ninety days, or in an amount less than five thousand dollars, or any moneys the disbursement of which will be required during the period of investment to meet outstanding obligations of the district.

Sec. 3. Section 16, chapter 108, Laws of 1959 and RCW 57.20.160 are each amended to read as follows:

Whenever there shall have accumulated in any general or special fund of a water district moneys, the disbursement of which is not yet due, the board of water commissioners may, by resolution, authorize (and direct) the county treasurer to deposit or invest such moneys in banks, mutual savings banks, or savings and loan associations in an amount in each institution no greater than the amount insured by any department or agency of the United States government, the federal deposit insurance corporation, or the federal savings and loan insurance corporation, or to invest such moneys in direct obligations of the United States government: PROVIDED, That the county treasurer may refuse to invest any district moneys for a period shorter than ninety days, or in an amount less than five thousand dollars, or any moneys, the disbursement of which will be required during the period of investment to meet outstanding obligations of the district.

Approved by the Governor April 24, 1973.
Filed in Office of Secretary of State April 25, 1973.

CHAPTER 141
[Engrossed Substitute Senate Bill No. 2247]
STATE TAX STRUCTURE--REVISIONS--INCOME TAX ESTABLISHED

amended by section 6, chapter 281, Laws of 1971 ex. sess. and RCW 82.04.270; amending section 82.04.280, chapter 15, Laws of 1961 as last amended by section 5, chapter 299, Laws of 1971 ex. sess. and RCW 82.04.280; amending section 82.04.290, chapter 15, Laws of 1961 as last amended by section 8, chapter 281, Laws of 1971 ex. sess. and RCW 82.04.290; amending section 82.08.030, chapter 15, Laws of 1961 as last amended by section 1, chapter 11, Laws of 1971 ex. sess. and RCW 82.08.030; amending section 82.12.030, chapter 15, Laws of 1961 as last amended by section 10, chapter 299, Laws of 1971 ex. sess. and RCW 82.12.030; adding a new section to chapter 15, Laws of 1961 and to chapter 84.36 RCW; adding a new section to chapter 15, Laws of 1961 and to chapter 84.52 RCW; creating new sections; and prescribing an effective date.

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

PART I

GENERAL PROVISIONS

NEW SECTION. Section 1. It is the intent of the legislature in the adoption of this 1973 amendatory act to provide adequate revenues for the support of vital services for the people of this state, to promote equity in its tax structure, and to guarantee full funding of a basic program of education, as defined by the legislature.

NEW SECTION. Sec. 2. If any provision of this 1973 amendatory act, or its application to any person or circumstance is held invalid, the remainder of said act, or the application of the provision to other persons or circumstances is not affected: PROVIDED, That the provisions of this 1973 amendatory act constitute a single integrated plan for a revision of the tax structure of this state, and therefore in the event either of sections 82A-7 or 82A-8 of this 1973 amendatory act, or both such sections, are held to be invalid, each of such sections shall be deemed nonseverable and this 1973 amendatory act shall be void in its entirety and shall be of no further force and effect.

PART II

PROPERTY TAX LIMITATIONS AND REDUCTIONS

NEW SECTION. Sec. 3. There is added to chapter 15, Laws of 1961 and to chapter 84.36 RCW a new section to read as follows:

"Business inventories" shall be exempt from property taxes according to the following schedule:

Commencing January 1, 1975 -- Twenty percent of inventory otherwise taxable.

Commencing January 1, 1976 -- Forty percent of inventory otherwise taxable.

Commencing January 1, 1977 -- Sixty percent of inventory
otherwise taxable.

Commencing January 1, 1978 -- Eighty percent of inventory otherwise taxable.

Commencing January 1, 1979 and thereafter -- One hundred percent of inventory otherwise taxable.

"Business inventories" means personal property acquired solely for the purpose of sale, or for the purpose of consuming such property in producing for sale a new article of tangible personal property of which such property becomes an ingredient or component.

NEW SECTION. Sec. 4. There is added to chapter 15, Laws of 1961 and to chapter 84.52 RCW a new section to read as follows:

Notwithstanding any other provision of law, commencing upon and after July 1, 1974 no school district shall impose an excess levy on property pursuant to law for maintenance and operation purposes.

