

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  
21 **PART I**  
**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

2 TAXES. (1) Beginning in tax year 2028 with taxes due in 2029, a  
3 nonrefundable credit is allowed against taxes due under this chapter  
4 for the amount of tax imposed on Washington capital gains for the  
5 same tax year. "Washington capital gains" has the same meaning as  
6 provided in RCW 82.87.020.

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

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

**PART III**  
**ADJUSTED GROSS INCOME MODIFICATIONS**

27        NEW SECTION.    **Sec. 301.**    INTRODUCTORY. In computing Washington  
28 base income for a taxable year, modifications must be made to the  
29 taxpayer's federal adjusted gross income as required under sections  
30 302 through 307 and 401 through 407 of this act, unless the  
31 modification has the effect of duplicating an item of income or  
32 deduction. If an item of income is excluded from federal adjusted  
33 gross income, including income derived directly from treaty-protected  
34 tribal rights, it is excluded from the tax under this chapter unless  
35 specifically included as provided in sections 302 through 307 of this  
36 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.

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

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

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

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

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

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

33      (2) Compensation for services performed by a nonresident as part  
34 of their employment must be allocated to this state to the extent  
35 such services are rendered within the state. If services are  
36 performed both within and outside the state, the compensation must be  
37 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

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

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

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

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

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

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

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

37           (a) "Commercial use" means the use of an individual's name,  
38 image, or likeness for advertising, selling, or soliciting purchases  
39 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.

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

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

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

## PART VI CRIMES

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

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

## PART VII

### ADMINISTRATIVE PROVISIONS

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

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

29        NEW SECTION.    **Sec. 702.**    FILING TAX RETURNS. (1) (a) Except as  
30 otherwise provided in this section or RCW 82.32.080, taxpayers owing  
31 tax under this chapter must file, on forms prescribed by the  
32 department, a return with the department on or before the date the  
33 taxpayer's federal income tax return for the taxable year is required  
34 to be filed. Individuals not owing tax under this chapter are not  
35 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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

35        (4) (a) Unless the context clearly indicates otherwise,  
36 individuals who are spouses or state registered domestic partners are  
37 not considered separate taxpayers for the purposes of this chapter  
38 regardless of whether they file a joint or separate return for the  
39 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.

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

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

13       (ii) For interest associated with annual tax reporting periods  
14 having a due date as prescribed in RCW 82.32.045(3) ~~((and))~~  
15 82.87.110, and section 702 of this act, interest must be computed  
16 from the last day of April immediately following each such annual  
17 reporting period included in the notice, until the due date of the  
18 notice.

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

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

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

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

35       (2) For the purposes of this section, the rate of interest to be  
36 charged to the taxpayer shall be an average of the federal short-term  
37 rate as defined in 26 U.S.C. Sec. 1274(d) plus two percentage points.  
38 The rate set for each new year shall be computed by taking an  
39 arithmetical average to the nearest percentage point of the federal  
40 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

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

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

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

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

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

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

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

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

(2) Subsection (1) of this section shall not be deemed to 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 of 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

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

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

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

9 (1) Subject to subsections (2) ((and)), (3), and (4) of this  
10 section, the right of a person to a pension, an annuity, a retirement  
11 allowance, any optional benefit, any other right accrued or accruing  
12 to any person under the provisions of this chapter, and the various  
13 funds created by chapter 239, Laws of 1995; chapter 341, Laws of  
14 1998; and chapter 247, Laws of 2000 and all moneys and investments  
15 and income thereof, is hereby exempt from any state, county,  
16 municipal, or other local tax, and shall not be subject to execution,  
17 garnishment, attachment, the operation of bankruptcy or insolvency  
18 laws, or other process of law whatsoever, whether the same be in  
19 actual possession of the person or be deposited or loaned and shall  
20 be unassignable.

