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

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

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

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

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

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

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

11 (c) Participating nonresident owners shall include in their
12 Washington base income their distributive share of the electing
13 entity's income, gains, losses, and deductions as allocated and
14 apportioned under section 405 of this act and shall claim the credit
15 allowed under section 206 of this act.

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

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

26 (b) The department may adopt rules necessary to administer this
27 section, which to the extent possible, must be consistent with the
28 requirements under this chapter for individuals. The department may
29 adopt rules to streamline and simplify the process and procedures for
30 making an election under this section.

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

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

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

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

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

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

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

PART VI CRIMES

NEW SECTION. **Sec. 601.** CRIMES. (1) Any person who knowingly attempts to evade the tax imposed under this chapter or payment thereof is guilty of a class C felony as provided in chapter 9A.20 RCW.

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

PART VII ADMINISTRATIVE PROVISIONS

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

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

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

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

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

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

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

14 (ii) Any information returns and federal tax documents received
15 by the taxpayer that directly relate to the taxpayer's federal
16 adjusted gross income including, but not limited to, form W-2, form
17 1099-INT, form 1099-DIV, form 1099-NEC, form 1099-MISC, form 1099-B,
18 schedule K-1 (form 1065), and schedule K-1 (form 1120-S).

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

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

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

29 (3) Each taxpayer required to file a return under this section
30 must, without assessment, notice, or demand, pay any tax due thereon
31 to the department on or before the date fixed for the filing of the
32 return, regardless of any filing extension. The tax must be paid by
33 electronic funds transfer as defined in RCW 82.32.085 or by other
34 forms of electronic payment as may be authorized by the department.
35 The department may waive the electronic payment requirement for good
36 cause as provided in RCW 82.32.080. If any tax due under this chapter
37 is not paid by the due date, interest and penalties as provided in
38 chapter 82.32 RCW apply to the deficiency.

39 (4) If a taxpayer has obtained an extension of time for filing
40 the federal income tax return for the taxable year, the taxpayer is

1 entitled to the same extension of time for filing the return required
2 under this section. An extension under this subsection for the filing
3 of a return under this chapter is not an extension of time to pay the
4 tax due under this chapter.

5 (5)(a) If any return due under subsection (1) of this section,
6 along with a copy of the federal income tax return, is not filed with
7 the department by the due date or any extension granted by the
8 department, the department must assess a penalty in the amount of
9 five percent of the unpaid tax due, as of the due date for the
10 return, for the taxable year covered by the return for each full
11 month that the return remains unfiled. The total penalty assessed
12 under this subsection may not exceed 25 percent of the unpaid tax
13 due, as of the due date for the return, for the taxable year covered
14 by the delinquent return. The penalty under this subsection is in
15 addition to any penalties assessed for the late payment of any tax
16 due on the return.

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

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

22 (ii) The taxpayer has not been delinquent in filing any return
23 due under this section during the preceding five calendar years and
24 the taxpayer has not been contacted by the department for enforcement
25 purposes regarding the reporting period covered by the waiver
26 request.

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

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

34 (b) The taxpayer has not been contacted by the department for
35 enforcement purposes regarding the reporting period covered by the
36 waiver request; and

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

39 (7)(a) In the event a taxpayer's federal income tax return is
40 changed in a manner that is final after their return required under

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

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

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

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

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

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

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

(b) In the event the statute of limitations is extended under (a)(i) of this subsection, no assessment or correction of an assessment for additional taxes, penalties, or interest due may be

made by the department more than four years after the year in which an amended return is filed with the department as required under subsection (7) of this section. Any assessment or correction of an assessment for additional taxes, penalties, or interest due under this subsection (8)(b) but made by the department more than four years after the year in which a return is filed under subsection (1) of this section must be directly related to the federal income tax return change described in subsection (7) of this section.

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

NEW SECTION. **Sec. 703.** REQUIREMENT FOR SEPARATE OR JOINT RETURNS. (1) If the federal income tax liabilities of both spouses are determined on a joint federal return for the taxable year, they must file a joint return under this chapter.

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

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

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

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

(4)(a) Unless the context clearly indicates otherwise, individuals who are spouses or state registered domestic partners are not considered separate taxpayers for the purposes of this chapter regardless of whether they file a joint or separate return for the tax imposed under this chapter. The activities and assets of each

1 spouse or state registered domestic partner are combined as if they
2 were one individual for the purposes of determining the applicability
3 of any threshold amounts, caps, deductions, credits, or any other
4 amounts related to the activities or assets of an individual
5 throughout this chapter.

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

14 NEW SECTION. **Sec. 704.** ADMINISTRATION OF CHAPTER CONSISTENT
15 WITH CHAPTER 82.32 RCW. Except as otherwise provided by law and to
16 the extent not inconsistent with the provisions of this chapter,
17 chapter 82.32 RCW applies to the administration of taxes imposed
18 under this chapter.

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

21 (1) If upon examination of any returns or from other information
22 obtained by the department it appears that a tax or penalty has been
23 paid less than that properly due, the department shall assess against
24 the taxpayer such additional amount found to be due and shall add
25 thereto interest on the tax only. The department shall notify the
26 taxpayer by mail, or electronically as provided in RCW 82.32.135, of
27 the additional amount and the additional amount shall become due and
28 shall be paid within 30 days from the date of the notice, or within
29 such further time as the department may provide.

30 (a) For tax liabilities arising before January 1, 1992, interest
31 shall be computed at the rate of nine percent per annum from the last
32 day of the year in which the deficiency is incurred until the earlier
33 of December 31, 1998, or the date of payment. After December 31,
34 1998, the rate of interest shall be variable and computed as provided
35 in subsection (2) of this section. The rate so computed shall be
36 adjusted on the first day of January of each year for use in
37 computing interest for that calendar year.

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

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

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

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

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

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

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

(2) For the purposes of this section, the rate of interest to be charged to the taxpayer shall be an average of the federal short-term rate as defined in 26 U.S.C. Sec. 1274(d) plus two percentage points. The rate set for each new year shall be computed by taking an arithmetical average to the nearest percentage point of the federal short-term rate, compounded annually. That average shall be

1 calculated using the rates from four months: January, April, and July
2 of the calendar year immediately preceding the new year, and October
3 of the previous preceding year.

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

9 (4) No assessment or correction of an assessment for additional
10 taxes, penalties, or interest due may be made by the department more
11 than four years after the close of the tax year, except (a) against a
12 taxpayer who has not registered as required by this chapter, (b) upon
13 a showing of fraud or of misrepresentation of a material fact by the
14 taxpayer, or (c) where a taxpayer has executed a written waiver of
15 such limitation. The execution of a written waiver shall also extend
16 the period for making a refund or credit as provided in RCW
17 82.32.060(2).

18 (5) For the purposes of this section, the following definitions
19 apply:

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

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

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

30 (1) If, upon receipt of an application by a taxpayer for a refund
31 or for an audit of the taxpayer's records, or upon an examination of
32 the returns or records of any taxpayer, it is determined by the
33 department that within the statutory period for assessment of taxes,
34 penalties, or interest prescribed by RCW 82.32.050 any amount of tax,
35 penalty, or interest has been paid in excess of that properly due,
36 the excess amount paid within, or attributable to, such period must
37 be credited to the taxpayer's account or must be refunded to the
38 taxpayer, at the taxpayer's option. Except as provided in subsection
39 (2) of this section, no refund or credit may be made for taxes,

1 penalties, or interest paid more than four years prior to the
2 beginning of the calendar year in which the refund application is
3 made or examination of records is completed.

4 (2)(a) The execution of a written waiver under RCW 82.32.050 or
5 82.32.100 will extend the time for making a refund or credit of any
6 taxes paid during, or attributable to, the years covered by the
7 waiver if, prior to the expiration of the waiver period, an
8 application for refund of such taxes is made by the taxpayer or the
9 department discovers a refund or credit is due.

10 (b) A refund or credit must be allowed for an excess payment
11 resulting from the failure to claim a bad debt deduction, credit, or
12 refund under RCW 82.04.4284, 82.08.037, 82.12.037, 82.14B.150, or
13 82.16.050(5) for debts that became bad debts under 26 U.S.C. Sec.
14 166, as amended or renumbered as of January 1, 2003, less than four
15 years prior to the beginning of the calendar year in which the refund
16 application is made or examination of records is completed.

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

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

30 (a) Interest at the rate of three percent per annum must be
31 allowed by the department and by any court on the amount of any
32 refund, credit, or other recovery allowed to a taxpayer for taxes,
33 penalties, or interest paid by the taxpayer before January 1, 1992.
34 This rate of interest applies for all interest allowed through
35 December 31, 1998. Interest allowed after December 31, 1998, must be
36 computed at the rate as computed under RCW 82.32.050(2). The rate so
37 computed must be adjusted on the first day of January of each year
38 for use in computing interest for that calendar year.

39 (b) For refunds or credits of amounts paid or other recovery
40 allowed to a taxpayer after December 31, 1991, the rate of interest

1 must be the rate as computed for assessments under RCW 82.32.050(2)
2 less one percent. This rate of interest applies for all interest
3 allowed through December 31, 1998. Interest allowed after December
4 31, 1998, must be computed at the rate as computed under RCW
5 82.32.050(2). The rate so computed must be adjusted on the first day
6 of January of each year for use in computing interest for that
7 calendar year.

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

10 (a) If all overpayments for each calendar year and all reporting
11 periods ending with the final month included in a notice or refund
12 were made on or before the due date of the final return for each
13 calendar year or the final reporting period included in the notice or
14 refund:

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

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

19 (iii) For interest associated with annual tax reporting periods
20 having a due date as prescribed in RCW 82.32.045(3) (~~and~~),
21 82.87.110, and section 702 of this act, interest must be computed
22 from the last day of April following each such annual reporting
23 period included in a notice or refund.