PART III

EXCISE TAX LIMITATIONS AND REDUCTIONS

Sec. 5. Section 82.08.030, chapter 15, Laws of 1961 as last amended by section 1, chapter 11, Laws of 1971 ex. sess. and RCW 82.08.030 are each amended to read as follows:

The tax hereby levied shall not apply to the following sales:

(1) Casual and isolated sales of property or service, unless made by a person who is engaged in a business activity taxable under chapters 82.04, 82.16 or 82.28: PROVIDED, That the exemption provided by this paragraph shall not be construed as providing any exemption from the tax imposed by chapter 82.12;

(2) Sales made by persons in the course of business activities with respect to which tax liability is specifically imposed under chapter 82.16, when the gross proceeds from such sales must be included in the measure of the tax imposed under said chapter;

(3) The distribution and newsstand sale of newspapers;

(4) Sales which the state is prohibited from taxing under the Constitution of this state or the Constitution or laws of the United States;

(5) Sales of motor vehicle fuel used in aircraft by the manufacturer thereof for research, development, and testing purposes and sales of motor vehicle fuel taxable under chapter 82.36: PROVIDED, That the use of any such fuel upon which a refund of the motor vehicle fuel tax has been obtained shall be subject to the tax imposed by chapter 82.12;

(6) Sales (including transfers of title through decree of appropriation) heretofore or hereafter made of the entire operating property of a publicly or privately owned public utility, or of a complete operating integral section thereof, to the state or a political subdivision thereof for use in conducting any business defined in subdivisions (1), (2), (3), (4), (5), (6), (7), (8), (9),
(10) or (11) of RCW 82.16.010;

(7) Auction sales made by or through auctioneers of tangible personal property (including household goods) which have been used in conducting a farm activity, when the seller thereof is a farmer and the sale is held or conducted upon a farm and not otherwise;

(8) Sales to corporations which have been incorporated under any act of the congress of the United States and whose principal purposes are to furnish volunteer aid to members of armed forces of the United States and also to carry on a system of national and international relief and to apply the same in mitigating the sufferings caused by pestilence, famine, fire, floods, and other national calamities and to devise and carry on measures for preventing the same;

(9) Sales of purebred livestock for breeding purposes where the animals are registered in a nationally recognized breed association; sales of cattle and milk cows used on the farm;

(10) Sales of tangible personal property (other than the type referred to in subdivision (11) hereof) for use by the purchaser in connection with the business of operating as a private or common carrier by air, rail, or water in interstate or foreign commerce: PROVIDED, That any actual use of such property in this state shall, at the time of such actual use, be subject to the tax imposed by chapter 82.12;

(11) Sales of airplanes, locomotives, railroad cars, or watercraft for use in conducting interstate or foreign commerce by transporting therein or therewith property and persons for hire or for use in conducting commercial deep sea fishing operations outside the territorial waters of the state; also sales of tangible personal property which becomes a component part of such airplanes, locomotives, railroad cars, or watercraft, and of motor vehicles or trailers whether owned by or leased with or without drivers and used by the holder of a carrier permit issued by the Interstate Commerce Commission authorizing transportation by motor vehicle across the boundaries of this state, in the course of constructing, repairing, cleaning, altering, or improving the same; also sales of or charges made for labor and services rendered in respect to such constructing, repairing, cleaning, altering, or improving;

(12) Sales of motor vehicles and trailers to be used for the purpose of transporting therein persons or property for hire in interstate or foreign commerce whether such use is by the owner or whether such motor vehicles and trailers are leased to the user with or without drivers: PROVIDED, That the purchaser or user must be the holder of a carrier permit issued by the Interstate Commerce Commission and that the vehicles will first move upon the highways of this state from the point of delivery in this state to a point
outside of this state under the authority of a one-transit permit issued by the director of motor vehicles pursuant to the provisions of RCW 46.16.100;

(13) Sales of motor vehicles and trailers to nonresidents of this state for use outside of this state, even though delivery be made within this state, but only when (a) the vehicles or trailers will be taken from the point of delivery in this state directly to a point outside this state under the authority of a one-transit permit issued by the director of motor vehicles pursuant to the provisions of RCW 46.16.100, or (b) said motor vehicles and trailers will be registered and licensed immediately under the laws of the state of the purchaser’s residence, will not be used in this state more than three months, and will not be required to be registered and licensed under the laws of this state;