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

35 (3) Subsection (1) of this section shall not prohibit the  
36 department from complying with (a) a wage assignment order for child  
37 support issued pursuant to chapter 26.18 RCW, (b) an order to  
38 withhold and deliver issued pursuant to chapter 74.20A RCW, (c) a  
39 ((notice of payroll deduction)) 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) Except as provided in subsections (2) ((and)), (3), and (4) of this section, the right of any person to a retirement allowance or optional retirement allowance under the provisions hereof and all moneys and investments and income thereof are exempt from any state, county, municipal, or other local tax and shall not be subject to execution, garnishment, attachment, the operation of bankruptcy or the insolvency laws, or other processes of law whatsoever, whether the same be in actual possession of the person or be deposited or loaned and shall be unassignable except as herein specifically 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

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

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

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

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

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

18 (i) \$300 for eligible persons with no qualifying children;

19 (ii) \$600 for eligible persons with one qualifying child;

20 (iii) \$900 for eligible persons with two qualifying children; or

21 (iv) \$1,200 for eligible persons with three or more qualifying  
22 children.

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

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

31 (ii) For eligible persons with one qualifying child, beginning at  
32 \$5,000 of income below the federal phase-out income for the prior  
33 federal tax year, by 12 percent per additional dollar of income until  
34 the minimum credit amount as specified in (c) of this subsection is  
35 reached.

36 (iii) For eligible persons with two qualifying children,  
37 beginning at \$5,000 of income below the federal phase-out income for  
38 the prior federal tax year, by 15 percent per additional dollar of  
39 income until the minimum credit amount as specified in (c) of this  
40 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.

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

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

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

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

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

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

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

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

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

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

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

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

33       (3) (a) Any Washington taxable income subject to the tax in RCW  
34 82.04.29004 is exempt from the surcharge imposed in this section.

35       (b) (i) Any Washington taxable income subject to the manufacturing  
36 tax rates in RCW 82.04.240, 82.04.2404, 82.04.241, 82.04.260,  
37 82.04.2602, 82.04.287, 82.04.2909, or 82.04.294(1) is exempt from the  
38 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.

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

**PART X**  
**CHAPTER 422, LAWS OF 2025**

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

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

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

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

35 (v) Purchases for the purpose of providing the property to  
36 consumers as part of competitive telephone service, as defined in RCW  
37 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) pruning, trimming, repairing, removing, and clearing of trees and  
11 brush near electric transmission or distribution lines or equipment,  
12 if performed by or at the direction of an electric utility;

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

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

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

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

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

32       (j) ~~Temporary staffing services. For the purposes of this  
33 subsection (3), "temporary staffing services" means providing workers  
34 to other businesses, except for hospitals licensed under chapter  
35 70.41 or 71.12 RCW, for limited periods of time to supplement their  
36 workforce and fill employment vacancies on a contract or for fee  
37 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, seminars, workshops, or courses where participants attend either in-person or via the internet or telecommunications equipment that allows audience members and the presenter or instructor to give, 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.

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

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

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

16            (i) Custom software; or

17            (ii) The customization of prewritten computer software.

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

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

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

34       (7) The term also includes the sale of or charge made for an  
35 extended warranty to a consumer. For purposes of this subsection,  
36 "extended warranty" means an agreement for a specified duration to  
37 perform the replacement or repair of tangible personal property at no  
38 additional charge or a reduced charge for tangible personal property,  
39 labor, or both, or to provide indemnification for the replacement or  
40 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 (;

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 ((i))) (iv) Payment processing services;

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

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

37 ((i))) (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           ((~~x~~)) (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           ((~~xii~~)) (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

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

6 (xvi) Digital goods.

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

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

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

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

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

29 (ii) Computer software as defined in RCW 82.04.215;

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

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

38 (B) The exclusion in (b)(iv)(A) of this subsection (6) does not  
39 apply to photographers in respect to amounts received for the taking  
40 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 ((~~(xi)~~))  
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.

**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.

---- END ----