24 (b) If the taxpayer has not made all overpayments for each
25 calendar year and all reporting periods ending with the final month
26 included in a notice or refund on or before the dates specified by
27 RCW 82.32.045 for the final return for each calendar year or the
28 final month included in the notice or refund, interest must be
29 computed from the last day of the month following the date on which
30 payment in full of the liabilities was made for each calendar year
31 included in a notice or refund, and the last day of the month
32 following the date on which payment in full of the liabilities was
33 made if the final month included in a notice or refund is not the end
34 of a calendar year.

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

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

3 (1) If payment of any tax due on a return to be filed by a
4 taxpayer is not received by the department of revenue by the due
5 date, there is assessed a penalty of nine percent of the amount of
6 the tax; and if the tax is not received on or before the last day of
7 the month following the due date, there is assessed a total penalty
8 of 19 percent of the amount of the tax under this subsection; and if
9 the tax is not received on or before the last day of the second month
10 following the due date, there is assessed a total penalty of 29
11 percent of the amount of the tax under this subsection. No penalty so
12 added may be less than \$5.

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

31 (3) If a warrant is issued by the department of revenue for the
32 collection of taxes, increases, and penalties, there is added thereto
33 a penalty of 10 percent of the amount of the tax, but not less than
34 \$10.

35 (4) If the department finds that a person has engaged in any
36 business or performed any act upon which a tax is imposed under this
37 title and that person has not obtained from the department a
38 registration certificate as required by RCW 82.32.030, the department
39 must impose a penalty of five percent of the amount of tax due from
40 that person for the period that the person was not registered as

1 required by RCW 82.32.030. The department may not impose the penalty
2 under this subsection (4) if a person who has engaged in business
3 taxable under this title without first having registered as required
4 by RCW 82.32.030, prior to any notification by the department of the
5 need to register, obtains a registration certificate from the
6 department.

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

1 requirement to file returns or remit payment electronically as
2 provided in RCW 82.32.080, the specific written instructions must
3 provide the taxpayer with a minimum of 45 days to come into
4 compliance with its electronic filing and/or payment obligations
5 before the department may impose the penalty authorized in this
6 subsection.

7 (6) If the department finds that all or any part of a deficiency
8 resulted from engaging in a disregarded transaction, as described in
9 RCW 82.32.655(3), the department must assess a penalty of 35 percent
10 of the additional tax found to be due as a result of engaging in a
11 transaction disregarded by the department under RCW 82.32.655(2). The
12 penalty provided in this subsection may be assessed together with any
13 other applicable penalties provided in this section on the same tax
14 found to be due, except for the evasion penalty provided in
15 subsection (7) of this section. The department may not assess the
16 penalty under this subsection if, before the department discovers the
17 taxpayer's use of a transaction described under RCW 82.32.655(3), the
18 taxpayer discloses its participation in the transaction to the
19 department.

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

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

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

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

39 (11) If the total estimated tax payments under section 501 of
40 this act for the tax year are substantially underpaid, there is

1 assessed a penalty of five percent of the amount of the underpaid
2 tax. If a pass-through entity makes an election under section 502 of
3 this act, this subsection (11) applies to the estimated tax payments
4 of the pass-through entity in lieu of the individual. As used in this
5 subsection, "substantially underpaid" means that an individual's
6 total annual estimated tax payments under section 501 of this act are
7 less than the tax shown on the return required under section 702(1)
8 of this act unless the estimated tax remitted to the department is
9 either: (a) 90 percent of the tax shown on the return required under
10 section 702(1) of this act; or (b) 100 percent of the tax shown on
11 the most recently filed tax return under section 702(1) of this act.

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

19 NEW SECTION. Sec. 708. ESTIMATION AGREEMENTS. The department
20 may reasonably estimate the items of business or nonbusiness income
21 of a taxpayer having an office within the state and one or more other
22 states or foreign countries which may be apportioned or allocated to
23 the state and may enter into estimation agreements with such
24 taxpayers for the determination of their liability for the tax
25 imposed by this chapter.

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

31 (a) Timing and amount of tax prepayments under section 501 of
32 this act;

33 (b) Liability of transferees; and

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

37 (2) The department by rule may provide modifications and
38 exceptions to the provisions listed in subsection (1) of this

1 section, if reasonably necessary to facilitate the prompt, efficient,
2 and equitable collection of tax under this chapter.

3 NEW SECTION. **Sec. 710.** RULES. The department may adopt rules
4 under chapter 34.05 RCW for the administration and enforcement of
5 this chapter. The rules, to the extent possible without being
6 inconsistent with this chapter, must follow the internal revenue code
7 and the regulations and rulings of the United States treasury
8 department with respect to the federal income tax. The department may
9 adopt as a part of these rules any portions of the internal revenue
10 code and United States treasury department regulations and rulings,
11 in whole or in part.

12 NEW SECTION. **Sec. 711.** LOCAL GOVERNMENT PUBLIC DEFENSE FUNDING
13 STABILIZATION ACCOUNT. (1) The local government public defense
14 funding stabilization account is hereby created in the state
15 treasury. All receipts specified under section 202(1)(a) of this act
16 must be deposited in the account. Moneys in the account may be spent
17 only after appropriation. Expenditures from the account may be used
18 only for distributions to counties and cities for public defense
19 services consistent with chapter 10.101 RCW. Counties and cities
20 receiving funds must comply with the requirements of RCW 10.101.060.

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

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

28 (b) The remainder to counties as follows:

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

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

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

36 (B) 60 percent shall be distributed on a pro rata basis to each
37 county based upon the annual number of criminal cases filed in the
38 county superior court as a percentage of the total annual number of

1 criminal cases filed in the superior courts of all counties, as
2 determined under subsection (5) of this section.

3 (3) The office of financial management shall calculate each
4 county's personal income ratio by December 31, 2028, and December
5 31st of each year thereafter, using the most recent annual county
6 personal income data published by the federal bureau of economic
7 analysis for the state of Washington and notify the state treasurer.
8 The updated county personal income ratio applies to county
9 distributions in the following calendar year.

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

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

18 (6) For the purposes of this section, the annual number of
19 misdemeanor criminal cases filed in courts under the city's
20 jurisdiction is determined by the most recent annual report of the
21 courts of Washington, as published by the office of the administrator
22 for the courts.

23 PART VIII

24 APPLICATION OF TAX TO PUBLIC PENSIONS

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

27 (1) Except as provided in subsections (2), (3), ~~((and))~~ (4), and
28 (5) of this section, the right of a person to a retirement allowance,
29 disability allowance, or death benefit, the retirement, disability or
30 death allowance itself, any optional benefit, any other right accrued
31 or accruing to any person under the provisions of this chapter, and
32 the moneys in the fund created under this chapter, are hereby exempt
33 from any state, county, municipal, or other local tax and shall not
34 be subject to execution, garnishment, or any other process of law
35 whatsoever whether the same be in actual possession of the person or
36 be deposited or loaned.

37 (2) Subsection (1) of this section shall not be deemed to
38 prohibit a beneficiary of a retirement allowance from authorizing

1 deductions therefrom for payment of premiums due on any group
2 insurance policy or plan issued for the benefit of a group comprised
3 of public employees of the state of Washington.

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

7 (4) Subsection (1) of this section shall not prohibit the
8 department of retirement systems from complying with (a) a wage
9 assignment order for child support issued pursuant to chapter 26.18
10 RCW, (b) a notice of payroll deduction issued under chapter 26.23
11 RCW, (c) an order to withhold and deliver issued pursuant to chapter
12 74.20A RCW, (d) a mandatory benefits assignment order issued pursuant
13 to chapter 41.50 RCW, (e) a court order directing the department of
14 retirement systems to pay benefits directly to an obligee under a
15 dissolution order as defined in RCW 41.50.500(3) which fully complies
16 with RCW 41.50.670 and 41.50.700, or (f) any administrative or court
17 order expressly authorized by federal law.

18 (5) Subsection (1) of this section does not exempt any pension or
19 other benefit received under this chapter from tax under Title 82A
20 RCW (the new title created in section 1103 of this act).

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

23 (1) Except as provided in subsections (2), (3), ~~((and))~~ (4), and
24 (5) of this section, the right of any person to a retirement
25 allowance or optional retirement allowance under the provisions of
26 this chapter and all moneys and investments and income thereof are
27 exempt from any state, county, municipal, or other local tax and
28 shall not be subject to execution, garnishment, attachment, the
29 operation of bankruptcy or the insolvency laws, or other processes of
30 law whatsoever whether the same be in actual possession of the person
31 or be deposited or loaned and shall be unassignable except as herein
32 specifically provided.

33 (2) Subsection (1) of this section shall not prohibit the
34 department of retirement systems from complying with (a) a wage
35 assignment order for child support issued pursuant to chapter 26.18
36 RCW, (b) a notice of payroll deduction issued under chapter 26.23
37 RCW, (c) an order to withhold and deliver issued pursuant to chapter
38 74.20A RCW, (d) a mandatory benefits assignment order issued pursuant
39 to chapter 41.50 RCW, (e) a court order directing the department of

1 retirement systems to pay benefits directly to an obligee under a
2 dissolution order as defined in RCW 41.50.500(3) which fully complies
3 with RCW 41.50.670 and 41.50.700, or (f) any administrative or court
4 order expressly authorized by federal law.

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

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

13 (5) Subsection (1) of this section does not exempt any pension or
14 other benefit received under this chapter from tax under Title 82A
15 RCW (the new title created in section 1103 of this act).

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

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

24 (2) The right of a person to receive a payment under this chapter
25 and the moneys in the accounts created under this chapter are exempt
26 from any state, county, municipal, or other local tax and are not
27 subject to execution, garnishment, attachment, the operation of
28 bankruptcy or insolvency law, or any other process of law whatsoever
29 and is not assignable, except as is otherwise specifically provided
30 in this section.