(14) Sales to nonresidents of this state for use outside of this state of tangible personal property which becomes a component part of any machinery or other article of personal property belonging to such nonresident, in the course of installing, repairing, cleaning, altering, or improving the same and also sales of or charges made for labor and services rendered in respect to any installing, repairing, cleaning, altering, or improving, of personal property of or for a nonresident, but this subsection (14) shall apply only when the seller agrees to, and does, deliver the property to the purchaser at a point outside this state, or delivers the property to a common or bona fide private carrier consigned to the purchaser at a point outside this state;

(15) Sales to nonresidents of this state for use outside of this state of watercraft requiring coast guard registration or registration by the state of principal use according to the Federal Boating Act of 1958, even though delivery be made within this state, but only when (a) the watercraft will not be used within this state for more than forty-five days and (b) an appropriate exemption certificate supported by identification ascertaining residence as provided by the department of revenue and signed by the purchaser or his agent establishing the fact that the purchaser is a nonresident and that the watercraft is for use outside of this state, one copy to be filed with the department of revenue with the regular report and a duplicate to be retained by the dealer.

(16) Sales of poultry for use in the production for sale of poultry or poultry products.

(17) Sales to nonresidents of this state for use outside of this state of machinery and implements for use in conducting a farming activity, when such machinery and implements will be transported immediately outside the state. As proof of exemption, an affidavit or certification in such form as the department of revenue
shall require shall be made for each such sale, to be retained as a business record of the seller.

(18) Sales for use in states, territories and possessions of the United States which are not contiguous to any other state, but only when, as a necessary incident to the contract of sale, the seller delivers the subject matter of the sale to the purchaser or his designated agent at the usual receiving terminal of the carrier selected to transport the goods, under such circumstances that it is reasonably certain that the goods will be transported directly to a destination in such noncontiguous states, territories and possessions.

(19) Sales to municipal corporations, the state, and all political subdivisions thereof of tangible personal property consumed and/or of labor and services rendered in respect to contracts for watershed protection and/or flood prevention. This exemption shall be limited to that portion of the selling price which is reimbursed by the United States government according to the provisions of the Watershed Protection and Flood Prevention Act, Public Laws 566, as amended;

(20) Sales of semen for use in the artificial insemination of livestock;

(21) Sales to nonresidents of this state of tangible personal property for use outside this state when the purchaser has applied for and received from the department of revenue a permit certifying (1) that he is a bona fide resident of a state or possession or Province of Canada other than the state of Washington, (2) that such state, possession, or Province of Canada does not impose a retail sales tax or use tax of three percent or more or, if imposing such a tax, permits Washington residents exemption from otherwise taxable sales by reason of their residence, and (3) that he does agree, when requested, to grant the department of revenue access to such records and other forms of verification at his place of residence to assure that such purchases are not first used substantially in the state of Washington.

Any person claiming exemption from retail sales tax under the provisions of this subsection must display a nonresident permit as herein provided, and any vendor making a sale to a nonresident without collecting the tax must examine such permit, identify the purchaser as the person to whom the nonresident permit was issued, and maintain records which shall show the permit number attributable to each nontaxable sale.

Permits shall be personal and nontransferable, shall be renewable annually, and shall be issued by the department of revenue upon payment of a fee of one dollar. The department may in its discretion designate independent agents for the issuance of permits,
according to such standards and qualifications as the department may prescribe. Such agents shall pay over and account to the department for all permit fees collected, after deducting as a collection fee the sum of fifty cents for each permit issued.

Any person making fraudulent statements in order to secure a permit shall be guilty of perjury. Any person making tax exempt purchases by displaying a permit not his own, or a counterfeit permit, with intent to violate the provisions of this subsection shall be guilty of a misdemeanor and, in addition, may be subject to a penalty not to exceed the amount of the tax due on such purchases. Any vendor who makes sales without collecting the tax to a person who does not hold a valid permit, and any vendor who fails to maintain records of permit numbers as provided in this section shall be personally liable for the amount of tax due.

(22) Sales of form lumber to any person engaged in the constructing, repairing, decorating, or improving of new or existing buildings or other structures under, upon or above real property of or for consumers: PROVIDED, That such lumber is used or to be used first by such person for the molding of concrete in a single such contract, project or job and is thereafter incorporated into the product of that same contract, project or job as an ingredient or component thereof.