31 (3) If a judgment, decree or other order, including a
32 court-approved property settlement agreement, that relates to the
33 provision of child support, spousal maintenance, or the marital
34 property rights of a spouse or former spouse, child, or other
35 dependent of a member is made pursuant to the domestic relations law
36 of the state of Washington or such order issued by a court of
37 competent jurisdiction in another state or country, that has been
38 registered or otherwise made enforceable in this state, then the
39 amount of the member's accumulated contributions shall be paid in the

1 manner and to the person or persons so directed in the domestic
2 relations order. However, this subsection does not permit or require
3 a benefit to be paid or to be provided that is not otherwise
4 available under the terms of this chapter or any rules adopted under
5 this chapter. The administrator for the courts shall establish
6 reasonable procedures for determining the status or any such decree
7 or order and for effectuating distribution pursuant to the domestic
8 relations order.

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

15 (5) Subsection (2) of this section does not exempt any payment or
16 other benefit received under this chapter from tax under Title 82A
17 RCW (the new title created in section 1103 of this act).

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

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

26 (2) Unless otherwise provided by federal law, any money received
27 by any citizen of the state of Washington as a pension from the
28 government of the United States, whether the same be in the actual
29 possession of such person or be deposited or loaned, shall be exempt
30 from execution, attachment, garnishment, or seizure by or under any
31 legal process whatever, and when a debtor dies, or absconds, and
32 leaves his or her family any money exempted by this subsection, the
33 same shall be exempt to the family as provided in this subsection.
34 This subsection shall not apply to child support collection actions
35 issued under chapter 26.18, 26.23, or 74.20A RCW, if otherwise
36 permitted by federal law, or to collection actions for taxes imposed
37 under Title 82A RCW (the new title created in section 1103 of this
38 act).

1 (3) The right of a person to a pension, annuity, or retirement
2 allowance or disability allowance, or death benefits, or any optional
3 benefit, or any other right accrued or accruing to any citizen of the
4 state of Washington under any employee benefit plan, and any fund
5 created by such a plan or arrangement, shall be exempt from
6 execution, attachment, garnishment, or seizure by or under any legal
7 process whatever. This subsection shall not apply to child support
8 collection actions issued under chapter 26.18, 26.23, or 74.20A RCW
9 if otherwise permitted by federal law, or to collection actions for
10 taxes imposed under Title 82A RCW (the new title created in section
11 1103 of this act). This subsection shall permit benefits under any
12 such plan or arrangement to be payable to a spouse, former spouse,
13 child, or other dependent of a participant in such plan to the extent
14 expressly provided for in a qualified domestic relations order that
15 meets the requirements for such orders under the plan, or, in the
16 case of benefits payable under a plan described in 26 U.S.C. Sec.
17 403(b) or 408 of the internal revenue code of 1986, as amended, or
18 section 409 of such code as in effect before January 1, 1984, to the
19 extent provided in any order issued by a court of competent
20 jurisdiction that provides for maintenance or support. This
21 subsection does not prohibit actions against an employee benefit
22 plan, or fund for valid obligations incurred by the plan or fund for
23 the benefit of the plan or fund.

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

1 41.37, 41.40, or 43.43 RCW or RCW 41.50.770, or by any agency or
2 instrumentality of the government of the United States.

3 (5) An employee benefit plan shall be deemed to be a spendthrift
4 trust, regardless of the source of funds, the relationship between
5 the trustee or custodian of the plan and the beneficiary, or the
6 ability of the debtor to withdraw or borrow or otherwise become
7 entitled to benefits from the plan before retirement. This subsection
8 shall not apply to child support collection actions issued under
9 chapter 26.18, 26.23, or 74.20A RCW, if otherwise permitted by
10 federal law, or to collection actions for taxes imposed under Title
11 82A RCW (the new title created in section 1103 of this act). This
12 subsection shall permit benefits under any such plan or arrangement
13 to be payable to a spouse, former spouse, child, or other dependent
14 of a participant in such plan to the extent expressly provided for in
15 a qualified domestic relations order that meets the requirements for
16 such orders under the plan, or, in the case of benefits payable under
17 a plan described in 26 U.S.C. Sec. 403(b) or 408 of the internal
18 revenue code of 1986, as amended, or section 409 of such code as in
19 effect before January 1, 1984, to the extent provided in any order
20 issued by a court of competent jurisdiction that provides for
21 maintenance or support.

22 (6) Unless prohibited by federal law, nothing contained in
23 subsection (3), (4), or (5) of this section shall be construed as a
24 termination or limitation of a spouse's community property interest
25 in an employee benefit plan held in the name of or on account of the
26 other spouse, who is the participant or the account holder spouse.
27 Unless prohibited by applicable federal law, at the death of the
28 nonparticipant, nonaccount holder spouse, the nonparticipant,
29 nonaccount holder spouse may transfer or distribute the community
30 property interest of the nonparticipant, nonaccount holder spouse in
31 the participant or account holder spouse's employee benefit plan to
32 the nonparticipant, nonaccount holder spouse's estate, testamentary
33 trust, inter vivos trust, or other successor or successors pursuant
34 to the last will of the nonparticipant, nonaccount holder spouse or
35 the law of intestate succession, and that distributee may, but shall
36 not be required to, obtain an order of a court of competent
37 jurisdiction, including a nonjudicial binding agreement or order
38 entered under chapter 11.96A RCW, to confirm the distribution. For
39 purposes of subsection (3) of this section, the distributee of the
40 nonparticipant, nonaccount holder spouse's community property

1 interest in an employee benefit plan shall be considered a person
2 entitled to the full protection of subsection (3) of this section.
3 The nonparticipant, nonaccount holder spouse's consent to a
4 beneficiary designation by the participant or account holder spouse
5 with respect to an employee benefit plan shall not, absent clear and
6 convincing evidence to the contrary, be deemed a release, gift,
7 relinquishment, termination, limitation, or transfer of the
8 nonparticipant, nonaccount holder spouse's community property
9 interest in an employee benefit plan. For purposes of this
10 subsection, the term "nonparticipant, nonaccount holder spouse" means
11 the spouse of the person who is a participant in an employee benefit
12 plan or in whose name an individual retirement account is maintained.
13 As used in this subsection, an order of a court of competent
14 jurisdiction entered under chapter 11.96A RCW includes an agreement,
15 as that term is used under RCW 11.96A.220.

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

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

30 (2) Nothing in this chapter shall be construed to deprive any
31 participant, eligible to receive a pension hereunder, from receiving
32 a pension under any other act to which that participant may become
33 eligible by reason of services other than or in addition to his or
34 her services under this chapter.

35 (3) Subsection (1) of this section does not exempt any pension or
36 other benefit received under this chapter from tax under Title 82A
37 RCW (the new title created in section 1103 of this act).

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

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

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

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

20 (b) Under a group health care benefit plan approved pursuant to
21 RCW 28A.400.350 or 41.05.065 from authorizing monthly deductions
22 therefrom, of the amount or amounts of subscription payments,
23 premiums, or contributions to any person, firm, or corporation
24 furnishing or providing medical, surgical, and hospital care or other
25 health care insurance; or

26 (c) Under this system from authorizing monthly deductions
27 therefrom for payment of dues and other membership fees to any
28 retirement association composed of retired teachers and/or public
29 employees pursuant to a written agreement between the director and
30 the retirement association.

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

33 (3) Subsection (1) of this section shall not prohibit the
34 department from complying with (a) a wage assignment order for child
35 support issued pursuant to chapter 26.18 RCW, (b) an order to
36 withhold and deliver issued pursuant to chapter 74.20A RCW, (c) ~~((a~~
37 ~~notice of payroll deduction))~~ an income withholding order issued
38 pursuant to RCW 26.23.060, (d) a mandatory benefits assignment order
39 issued by the department, (e) a court order directing the department
40 of retirement systems to pay benefits directly to an obligee under a

dissolution order as defined in RCW 41.50.500(3) which fully complies with RCW 41.50.670 and 41.50.700, or (f) any administrative or court order expressly authorized by federal law.

(4) Subsection (1) of this section does not exempt any pension or other benefit received under this chapter from tax under Title 82A RCW (the new title created in section 1103 of this act).

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

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

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

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

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

7 (4) Subsection (1) of this section does not exempt any pension or
8 other benefit received under this chapter from tax under Title 82A
9 RCW (the new title created in section 1103 of this act).

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

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

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

37 (3) Subsection (1) of this section does not prohibit the
38 department from complying with (a) a wage assignment order for child
39 support issued pursuant to chapter 26.18 RCW, (b) an order to

1 withhold and deliver issued pursuant to chapter 74.20A RCW, (c) ((a
2 ~~notice of payroll deduction~~)) an income withholding order issued
3 pursuant to RCW 26.23.060, (d) a mandatory benefits assignment order
4 issued by the department, (e) a court order directing the department
5 of retirement systems to pay benefits directly to an obligee under a
6 dissolution order as defined in RCW 41.50.500(3) which fully complies
7 with RCW 41.50.670 and 41.50.700, or (f) any administrative or court
8 order expressly authorized by federal law.

9 (4) Subsection (1) of this section does not exempt any pension or
10 other benefit received under this chapter from tax under Title 82A
11 RCW (the new title created in section 1103 of this act).

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

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

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

38 (3) Subsection (1) of this section does not prohibit the
39 department from complying with (a) a wage assignment order for child

1 support issued pursuant to chapter 26.18 RCW, (b) an order to
2 withhold and deliver issued pursuant to chapter 74.20A RCW, (c) a
3 notice of payroll deduction issued pursuant to RCW 26.23.060, (d) a
4 mandatory benefits assignment order issued by the department, (e) a
5 court order directing the department to pay benefits directly to an
6 obligee under a dissolution order as defined in RCW 41.50.500(3)
7 which fully complies with RCW 41.50.670 and 41.50.700, or (f) any
8 administrative or court order expressly authorized by federal law.

9 (4) Subsection (1) of this section does not exempt any pension or
10 other benefit received under this chapter from tax under Title 82A
11 RCW (the new title created in section 1103 of this act).

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

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

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

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

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

16 (4) Subsection (1) of this section does not exempt any pension or
17 other benefit received under this chapter from tax under Title 82A
18 RCW (the new title created in section 1103 of this act).

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

21 (1) The right of a person to a pension, annuity or a retirement
22 allowance, to the return of contribution, the pension, annuity or
23 retirement allowance itself, any optional benefit, any other right
24 accrued or accruing to any person under the provisions of this
25 chapter, and the moneys in the fund created under this chapter shall
26 not be subject to execution, garnishment, or any other process
27 whatsoever whether the same be in actual possession of the person or
28 be deposited or loaned.

29 (2) This section shall not apply to child support collection
30 actions taken under chapter 26.18, 26.23, or 74.20A RCW against
31 benefits payable under any such plan or arrangement. Benefits under
32 this chapter shall be payable to a spouse or ex-spouse to the extent
33 expressly provided for in any court decree of dissolution or legal
34 separation or in any court order or court-approved property
35 settlement agreement incident to any court decree of dissolution or
36 legal separation.

37 (3) Subsection (1) of this section does not exempt any pension or
38 other benefit received under this chapter from tax under Title 82A
39 RCW (the new title created in section 1103 of this act).

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

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

15 (2) On the written request of any person eligible to receive
16 benefits under this section, the department may deduct from such
17 payments the premiums for life, health, or other insurance. The
18 request on behalf of any child or children shall be made by the legal
19 guardian of such child or children. The department may provide for
20 such persons one or more plans of group insurance, through contracts
21 with regularly constituted insurance carriers or health care service
22 contractors.

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

34 (4) Subsection (1) of this section does not exempt any pension or
35 other benefit received under this chapter from tax under Title 82A
36 RCW (the new title created in section 1103 of this act).

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

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

11 (2) Subsection (1) of this section shall not prohibit the
12 department of retirement systems from complying with (a) a wage
13 assignment order for child support issued pursuant to chapter 26.18
14 RCW, (b) an order to withhold and deliver issued pursuant to chapter
15 74.20A RCW, (c) ~~((a notice of payroll deduction))~~ an income
16 withholding order issued pursuant to RCW 26.23.060, (d) a mandatory
17 benefits assignment order issued pursuant to chapter 41.50 RCW, (e) a
18 court order directing the department of retirement systems to pay
19 benefits directly to an obligee under a dissolution order as defined
20 in RCW 41.50.500(3) which fully complies with RCW 41.50.670 and
21 41.50.700, or (f) any administrative or court order expressly
22 authorized by federal law.

23 (3) Subsection (1) of this section shall not be deemed to
24 prohibit a beneficiary of a retirement allowance from authorizing
25 deductions therefrom for payment of premiums due on any group
26 insurance policy or plan issued for the benefit of a group comprised
27 of members of the Washington state patrol or other public employees
28 of the state of Washington, or for contributions to the Washington
29 state patrol memorial foundation.

30 (4) Subsection (1) of this section does not exempt any pension or
31 other benefit received under this chapter from tax under Title 82A
32 RCW (the new title created in section 1103 of this act).

33 **PART IX**
34 **TAX RELIEF**

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

37 (1) A working families' tax credit, funded by sales and use tax
38 imposed, is provided to eligible low-income persons for calendar

1 years beginning on or after January 1, 2022. The credit is refundable
2 and is calculated as provided in this section.

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

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

6 (A) Is eligible for the credit provided in Title 26 U.S.C. Sec.
7 32 of the internal revenue code;

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

11 (C) Has paid either retail sales tax under this chapter or use
12 tax under chapter 82.12 RCW, or both. There is a rebuttable
13 presumption that a person paid either retail sales tax under this
14 chapter or use tax under chapter 82.12 RCW, or both, if they were a
15 Washington resident during the year for which the credit is claimed.

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

21 (A) The individual filed a federal income tax return for the
22 prior federal tax year using a valid individual taxpayer
23 identification number in lieu of a social security number, and the
24 individual's spouse, if any, and all qualifying children, if any,
25 have a valid individual taxpayer identification number or a social
26 security number; ~~((or))~~

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

32 (C) The individual does not meet the age requirement under Title
33 26 U.S.C. Sec. 32(c)(1)(A)(ii)(II) of the internal revenue code, but
34 is at least age 18 by the end of the prior federal tax year.

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

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

39 (d) "Internal revenue code" means the United States internal
40 revenue code of 1986, as amended, as of June 9, 2022, or such

subsequent date as the department may provide by rule consistent with the purpose of this section.

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

(f) "Qualifying child" means a qualifying child as defined by Title 26 U.S.C. Sec. 32 of the internal revenue code, except the child may have a valid individual taxpayer identification number in lieu of a social security number.

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

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

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

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

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

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

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

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

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

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

14 (e) For purposes of this section, "consumer price index" means,
15 for any 12-month period, the average consumer price index for that
16 12-month period for the Seattle, Washington area for urban wage
17 earners and clerical workers, all items, compiled by the bureau of
18 labor statistics, United States department of labor.

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

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

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

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

35 (ii) An individual applying for the credit under this section
36 must keep records necessary for the department to verify eligibility
37 under this section. Any information provided by the individual is
38 subject to audit verification by the department.

39 (iii) In addition to information provided on the application, the
40 department may verify that an individual qualifies as a Washington

1 resident through the use of automated verification tools or other
2 reasonable means.

3 (iv)(A) Except as provided in (a)(iv)(B) of this subsection (4),
4 application for a refund under this section must be made in the year
5 following the year for which the federal tax return was filed, but in
6 no case may any refund be provided for any period before January 1,
7 2022.

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

15 (II) If a person seeks to increase the amount of a refund that
16 has been made under this subsection (4), the person must apply for
17 the amended refund within the nonclaims period established under RCW
18 82.32.060(1).

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

26 (b) The department shall protect the privacy and confidentiality
27 of personal data of refund recipients in accordance with chapter
28 82.32 RCW.

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

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

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

39 (6) The department may adopt rules necessary to implement this
40 section. This includes establishing a date by which applications will

1 be accepted, with the aim of accepting applications as soon as
2 possible.

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

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

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

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

37 (c) If the department finds by clear, cogent, and convincing
38 evidence that an individual knowingly submitted, caused to be
39 submitted, or consented to the submission of, a fraudulent claim for
40 refund under this section, the department must assess a penalty of 50

1 percent of the overpaid amount. This penalty is in addition to any
2 other applicable penalties assessed in accordance with (b) of this
3 subsection (8).

4 (9) If, within the period allowed for refunds under RCW
5 82.32.060, the department finds that an individual received a lesser
6 refund than the individual was entitled to, the department must remit
7 the additional amount due under this section to the individual.

8 (10) Interest does not apply to refunds provided under this
9 section.

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

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

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

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

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

32 (4) The joint legislative audit and review committee shall review
33 this preference in 2028 and every 10 years thereafter. If a review
34 finds that the working families' tax credit does not provide
35 meaningful financial relief to low-income and middle-income
36 households, RCW 82.08.0206 expires at the end of the calendar year
37 two years after the adoption of the final report containing that
38 finding. The joint legislative audit and review committee shall
39 provide written notice of the expiration date of RCW 82.08.0206 to

1 the department of revenue, the chief clerk of the house of
2 representatives, the secretary of the senate, the office of the code
3 reviser, and others as deemed appropriate by the joint legislative
4 audit and review committee. In its review of the program, the joint
5 legislative audit and review committee should use at least the
6 following metrics: Size of the benefit per household, number of
7 household beneficiaries statewide, and demographic information of
8 beneficiaries to include family size, income level, race and
9 ethnicity, and geographic location.(5) In order to obtain the data
10 necessary to perform the review in subsection (4) of this section,
11 the joint legislative audit and review committee may refer to the
12 remittance data prepared by the department of revenue.

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

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

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

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

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

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

28 **Sec. 905.** RCW 82.04.4451 and 2022 c 295 s 1 are each amended to
29 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 as provided in this section. Except for taxpayers that report at
33 least 50 percent of their taxable amount under RCW 82.04.255,
34 82.04.290(2)(a), and 82.04.285, the maximum credit for a taxpayer for
35 a reporting period is (~~(\$55)~~) \$125 multiplied by the number of months
36 in the reporting period, as determined under RCW 82.32.045. For a
37 taxpayer that reports at least 50 percent of its taxable amount under

1 RCW 82.04.255, 82.04.290(2)(a), and 82.04.285, the maximum credit for
2 a reporting period is (~~(\$160)~~) \$375 multiplied by the number of
3 months in the reporting period, as determined under RCW 82.32.045.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5 (iii) Any Washington taxable income attributable to retail sales
6 that are exempt from the imposition of sales tax in RCW 82.08.0293,
7 82.08.0297, and 82.08.0281 is exempt from the surcharge imposed in
8 this section.

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

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

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

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

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

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

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

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

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

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

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

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

PART X

CHAPTER 422, LAWS OF 2025

Sec. 1001. RCW 82.04.050 and 2025 c 422 s 101 are each amended to read as follows:

(1)(a) "Sale at retail" or "retail sale" means every sale of tangible personal property (including articles produced, fabricated, or imprinted) to all persons irrespective of the nature of their business and including, among others, without limiting the scope hereof, persons who install, repair, clean, alter, improve, construct, or decorate real or personal property of or for consumers other than a sale to a person who:

(i) Purchases for the purpose of resale as tangible personal property in the regular course of business without intervening use by such person, but a purchase for the purpose of resale by a regional transit authority under RCW 81.112.300 is not a sale for resale; or

(ii) Installs, repairs, cleans, alters, imprints, improves, constructs, or decorates real or personal property of or for consumers, if such tangible personal property becomes an ingredient or component of such real or personal property without intervening use by such person; or

(iii) Purchases for the purpose of consuming the property purchased in producing for sale as a new article of tangible personal property or substance, of which such property becomes an ingredient or component or is a chemical used in processing, when the primary purpose of such chemical is to create a chemical reaction directly through contact with an ingredient of a new article being produced for sale; or

(iv) Purchases for the purpose of consuming the property purchased in producing ferrosilicon which is subsequently used in producing magnesium for sale, if the primary purpose of such property is to create a chemical reaction directly through contact with an ingredient of ferrosilicon; or

(v) Purchases for the purpose of providing the property to consumers as part of competitive telephone service, as defined in RCW 82.04.065; or

1 (vi) Purchases for the purpose of satisfying the person's
2 obligations under an extended warranty as defined in subsection (7)
3 of this section, if such tangible personal property replaces or
4 becomes an ingredient or component of property covered by the
5 extended warranty without intervening use by such person.