(23) Sales of, cost of, or charges made for labor and services performed in respect to the mining, sorting, crushing, screening, washing, hauling, and stockpiling of sand, gravel and rock when such sand, gravel, or rock is taken from a pit or quarry which is owned by or leased to a county or a city, and such sand, gravel, or rock is (1) either stockpiled in said pit or quarry for placement or is placed on the street, road, place, or highway of the county or city by the county or city itself, or (2) sold by the county or city to a county, or a city at actual cost for placement on a publicly owned street, road, place, or highway. The exemption provided for in this subsection shall not apply to sales of, cost of, or charges made for such labor and services, if the sand, gravel, or rock is used for other than public road purposes or is sold otherwise than as provided for in this subsection.

(24) Sales of wearing apparel to persons who themselves use such wearing apparel only as a sample for display for the purpose of effecting sales of goods represented by such sample.

(25) Sales of pollen.

(26) Sales to one political subdivision by another political subdivision directly or indirectly arising out of or resulting from the annexation or incorporation of any part of the territory of one political subdivision by another.

(27) The renting or leasing of motor vehicles and trailers to
a nonresident of this state for use exclusively in transporting persons or property across the boundaries of this state and in intrastate operations incidental thereto when such motor vehicle or trailer is registered and licensed in a foreign state and for purposes of this exemption the term "nonresident" shall apply to a renter or lessee who has one or more places of business in this state as well as in one or more other states but the exemption for nonresidents shall apply only to those vehicles which are most frequently dispatched, garaged, serviced, maintained and operated from the renter's or lessee's place of business in another state.

(29) Upon and after July 1, 1974, sales of prescription drugs.

(29) Upon and after July 1, 1974, sales of food products for human consumption. "Food products" include cereals and cereal products, oleomargarine, past and meat products, fish and fish products, eggs and egg products, vegetables and vegetable products, fruit and fruit products, spices and salt, sugar and sugar products excluding candy and confectionery, coffee and coffee substitutes, tea, cocoa and cocoa products excluding candy and confectionery, milk and milk products, milkshakes, melted milks and any other similar type beverages which are composed at least in part of milk or a milk product and which require the use of milk or a milk product in their preparation, all fruit juices, vegetable juices, and other beverages except bottled water, spirituous, malt or vinous liquors or carbonated beverages, whether liquid or frozen. "Food products" do not include medicines and preparations in liquid, powdered, granular, tablet, capsule, lozenge, and pill form sold as dietary supplements or adjuncts. The exemption of "food products" provided for in this paragraph shall not apply: (a) when the food products are furnished, prepared, or served for consumption at tables, chairs, or counters or free trays, glasses, dishes, or other tableware whether provided by the retailer or by a person with whom the retailer contracts to furnish, prepare, or serve food products to others, or (b) when the food products are ordinarily sold for immediate consumption on or near a location at which parking facilities are provided primarily for the use of patrons in consuming the products purchased at the location, even though such products are sold on a "takeout" or "to go" order and are actually packaged or wrapped and taken from the premises of the retailer, or (c) when the food products are sold for consumption within a place the entrance to which is subject to an admission charge, except for national and state parks and monuments.

Sec. 6. Section 82.12.030, chapter 15, Laws of 1961, as last amended by section 10, chapter 299, Laws of 1971 ex. sess. and RCW 82.12.030 are each amended to read as follows:

The provisions of this chapter shall not apply:

(1) In respect to the use of any article of tangible personal
property brought into the state by a nonresident thereof for his use or enjoyment while temporarily within the state unless such property is used in conducting a nontransitory business activity within the state; or in respect to the use by a nonresident of this state of a motor vehicle which is registered or licensed under the laws of the state of his residence and is not used in this state more than three months, and which is not required to be registered or licensed under the laws of this state; or in respect to the use of household goods, personal effects and private automobiles by a bona fide resident of this state, if such articles were acquired and used by such person in another state while a bona fide resident thereof and such acquisition and use occurred more than thirty days prior to the time he entered this state;

(2) In respect to the use of any article of tangible personal property purchased at retail or acquired by lease, gift or bailment if the sale thereof to, or the use thereof by, the present user or his bailor or donor has already been subjected to the tax under chapter 82.08 or 82.12 and such tax has been paid by the present user or by his bailor or donor; or in respect to the use of property acquired by bailment and such tax has once been paid based on reasonable rental as determined by RCW 82.12.060 measured by the value of the article at time of first use multiplied by the tax rate imposed by chapter 82.08 or 82.12 as of the time of first use; or in respect to the use of any article of tangible personal property acquired by bailment, if the property was acquired by a previous bailee from the same bailor for use in the same general activity and such original bailment was prior to June 9, 1961;