6 (b) The term includes every sale of tangible personal property
7 that is used or consumed or to be used or consumed in the performance
8 of any activity defined as a "sale at retail" or "retail sale" even
9 though such property is resold or used as provided in (a)(i) through
10 (vi) of this subsection following such use.

11 (c) The term also means every sale of tangible personal property
12 to persons engaged in any business that is taxable under RCW
13 82.04.280(1) (a), (b), and ~~((g))~~ (f), 82.04.290, and 82.04.2908.

14 (2) The term "sale at retail" or "retail sale" includes the sale
15 of or charge made for tangible personal property consumed and/or for
16 labor and services rendered in respect to the following:

17 (a) The installing, repairing, cleaning, altering, imprinting, or
18 improving of tangible personal property of or for consumers,
19 including charges made for the mere use of facilities in respect
20 thereto, but excluding charges made for the use of self-service
21 laundry facilities, and also excluding sales of laundry service to
22 nonprofit health care facilities, and excluding services rendered in
23 respect to live animals, birds and insects;

24 (b) The constructing, repairing, decorating, or improving of new
25 or existing buildings or other structures under, upon, or above real
26 property of or for consumers, including the installing or attaching
27 of any article of tangible personal property therein or thereto,
28 whether or not such personal property becomes a part of the realty by
29 virtue of installation, and also includes the sale of services or
30 charges made for the clearing of land and the moving of earth
31 excepting the mere leveling of land used in commercial farming or
32 agriculture;

33 (c) The constructing, repairing, or improving of any structure
34 upon, above, or under any real property owned by an owner who conveys
35 the property by title, possession, or any other means to the person
36 performing such construction, repair, or improvement for the purpose
37 of performing such construction, repair, or improvement and the
38 property is then reconveyed by title, possession, or any other means
39 to the original owner;

1 (d) The cleaning, fumigating, razing, or moving of existing
2 buildings or structures, but does not include the charge made for
3 janitorial services; and for purposes of this section the term
4 "janitorial services" means those cleaning and caretaking services
5 ordinarily performed by commercial janitor service businesses
6 including, but not limited to, wall and window washing, floor
7 cleaning and waxing, and the cleaning in place of rugs, drapes and
8 upholstery. The term "janitorial services" does not include painting,
9 papering, repairing, furnace or septic tank cleaning, snow removal or
10 sandblasting;

11 (e) Automobile towing and similar automotive transportation
12 services, but not in respect to those required to report and pay
13 taxes under chapter 82.16 RCW;

14 (f) The furnishing of lodging and all other services by a hotel,
15 rooming house, tourist court, motel, trailer camp, and the granting
16 of any similar license to use real property, as distinguished from
17 the renting or leasing of real property, and it is presumed that the
18 occupancy of real property for a continuous period of one month or
19 more constitutes a rental or lease of real property and not a mere
20 license to use or enjoy the same. For the purposes of this
21 subsection, it is presumed that the sale of and charge made for the
22 furnishing of lodging for a continuous period of one month or more to
23 a person is a rental or lease of real property and not a mere license
24 to enjoy the same. For the purposes of this section, it is presumed
25 that the sale of and charge made for the furnishing of lodging
26 offered regularly for public occupancy for periods of less than a
27 month constitutes a license to use or enjoy the property subject to
28 sales and use tax and not a rental or lease of property;

29 (g) The installing, repairing, altering, or improving of digital
30 goods for consumers;

31 (h) Persons taxable under (a), (b), (c), (d), (e), (f), and (g)
32 of this subsection when such sales or charges are for property, labor
33 and services which are used or consumed in whole or in part by such
34 persons in the performance of any activity defined as a "sale at
35 retail" or "retail sale" even though such property, labor and
36 services may be resold after such use or consumption. Nothing
37 contained in this subsection may be construed to modify subsection
38 (1) of this section and nothing contained in subsection (1) of this
39 section may be construed to modify this subsection.

1 (3) The term "sale at retail" or "retail sale" includes the sale
2 of or charge made for personal, business, or professional services
3 including amounts designated as interest, rents, fees, admission, and
4 other service emoluments however designated, received by persons
5 engaging in the following business activities:

6 (a) Abstract, title insurance, and escrow services;

7 (b) Credit bureau services;

8 (c) Automobile parking and storage garage services;

9 (d) Landscape maintenance and horticultural services but
10 excluding (i) horticultural services provided to farmers and (ii)
11 pruning, trimming, repairing, removing, and clearing of trees and
12 brush near electric transmission or distribution lines or equipment,
13 if performed by or at the direction of an electric utility;

14 (e) Service charges associated with tickets to professional
15 sporting events;

16 (f) The following personal services: Tanning salon services,
17 tattoo parlor services, steam bath services, turkish bath services,
18 escort services, and dating services;

19 ~~(g) ((Information technology training services, technical~~
20 ~~support, and other services including, but not limited to, assisting~~
21 ~~with network operations and support, help desk services, in-person~~
22 ~~training related to hardware or software, network system support~~
23 ~~services, data entry services, and data processing services;~~

24 ~~(h) Custom website development services. For the purposes of this~~
25 ~~subsection (3), "website development services" means the design,~~
26 ~~development, and support of a website provided by a website developer~~
27 ~~to a customer;~~

28 ~~(i) Investigation, security services, security monitoring~~
29 ~~services, and armored car services including, but not limited to,~~
30 ~~background checks, security guard and patrol services, personal and~~
31 ~~event security, armored car transportation of cash and valuables, and~~
32 ~~security system services and monitoring. This does not include~~
33 ~~locksmith services;~~

34 ~~(j) Temporary staffing services. For the purposes of this~~
35 ~~subsection (3), "temporary staffing services" means providing workers~~
36 ~~to other businesses, except for hospitals licensed under chapter~~
37 ~~70.41 or 71.12 RCW, for limited periods of time to supplement their~~
38 ~~workforce and fill employment vacancies on a contract or for fee~~
39 ~~basis;~~

1 ~~((k))~~) Advertising services. (i) For the purposes of this
2 subsection (3), "advertising services" means all digital and
3 nondigital services related to the creation, preparation, production,
4 or dissemination of advertisements including, but not limited to:

5 (A) Layout, art direction, graphic design, mechanical
6 preparation, production supervision, placement, referrals,
7 acquisition of advertising space, and rendering advice concerning the
8 best methods of advertising products or services; and

9 (B) Online referrals, search engine marketing(~~((r))~~) and lead
10 generation optimization, web campaign planning, the acquisition of
11 advertising space in the internet media, and the monitoring and
12 evaluation of website traffic for purposes of determining the
13 effectiveness of an advertising campaign.

14 (ii) "Advertising services" do not include:

15 (A) Web hosting services and domain name registration;

16 (B) Services rendered in respect to the following:

17 (I) "Newspapers" as defined in RCW 82.04.214;

18 (II) Printing or publishing under RCW 82.04.280; and

19 (III) "Radio and television broadcasting" within this state as
20 defined in RCW 82.04.281; and

21 (C) Services rendered in respect to out-of-home advertising,
22 including: Billboard advertising; street furniture advertising;
23 transit advertising; place-based advertising, such as in-store
24 display advertising or point-of-sale advertising; dynamic or static
25 signage at live events; naming rights; and fixed signage advertising.
26 Out-of-home advertising does not include direct mail(~~((r~~

27 ~~((l)) Live presentations including, but not limited to, lectures,~~
28 ~~seminars, workshops, or courses where participants attend either in-~~
29 ~~person or via the internet or telecommunications equipment that~~
30 ~~allows audience members and the presenter or instructor to give,~~
31 ~~receive, and discuss information with each other in real time)); and~~

32 ~~((m))~~) (h)(i) Operating an athletic or fitness facility,
33 including all charges for the use of such a facility or for any
34 associated services and amenities, except as provided in ~~((m))~~) (h)
35 (ii) of this subsection.

36 (ii) Notwithstanding anything to the contrary in ~~((m))~~) (h)(i)
37 of this subsection (3), the term "sale at retail" and "retail sale"
38 under this subsection does not include:

1 (A) Separately stated charges for the use of an athletic or
2 fitness facility where such use is primarily for a purpose other than
3 engaging in or receiving instruction in a physical fitness activity;

4 (B) Separately stated charges for the use of a discrete portion
5 of an athletic or fitness facility, other than a pool, where such
6 discrete portion of the facility does not by itself meet the
7 definition of "athletic or fitness facility" in this subsection;

8 (C) Separately stated charges for services, such as massage,
9 nutritional consulting, and body composition testing, that do not
10 require the customer to engage in physical fitness activities to
11 receive the service. The exclusion in this subsection (3)(~~(m)~~) (h)
12 (ii)(C) does not apply to personal training services and instruction
13 in a physical fitness activity;

14 (D) Separately stated charges for physical therapy provided by a
15 physical therapist, as those terms are defined in RCW 18.74.010, or
16 occupational therapy provided by an occupational therapy
17 practitioner, as those terms are defined in RCW 18.59.020, when
18 performed pursuant to a referral from an authorized health care
19 practitioner or in consultation with an authorized health care
20 practitioner. For the purposes of this subsection (3)(~~(m)~~) (h)
21 (ii)(D), an authorized health care practitioner means a health care
22 practitioner licensed under chapter 18.83, 18.25, 18.36A, 18.57,
23 18.71, or 18.71A RCW, or, until July 1, 2022, chapter 18.57A RCW;

24 (E) Rent or association fees charged by a landlord or residential
25 association to a tenant or residential owner with access to an
26 athletic or fitness facility maintained by the landlord or
27 residential association, unless the rent or fee varies depending on
28 whether the tenant or owner has access to the facility;

29 (F) Services provided in the regular course of employment by an
30 employee with access to an athletic or fitness facility maintained by
31 the employer for use without charge by its employees or their family
32 members;

33 (G) The provision of access to an athletic or fitness facility by
34 an educational institution to its students and staff. However,
35 charges made by an educational institution to its alumni or other
36 members of the public for the use of any of the educational
37 institution's athletic or fitness facilities are a retail sale under
38 this subsection (3)(~~(m)~~) (h). For purposes of this subsection (3)
39 (~~(m)~~) (h)(ii)(G), "educational institution" has the same meaning as
40 in RCW 82.04.170;

1 (H) Yoga, chi gong, or martial arts classes, training, or events
2 held at a community center, park, school gymnasium, college or
3 university, hospital or other medical facility, private residence, or
4 any other facility that is not operated within and as part of an
5 athletic or fitness facility.

6 (iii) Nothing in (~~(m)~~) (h)(ii) of this subsection (3) may be
7 construed to affect the taxation of sales made by the operator of an
8 athletic or fitness facility, where such sales are defined as a
9 retail sale under any provision of this section other than this
10 subsection (3).

11 (iv) For the purposes of this subsection (3)(~~(m)~~) (h), the
12 following definitions apply:

13 (A) "Athletic or fitness facility" means an indoor or outdoor
14 facility or portion of a facility that is primarily used for:
15 Exercise classes; strength and conditioning programs; personal
16 training services; tennis, racquetball, handball, squash, or
17 pickleball; or other activities requiring the use of exercise or
18 strength training equipment, such as treadmills, elliptical machines,
19 stair climbers, stationary cycles, rowing machines, pilates
20 equipment, balls, climbing ropes, jump ropes, and weightlifting
21 equipment.

22 (B) "Martial arts" means any of the various systems of training
23 for physical combat or self-defense. "Martial arts" includes, but is
24 not limited to, karate, kung fu, tae kwon do, Krav Maga, boxing,
25 kickboxing, jujitsu, shootfighting, wrestling, aikido, judo, hapkido,
26 Kendo, tai chi, and mixed martial arts.

27 (C) "Physical fitness activities" means activities that involve
28 physical exertion for the purpose of improving or maintaining the
29 general fitness, strength, flexibility, conditioning, or health of
30 the participant. "Physical fitness activities" includes participating
31 in yoga, chi gong, or martial arts.

32 For the purposes of (g) (~~(through (i) and (k))~~) of this
33 subsection (3), the terms "sale at retail" and "retail sale" do not
34 include a sale between members of an affiliated group as defined in
35 RCW 82.04.299(1)(f).

36 (4)(a) The term also includes the renting or leasing of tangible
37 personal property to consumers.

38 (b) The term does not include the renting or leasing of tangible
39 personal property where the lease or rental is for the purpose of
40 sublease or subrent.

(5) The term also includes the providing of "competitive telephone service," "telecommunications service," or "ancillary services," as those terms are defined in RCW 82.04.065, to consumers.

(6)(a) The term also includes the sale of prewritten computer software(~~(, custom software, and customization of prewritten computer software)~~) to a consumer, regardless of the method of delivery to the end user. For purposes of this subsection (6)(a), the sale of prewritten computer software includes the sale of or charge made for a key or an enabling or activation code, where the key or code is required to activate prewritten computer software and put the software into use. There is no separate sale of the key or code from the prewritten computer software, regardless of how the sale may be characterized by the vendor or by the purchaser.

(b) The term "retail sale" does not include the sale of or charge made for:

(i) Custom software; or

(ii) The customization of prewritten computer software.

(c)(i) The term also includes the charge made to consumers for the right to access and use prewritten computer software(~~(, custom software, and customization of prewritten computer software)~~), where possession of the software is maintained by the seller or a third party, regardless of whether the charge for the service is on a per use, per user, per license, subscription, or some other basis.

(ii)(A) The service described in (~~(b)~~) (c)(i) of this subsection (6) includes the right to access and use prewritten computer software(~~(, custom software, and customization of prewritten computer software)~~) to perform data processing.

(B) For purposes of this subsection (6)(~~(b)~~) (c)(ii), "data processing" means the systematic performance of operations on data to extract the required information in an appropriate form or to convert the data to usable information. Data processing includes check processing, image processing, form processing, survey processing, payroll processing, claim processing, and similar activities.

(7) The term also includes the sale of or charge made for an extended warranty to a consumer. For purposes of this subsection, "extended warranty" means an agreement for a specified duration to perform the replacement or repair of tangible personal property at no additional charge or a reduced charge for tangible personal property, labor, or both, or to provide indemnification for the replacement or repair of tangible personal property, based on the occurrence of

1 specified events. The term "extended warranty" does not include an
2 agreement, otherwise meeting the definition of extended warranty in
3 this subsection, if no separate charge is made for the agreement and
4 the value of the agreement is included in the sales price of the
5 tangible personal property covered by the agreement. For purposes of
6 this subsection, "sales price" has the same meaning as in RCW
7 82.08.010.

8 (8)(a) The term also includes the following sales to consumers of
9 digital goods, digital codes, and digital automated services:

10 (i) Sales in which the seller has granted the purchaser the right
11 of permanent use;

12 (ii) Sales in which the seller has granted the purchaser a right
13 of use that is less than permanent;

14 (iii) Sales in which the purchaser is not obligated to make
15 continued payment as a condition of the sale; and

16 (iv) Sales in which the purchaser is obligated to make continued
17 payment as a condition of the sale.

18 (b) A retail sale of digital goods, digital codes, or digital
19 automated services under this subsection (8) includes any services
20 provided by the seller exclusively in connection with the digital
21 goods, digital codes, or digital automated services, whether or not a
22 separate charge is made for such services.

23 (c) A retail sale of digital goods, digital codes, or digital
24 automated services does not include ~~((the following services if the~~
25 ~~sale occurs between members of an affiliated group as defined in RCW~~
26 ~~82.04.299(1)(f):~~

27 ~~(i) Any service that primarily involves the application of human~~
28 ~~effort by the seller, and the human effort originated after the~~
29 ~~customer requested the service;~~

30 ~~(ii) Live presentations, such as lectures, seminars, workshops,~~
31 ~~or courses, where participants are connected to other participants~~
32 ~~via the internet or telecommunications equipment, which allows~~
33 ~~audience members and the presenter or instructor to give, receive,~~
34 ~~and discuss information with each other in real time;~~

35 ~~(iii) Advertising))~~ advertising services if the sale occurs
36 between members of an affiliated group as defined in RCW
37 82.04.299(1)(f). For purposes of this subsection (8)(c), "advertising
38 services" means all services directly related to the creation,
39 preparation, production, or dissemination of advertisements.
40 Advertising services include layout, art direction, graphic design,

1 mechanical preparation, production supervision, placement, and
2 rendering advice to a client concerning the best methods of
3 advertising that client's products or services. Advertising services
4 also include online referrals, search engine marketing and lead
5 generation optimization, web campaign planning, the acquisition of
6 advertising space in the internet media, and the monitoring and
7 evaluation of website traffic for purposes of determining the
8 effectiveness of an advertising campaign. Advertising services do not
9 include web hosting services and domain name registration(, and

10 ~~(iv) Data processing services. For purposes of this subsection~~
11 ~~(8)(c), "data processing service" means a primarily automated service~~
12 ~~provided to a business or other organization where the primary object~~
13 ~~of the service is the systematic performance of operations by the~~
14 ~~service provider on data supplied in whole or in part by the customer~~
15 ~~to extract the required information in an appropriate form or to~~
16 ~~convert the data to usable information. Data processing services~~
17 ~~include check processing, image processing, form processing, survey~~
18 ~~processing, payroll processing, claim processing, and similar~~
19 ~~activities. Data processing does not include the service described in~~
20 ~~subsection (6)(b) of this section)).~~

21 (d) For purposes of this subsection, "permanent" means perpetual
22 or for an indefinite or unspecified length of time. A right of
23 permanent use is presumed to have been granted unless the agreement
24 between the seller and the purchaser specifies or the circumstances
25 surrounding the transaction suggest or indicate that the right to use
26 terminates on the occurrence of a condition subsequent.

27 (9) The term also includes the charge made for providing tangible
28 personal property along with an operator for a fixed or indeterminate
29 period of time. A consideration of this is that the operator is
30 necessary for the tangible personal property to perform as designed.
31 For the purpose of this subsection (9), an operator must do more than
32 maintain, inspect, or set up the tangible personal property.

33 (10) The term does not include the sale of or charge made for
34 labor and services rendered in respect to the building, repairing, or
35 improving of any street, place, road, highway, easement, right-of-
36 way, mass public transportation terminal or parking facility, bridge,
37 tunnel, or trestle which is owned by a municipal corporation or
38 political subdivision of the state or by the United States and which
39 is used or to be used primarily for foot or vehicular traffic
40 including mass transportation vehicles of any kind.