(3) In respect to the use of any article of tangible personal property the sale of which is specifically taxable under chapter 82.16;

(4) In respect to the use of any airplane, locomotive, railroad car, or watercraft used primarily in conducting interstate or foreign commerce by transporting therein or therewith property and persons for hire or used primarily in commercial deep sea fishing operations outside the territorial waters of the state, and in respect to use of tangible personal property which becomes a component part of any such airplane, locomotive, railroad car, or watercraft, and in respect to the use by a nonresident of this state of any motor vehicle or trailer used exclusively in transporting persons or property across the boundaries of this state and in intrastate operations incidental thereto when such motor vehicle or trailer is registered and licensed in a foreign state and in respect to the use by a nonresident of this state of any motor vehicle or trailer so registered and licensed and used within this state for a period not exceeding fifteen consecutive days under such rules as the
department of revenue shall adopt: PROVIDED, That under circumstances determined to be justifiable by the department of revenue a second fifteen day period may be authorized consecutive with the first fifteen day period; and for the purposes of this exemption the term "nonresident" as used herein, shall include a user who has one or more places of business in this state as well as in one or more other states, but the exemption for nonresidents shall apply only to those vehicles which are most frequently dispatched, garaged, serviced, maintained, and operated from the user's place of business in another state; and in respect to the use by the holder of a carrier permit issued by the Interstate Commerce Commission of any motor vehicle or trailer whether owned by or leased with or without driver to the permit holder and used in substantial part in the normal and ordinary course of the user's business for transporting therein persons or property for hire across the boundaries of this state if the first use of which within this state is actual use in conducting interstate or foreign commerce; and in respect to the use of any motor vehicle or trailer while being operated under the authority of a one-transit permit issued by the director of motor vehicles pursuant to RCW 46.16.100 and moving upon the highways from the point of delivery in this state to a point outside this state; and in respect to the use of tangible personal property which becomes a component part of any motor vehicle or trailer used by the holder of a carrier permit issued by the Interstate Commerce Commission authorizing transportation by motor vehicle across the boundaries of this state whether such motor vehicle or trailer is owned by or leased with or without driver to the permit holder;

(5) In respect to the use of any article of tangible personal property which the state is prohibited from taxing under the Constitution of the state or under the Constitution or laws of the United States;

(6) In respect to the use of motor vehicle fuel used in aircraft by the manufacturer thereof for research, development, and testing purposes and motor vehicle fuel taxable under chapter 82.36: PROVIDED, That the use of such fuel upon which a refund of the motor vehicle fuel tax is obtained shall not be exempt, and the director of motor vehicles shall deduct from the amount of such tax to be refunded the amount of tax due under this chapter and remit the same each month to the department of revenue;

(7) In respect to the use of any article of tangible personal property included within the transfer of the title to the entire operating property of a publicly or privately owned public utility, or of a complete operating integral section thereof, by the state or a political subdivision thereof in conducting any business defined in subdivisions (1), (2), (3), (4), (5), (6), (7), (8), (9), (10), or
(11) of RCW 82.16.010;

(8) In respect to the use of tangible personal property (including household goods) which have been used in conducting a farm activity, if such property was purchased from a farmer at an auction sale held or conducted by an auctioneer upon a farm and not otherwise;

(9) In respect to the use of tangible personal property by corporations which have been incorporated under any act of the congress of the United States and whose principal purposes are to furnish volunteer aid to members of the armed forces of the United States and also to carry on a system of national and international relief and to apply the same in mitigating the sufferings caused by pestilence, famine, fire, flood, and other national calamities and to devise and carry on measures for preventing the same;

(10) In respect to the use of purebred livestock for breeding purposes where said animals are registered in a nationally recognized breed association; sales of cattle and milk cows used on the farm;

(11) In respect to the use of poultry in the production for sale of poultry or poultry products;

(12) In respect to the use of fuel by the extractor or manufacturer thereof when used directly in the operation of the particular extractive operation or manufacturing plant which produced or manufactured the same;