1 (11) The term also does not include sales of chemical sprays or
2 washes to persons for the purpose of postharvest treatment of fruit
3 for the prevention of scald, fungus, mold, or decay, nor does it
4 include sales of feed, seed, seedlings, fertilizer, agents for
5 enhanced pollination including insects such as bees, and spray
6 materials to: (a) Persons who participate in the federal conservation
7 reserve program, the environmental quality incentives program, the
8 wetlands reserve program, and the wildlife habitat incentives
9 program, or their successors administered by the United States
10 department of agriculture; (b) farmers for the purpose of producing
11 for sale any agricultural product; (c) farmers for the purpose of
12 providing bee pollination services; and (d) farmers acting under
13 cooperative habitat development or access contracts with an
14 organization exempt from federal income tax under 26 U.S.C. Sec.
15 501(c)(3) of the federal internal revenue code or the Washington
16 state department of fish and wildlife to produce or improve wildlife
17 habitat on land that the farmer owns or leases.

18 (12) The term does not include the sale of or charge made for
19 labor and services rendered in respect to the constructing,
20 repairing, decorating, or improving of new or existing buildings or
21 other structures under, upon, or above real property of or for the
22 United States, any instrumentality thereof, or a county or city
23 housing authority created pursuant to chapter 35.82 RCW, including
24 the installing, or attaching of any article of tangible personal
25 property therein or thereto, whether or not such personal property
26 becomes a part of the realty by virtue of installation. Nor does the
27 term include the sale of services or charges made for the clearing of
28 land and the moving of earth of or for the United States, any
29 instrumentality thereof, or a county or city housing authority. Nor
30 does the term include the sale of services or charges made for
31 cleaning up for the United States, or its instrumentalities,
32 radioactive waste and other by-products of weapons production and
33 nuclear research and development.

34 (13) The term does not include the sale of or charge made for
35 labor, services, or tangible personal property pursuant to agreements
36 providing maintenance services for bus, rail, or rail fixed guideway
37 equipment when a regional transit authority is the recipient of the
38 labor, services, or tangible personal property, and a transit agency,
39 as defined in RCW 81.104.015, performs the labor or services.

1 (14) The term does not include the sale for resale of any service
2 described in this section if the sale would otherwise constitute a
3 "sale at retail" and "retail sale" under this section.

4 (15)(a) The term "sale at retail" or "retail sale" includes
5 amounts charged, however labeled, to consumers to engage in any of
6 the activities listed in this subsection (15)(a), including the
7 furnishing of any associated equipment or, except as otherwise
8 provided in this subsection, providing instruction in such
9 activities, where such charges are not otherwise defined as a "sale
10 at retail" or "retail sale" in this section:

11 (i)(A) Golf, including any variant in which either golf balls or
12 golf clubs are used, such as miniature golf, hitting golf balls at a
13 driving range, and golf simulators, and including fees charged by a
14 golf course to a player for using his or her own cart. However,
15 charges for golf instruction are not a retail sale, provided that if
16 the instruction involves the use of a golfing facility that would
17 otherwise require the payment of a fee, such as green fees or driving
18 range fees, such fees, including the applicable retail sales tax,
19 must be separately identified and charged by the golfing facility
20 operator to the instructor or the person receiving the instruction.

21 (B) Notwithstanding (a)(i)(A) of this subsection (15) and except
22 as otherwise provided in this subsection (15)(a)(i)(B), the term
23 "sale at retail" or "retail sale" does not include amounts charged to
24 participate in, or conduct, a golf tournament or other competitive
25 event. However, amounts paid by event participants to the golf
26 facility operator are retail sales under this subsection (15)(a)(i).
27 Likewise, amounts paid by the event organizer to the golf facility
28 are retail sales under this subsection (15)(a)(i), if such amounts
29 vary based on the number of event participants;

30 (ii) Ballooning, hang gliding, indoor or outdoor sky diving,
31 paragliding, parasailing, and similar activities;

32 (iii) Air hockey, billiards, pool, foosball, darts, shuffleboard,
33 ping pong, and similar games;

34 (iv) Access to amusement park, theme park, and water park
35 facilities, including but not limited to charges for admission and
36 locker or cabana rentals. Discrete charges for rides or other
37 attractions or entertainment that are in addition to the charge for
38 admission are not a retail sale under this subsection (15)(a)(iv).
39 For the purposes of this subsection, an amusement park or theme park
40 is a location that provides permanently affixed amusement rides,

1 games, and other entertainment, but does not include parks or zoos
2 for which the primary purpose is the exhibition of wildlife, or
3 fairs, carnivals, and festivals as defined in (b)(i) of this
4 subsection;

5 (v) Batting cage activities;

6 (vi) Bowling, but not including competitive events, except that
7 amounts paid by the event participants to the bowling alley operator
8 are retail sales under this subsection (15)(a)(vi). Likewise, amounts
9 paid by the event organizer to the operator of the bowling alley are
10 retail sales under this subsection (15)(a)(vi), if such amounts vary
11 based on the number of event participants;

12 (vii) Climbing on artificial climbing structures, whether indoors
13 or outdoors;

14 (viii) Day trips for sightseeing purposes;

15 (ix) Bungee jumping, zip lining, and riding inside a ball,
16 whether inflatable or otherwise;

17 (x) Horseback riding offered to the public, where the seller
18 furnishes the horse to the buyer and providing instruction is not the
19 primary focus of the activity, including guided rides, but not
20 including therapeutic horseback riding provided by an instructor
21 certified by a nonprofit organization that offers national or
22 international certification for therapeutic riding instructors;

23 (xi) Fishing, including providing access to private fishing areas
24 and charter or guided fishing, except that fishing contests and
25 license fees imposed by a government entity are not a retail sale
26 under this subsection;

27 (xii) Guided hunting and hunting at game farms and shooting
28 preserves, except that hunting contests and license fees imposed by a
29 government entity are not a retail sale under this subsection;

30 (xiii) Swimming, but only in respect to (A) recreational or
31 fitness swimming that is open to the public, such as open swim, lap
32 swimming, and special events like kids night out and pool parties
33 during open swim time, and (B) pool parties for private events, such
34 as birthdays, family gatherings, and employee outings. Fees for
35 swimming lessons, to participate in swim meets and other
36 competitions, or to join a swim team, club, or aquatic facility are
37 not retail sales under this subsection (15)(a)(xiii);

38 (xiv) Go-karting, bumper cars, and other motorized activities
39 where the seller provides the vehicle and the premises where the
40 buyer will operate the vehicle;

1 (xv) Indoor or outdoor playground activities, such as inflatable
2 bounce structures and other inflatables; mazes; trampolines; slides;
3 ball pits; games of tag, including laser tag and soft-dart tag; and
4 human gyroscope rides, regardless of whether such activities occur at
5 the seller's place of business, but not including playground
6 activities provided for children by a licensed child day care center
7 or licensed family day care provider as those terms are defined in
8 RCW 43.216.010;

9 (xvi) Shooting sports and activities, such as target shooting,
10 skeet, trap, sporting clays, "5" stand, and archery, but only in
11 respect to discrete charges to members of the public to engage in
12 these activities, but not including fees to enter a competitive
13 event, instruction that is entirely or predominately classroom based,
14 or to join or renew a membership at a club, range, or other facility;

15 (xvii) Paintball and airsoft activities;

16 (xviii) Skating, including ice skating, roller skating, and
17 inline skating, but only in respect to discrete charges to members of
18 the public to engage in skating activities, but not including skating
19 lessons, competitive events, team activities, or fees to join or
20 renew a membership at a skating facility, club, or other
21 organization;

22 (xix) Nonmotorized snow sports and activities, such as downhill
23 and cross-country skiing, snowboarding, ski jumping, sledding, snow
24 tubing, snowshoeing, and similar snow sports and activities, whether
25 engaged in outdoors or in an indoor facility with or without snow,
26 but only in respect to discrete charges to the public for the use of
27 land or facilities to engage in nonmotorized snow sports and
28 activities, such as fees, however labeled, for the use of ski lifts
29 and tows and daily or season passes for access to trails or other
30 areas where nonmotorized snow sports and activities are conducted.
31 However, fees for the following are not retail sales under this
32 subsection (15)(a)(xix): (A) Instructional lessons; (B) permits
33 issued by a governmental entity to park a vehicle on or access public
34 lands; and (C) permits or leases granted by an owner of private
35 timberland for recreational access to areas used primarily for
36 growing and harvesting timber; and

37 (xx) Scuba diving; snorkeling; river rafting; surfing;
38 kiteboarding; flyboarding; water slides; inflatables, such as water
39 pillows, water trampolines, and water rollers; and similar water
40 sports and activities.

1 (b) Notwithstanding anything to the contrary in this subsection
2 (15), the term "sale at retail" or "retail sale" does not include
3 charges:

4 (i) Made for admission to, and rides or attractions at, fairs,
5 carnivals, and festivals. For the purposes of this subsection, fairs,
6 carnivals, and festivals are events that do not exceed 21 days and a
7 majority of the amusement rides, if any, are not affixed to real
8 property;

9 (ii) Made by an educational institution to its students and staff
10 for activities defined as retail sales by (a)(i) through (xx) of this
11 subsection. However, charges made by an educational institution to
12 its alumni or other members of the general public for these
13 activities are a retail sale under this subsection (15). For purposes
14 of this subsection (15)(b)(ii), "educational institution" has the
15 same meaning as in RCW 82.04.170;

16 (iii) Made by a vocational school for commercial diver training
17 that is licensed by the workforce training and education coordinating
18 board under chapter 28C.10 RCW; or

19 (iv) Made for day camps offered by a nonprofit organization or
20 state or local governmental entity that provide youth not older than
21 age 18, or that are focused on providing individuals with
22 disabilities or mental illness, the opportunity to participate in a
23 variety of supervised activities.

24 (16)(a) The term "sale at retail" or "retail sale" includes the
25 purchase or acquisition of tangible personal property and specified
26 services by a person who receives either a qualifying grant exempt
27 from tax under RCW 82.04.767 or 82.16.320 or a grant deductible under
28 RCW 82.04.4339, except for transactions excluded from the definition
29 of "sale at retail" or "retail sale" by any other provision of this
30 section. Nothing in this subsection (16) may be construed to limit
31 the application of any other provision of this section to purchases
32 by a recipient of either a qualifying grant exempt from tax under RCW
33 82.04.767 or a grant deductible under RCW 82.04.4339, or by any other
34 person.