(13) In respect to the use of motor vehicles, equipped with dual controls, which are loaned to and used exclusively by a school in connection with its driver training program: PROVIDED, That this exemption and the term "school" shall apply only to (a) the University of Washington, Washington State University, the state colleges and the state community colleges or (b) any public, private or parochial school accredited by either the state board of education or by the University of Washington (the state accrediting station) or (c) any public vocational school meeting the standards, courses and requirements established and prescribed or approved in accordance with the Community College Act of 1967 (chapter 8, Laws of 1967 first extraordinary session);

(14) In respect to the use by a bailee of any article of tangible personal property which is entirely consumed in the course of research, development, experimental and testing activities conducted by the user, provided the acquisition or use of such articles by the bailor was not subject to the taxes imposed by chapter 82.08 or chapter 82.12;

(15) In respect to the use by residents of this state of motor vehicles and trailers acquired and used while such persons are members of the armed services and are stationed outside this state pursuant to military orders, but this exemption shall not apply to
members of the armed services called to active duty for training purposes for periods of less than six months and shall not apply to the use of motor vehicles or trailers acquired less than thirty days prior to the discharge or release from active duty of any person from the armed services;

(16) In respect to the use of semen in the artificial insemination of livestock;

(17) In respect to the use of form lumber by any person engaged in the constructing, repairing, decorating or improving of new or existing buildings or other structures under, upon or above real property of or for consumers: PROVIDED, That such lumber is used or to be used first by such person for the molding of concrete in a single such contract, project or job and is thereafter incorporated into the product of that same contract, project or job as an ingredient or component thereof:

(18) In respect to the use of any sand, gravel, or rock to the extent of the cost of or charges made for labor and services performed in respect to the mining, sorting, crushing, screening, washing, hauling, and stockpiling such sand, gravel, or rock, when such sand, gravel, or rock is taken from a pit or quarry which is owned by or leased to a county or a city, and such sand, gravel, or rock is (1) either stockpiled in said pit or quarry for placement or is placed on the street, road, place, or highway of the county or city by the county or city itself, or (2) sold by the county or city to a county, or a city at actual cost for placement on a publicly owned street, road, place, or highway. The exemption provided for in this subsection shall not apply to the use of such material to the extent of the cost of or charge made for such labor and services, if the material is used for other than public road purposes or is sold otherwise than as provided for in this subsection.

(19) In respect to the use of wearing apparel only as a sample for display for the purpose of effecting sales of goods represented by such sample.

(20) In respect to the use of tangible personal property held for sale and displayed in single trade shows for a period not in excess of thirty days, the primary purpose of which is to promote the sale of products or services.

(21) In respect to the use of pollen.

(22) In respect to the use of the personal property of one political subdivision by another political subdivision directly or indirectly arising out of or resulting from the annexation or incorporation of any part of the territory of one political subdivision by another.

(23) Upon and after July 1, 1974, in respect to the use of prescription drugs.
Upon and after July 1, 1974, in respect to the use of food products for human consumption, "food products" include cereals and cereal products, oleomargarine, meat and meat products, fish and fish products, eggs and egg products, vegetables and vegetable products, fruit and fruit products, spices and salt, sugar and sugar products, excluding candy and confectionery, coffee and coffee substitutes, tea, cocoa and cocoa products, excluding candy and confectionery, milk and milk products, milkshakes, malted milks and any other similar type beverages which are composed at least in part of milk or a milk product and which require the use of milk or a milk product in their preparation, all fruit juices, vegetable juices, and other beverages except bottled water, spirituous, malt or vinous liquors or carbonated beverages, whether liquors or frozen. "Food products" do not include medicines and preparations in liquid, powdered, granular, tablet, capsule, lozenge, and pill form sold as dietary supplements or adjuncts. The exemption of "food products" provided for in this paragraph shall not apply: (1) when the food products are furnished, prepared, or served for consumption at tables, chairs, or counters or from trays, glasses, dishes, or other tableware whether provided by the retailer or by a person with whom the retailer contracts to furnish, prepare, or serve food products to others, or (2) when the food products are ordinarily sold for immediate consumption on or near a location at which parking facilities are provided primarily for the use of patrons in consuming the products purchased at the location, even though such products are sold on a "takeout" or "to go" order and are actually packaged or wrapped and taken from the premises of the retailer, or (3) when the food products are sold for consumption within a place, the entrance to which is subject to an admission charge, except for national and state parks and monuments.