35 (b) For purposes of this subsection (16), "specified services"
36 means:

37 (i) The constructing, repairing, decorating, or improving of new
38 or existing buildings or other structures under, upon, or above real
39 property, including the installing or attaching of any article of
40 tangible personal property therein or thereto, whether or not such

1 personal property becomes a part of the realty by virtue of
2 installation;

3 (ii) The clearing of land or the moving of earth, whether or not
4 associated with activities described in (b)(i) of this subsection
5 (16);

6 (iii) The razing or moving of existing buildings or structures;
7 and

8 (iv) Landscape maintenance and horticultural services.

9 **Sec. 1002.** RCW 82.04.192 and 2025 c 422 s 201 are each amended
10 to read as follows:

11 (1) "Digital audio works" means works that result from the
12 fixation of a series of musical, spoken, or other sounds, including
13 ringtones.

14 (2) "Digital audiovisual works" means a series of related images
15 which, when shown in succession, impart an impression of motion,
16 together with accompanying sounds, if any.

17 (3)(a) "Digital automated service," except as provided in (b) of
18 this subsection (3), means any service transferred electronically
19 that uses one or more software applications.

20 (b) "Digital automated service" does not include:

21 (i) Any service that primarily involves the application of human
22 effort by the seller, and the human effort originated after the
23 customer requested the service;

24 (ii) The loaning or transferring of money or the purchase, sale,
25 or transfer of financial instruments. For purposes of this subsection
26 (3)(b) ~~((i))~~ (ii), "financial instruments" include cash, accounts
27 receivable and payable, loans and notes receivable and payable, debt
28 securities, equity securities, as well as derivative contracts such
29 as forward contracts, swap contracts, and options;

30 ~~((i))~~ (iii) Dispensing cash or other physical items from a
31 machine;

32 ~~((iii))~~ (iv) Payment processing services;

33 ~~((iv))~~ (v) Parimutuel wagering and handicapping contests as
34 authorized by chapter 67.16 RCW;

35 ~~((v))~~ (vi) Telecommunications services and ancillary services
36 as those terms are defined in RCW 82.04.065;

37 ~~((vi))~~ (vii) The internet and internet access as those terms
38 are defined in RCW 82.04.297;

1 ~~((vii))~~ (viii) The service described in RCW 82.04.050(6)~~((b))~~
2 (c);

3 ~~((viii))~~ (ix) Online educational programs provided by a:

4 (A) Public or private elementary or secondary school; or

5 (B) An institution of higher education as defined in sections
6 1001 or 1002 of the federal higher education act of 1965 (Title 20
7 U.S.C. Secs. 1001 and 1002), as existing on July 1, 2009. For
8 purposes of this subsection (3)(b)~~((viii))~~ (ix)(B), an online
9 educational program must be encompassed within the institution's
10 accreditation;

11 ~~((ix))~~ (x) Live presentations, such as lectures, seminars,
12 workshops, or courses, where participants are connected to other
13 participants via the internet or telecommunications equipment, which
14 allows audience members and the presenter or instructor to give,
15 receive, and discuss information with each other in real time;

16 (xi) Travel agent services, including online travel services, and
17 automated systems used by travel agents to book reservations;

18 ~~((x))~~ (xii)(A) A service that allows the person receiving the
19 service to make online sales of products or services, digital or
20 otherwise, using either: (I) The service provider's website; or (II)
21 the service recipient's website, but only when the service provider's
22 technology is used in creating or hosting the service recipient's
23 website or is used in processing orders from customers using the
24 service recipient's website.

25 (B) The service described in this subsection (3)(b)~~((x))~~ (xii)
26 does not include the underlying sale of the products or services,
27 digital or otherwise, by the person receiving the service;

28 ~~((xi))~~ (xiii) Telehealth as defined in RCW 18.134.010 or
29 telemedicine as defined in RCW 48.43.735;

30 ~~((xii))~~ (xiv) The mere storage of digital products, digital
31 codes, computer software, or master copies of software. This
32 exclusion from the definition of digital automated services includes
33 providing space on a server for web hosting or the backing up of data
34 or other information; ~~((and~~

35 ~~(xiii))~~ (xv) Data processing services. For purposes of this
36 subsection (3)(b)(xv), "data processing service" means a primarily
37 automated service provided to a business or other organization where
38 the primary object of the service is the systematic performance of
39 operations by the service provider on data supplied in whole or in
40 part by the customer to extract the required information in an

appropriate form or to convert the data to usable information. "Data processing services" include check processing, image processing, form processing, survey processing, payroll processing, claim processing, and similar activities. "Data processing service" does not include the service described in RCW 82.04.050(6)(c); and

(xvi) Digital goods.

(4) "Digital books" means works that are generally recognized in the ordinary and usual sense as books.

(5) "Digital code" means a code that provides a purchaser with the right to obtain one or more digital products, if all of the digital products to be obtained through the use of the code have the same sales and use tax treatment. "Digital code" does not include a code that represents a stored monetary value that is deducted from a total as it is used by the purchaser. "Digital code" also does not include a code that represents a redeemable card, gift card, or gift certificate that entitles the holder to select digital products of an indicated cash value. A digital code may be obtained by any means, including email or by tangible means regardless of its designation as song code, video code, book code, or some other term.

(6)(a) "Digital goods," except as provided in (b) of this subsection (6), means sounds, images, data, facts, or information, or any combination thereof, transferred electronically, including, but not limited to, specified digital products and other products transferred electronically not included within the definition of specified digital products.

(b) The term "digital goods" does not include:

(i) Telecommunications services and ancillary services as those terms are defined in RCW 82.04.065;

(ii) Computer software as defined in RCW 82.04.215;

(iii) The internet and internet access as those terms are defined in RCW 82.04.297;

(iv)(A) Except as provided in (b)(iv)(B) of this subsection (6), the representation of a personal or professional service in electronic form, such as an electronic copy of an engineering report prepared by an engineer, where the service primarily involves the application of human effort by the service provider, and the human effort originated after the customer requested the service.

(B) The exclusion in (b)(iv)(A) of this subsection (6) does not apply to photographers in respect to amounts received for the taking of photographs that are transferred electronically to the customer,

1 but only if the customer is an end user, as defined in RCW
2 82.04.190(11), of the photographs. Such amounts are considered to be
3 for the sale of digital goods; and

4 (v) Services and activities excluded from the definition of
5 digital automated services in subsection (3)(b)(i) through (~~(xiii)~~)
6 (xv) of this section and not otherwise described in (b)(i) through
7 (iv) of this subsection (6).

8 (7) "Digital products" means digital goods and digital automated
9 services.

10 (8) "Electronically transferred" or "transferred electronically"
11 means obtained by the purchaser by means other than tangible storage
12 media. It is not necessary that a copy of the product be physically
13 transferred to the purchaser. So long as the purchaser may access the
14 product, it will be considered to have been electronically
15 transferred to the purchaser.

16 (9) "Specified digital products" means electronically transferred
17 digital audiovisual works, digital audio works, and digital books.

18 (10) "Subscription radio services" means the sale of audio
19 programming by a radio broadcaster as defined in RCW 82.08.0208,
20 except as otherwise provided in this subsection. "Subscription radio
21 services" does not include audio programming that is sold on a pay-
22 per-program basis or that allows the buyer to access a library of
23 programs at any time for a specific charge for that service.

24 (11) "Subscription television services" means the sale of video
25 programming by a television broadcaster as defined in RCW 82.08.0208,
26 except as otherwise provided in this subsection. "Subscription
27 television services" does not include video programming that is sold
28 on a pay-per-program basis or that allows the buyer to access a
29 library of programs at any time for a specific charge for that
30 service, but only if the seller is not subject to a franchise fee in
31 this state under the authority of Title 47 U.S.C. Sec. 542(a) on the
32 gross revenue derived from the sale.

33 NEW SECTION. **Sec. 1003.** RCW 82.32.805 and 82.32.808 do not
34 apply to sections 1001 and 1002 of this act.

35 NEW SECTION. **Sec. 1004.** Sections 1001 and 1002 of this act take
36 effect January 1, 2030.

MISCELLANEOUS

Sec. 1101. RCW 1.90.100 and 2024 c 5 s 1 (Initiative Measure No. 2111) are each amended to read as follows:

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

(2) Subsection (1) of this section does not apply to the tax authorized in chapter 82A.--- RCW (the new chapter created in section 1103 of this act).

NEW SECTION. **Sec. 1102.** NULL AND VOID. If a court of final jurisdiction invalidates section 201 of this act, this act is null and void in its entirety.

NEW SECTION. **Sec. 1103.** CODIFICATION. Sections 101 through 704 and 708 through 711 of this act constitute a new chapter in a new title in the Revised Code of Washington, to be codified as Title 82A RCW.

NEW SECTION. **Sec. 1104.** CONFORMING AMENDMENTS. If any amendments in this act, or any sections enacted or affected by chapter . . ., Laws of 2026 (this act), are enacted in a 2026 legislative session that do not take cognizance of chapter . . ., Laws of 2026 (this act), the code reviser must prepare a bill for introduction in the 2027 or 2028 legislative session that incorporates any such amendments into the reorganization adopted by chapter . . ., Laws of 2026 (this act) and corrects any incorrect cross-references.

NEW SECTION. **Sec. 1105.** (1) Section 901 of this act takes effect January 1, 2029.

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

NEW SECTION. **Sec. 1106.** Except as provided in sections 902 and 1003 of this act, RCW 82.32.805 and 82.32.808 do not apply to this act.

1 NEW SECTION. **Sec. 1107.** The tax imposed in this act is
2 necessary for the support of the state government and its existing
3 public institutions.

4 NEW SECTION. **Sec. 1108.** It is the intent of the legislature for
5 the department of revenue to spend appropriated amounts to implement
6 this act regardless of litigation.

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