Sec. 7. Section 82.04.230, chapter 15, Laws of 1961 as last amended by section 2, chapter 281, Laws of 1971 ex. sess. and RCW 82.04.230 are each amended to read as follows:

Upon every person engaging within this state in business as an extractor, as to such persons the amount of the tax with respect to such business shall be equal to the value of the products, including byproducts, extracted for sale or for commercial or industrial use, multiplied by the rate of forty-four one-hundredths of one percent; PROVIDED, That upon and after July 1, 1974, the amount of tax with respect to such business shall be equal to the value of the products, including byproducts, extracted for sale or for commercial or industrial use multiplied by the rate of twenty-five one-hundredths of one percent:

The measure of the tax is the value of the products, including byproducts, so extracted, regardless of the place of sale or the fact
that deliveries may be made to points outside the state.

Sec. 8. Section 82.04.240, chapter 15, Laws of 1961 as last amended by section 3, chapter 281, Laws of 1971 ex. sess. and RCW 82.04.240 are each amended to read as follows:

Upon every person except persons taxable under subsections (2), (3), (4), (5), (6), or (8) of RCW 82.04.260 engaging within this state in business as a manufacturer, as to such persons the amount of the tax with respect to such business shall be equal to the value of the products, including byproducts, manufactured, multiplied by the rate of forty-four one-hundredths of one percent; PROVIDED, That upon and after July 1, 1974, the amount of tax with respect to such business shall be equal to the value of the products, including byproducts, manufactured, multiplied by the rate of twenty-five one-hundredths of one percent.

The measure of the tax is the value of the products, including byproducts, so manufactured regardless of the place of sale or the fact that deliveries may be made to points outside the state.

Sec. 9. Section 82.04.250, chapter 15, Laws of 1961 as last amended by section 4, chapter 281, Laws of 1971 ex. sess. and RCW 82.04.250 are each amended to read as follows:

Upon every person except persons taxable under subsection (9) of RCW 82.04.260 engaging within this state in the business of making sales at retail, as to such persons, the amount of tax with respect to such business shall be equal to the gross proceeds of sales of the business, multiplied by the rate of forty-four one-hundredths of one percent; PROVIDED, That upon and after July 1, 1974, the amount of tax with respect to such business shall be equal to the gross proceeds of sales of the business, multiplied by the rate of twenty-five one-hundredths of one percent.

Sec. 10. Section 3, chapter 65, Laws of 1970 ex. sess. and RCW 82.04.255 are each amended to read as follows:

Upon every person engaging within the state as a real estate broker, as to such persons, the amount of the tax with respect to such business shall be equal to the gross income of the business, multiplied by the rate of one percent; PROVIDED, That upon and after July 1, 1974, the amount of tax in respect to such business shall be equal to the gross income of the business, multiplied by the rate of twenty-five one-hundredths of one percent.

The measure of the tax on real estate commissions earned by the real estate broker shall be the gross commission earned by the particular real estate brokerage office including that portion of the commission paid to salesmen or associate brokers in the same office on a particular transaction; PROVIDED, HOWEVER, That where a real estate commission is divided between an originating brokerage office and a cooperating brokerage office on a particular transaction, each
brokerage office shall pay the tax only upon their respective shares of said commission: AND PROVIDED FURTHER, That where the brokerage office has paid the tax as provided herein, salesmen or associate brokers within the same brokerage office shall not be required to pay a similar tax upon the same transaction.

Sec. 11. Section 82.04.260, chapter 15, Laws of 1961 as last amended by section 5, chapter 281, Laws of 1971 ex. sess. and RCW 82.04.260 are each amended to read as follows:

(1) Upon every person engaging within this state in the business of buying wheat, oats, dry peas, corn, rye and barley, but not including any manufactured or processed products thereof, and selling the same at wholesale; the tax imposed shall be equal to the gross proceeds derived from such sales multiplied by the rate of one one-hundredth of one percent; PROVIDED. That upon and after July 1, 1974, the tax imposed shall be equal to the gross proceeds derived from sales multiplied by the rate of one two-hundredths of one percent.

(2) Upon every person engaging within this state in the business of manufacturing wheat into flour; as to such persons the amount of tax with respect to such business shall be equal to the value of the flour manufactured, multiplied by the rate of one-eighth of one percent; PROVIDED. That upon and after July 1, 1974, the amount of tax with respect to such business shall be equal to the value of the flour manufactured, multiplied by the rate of one-sixteenth of one percent.

(3) Upon every person engaging within this state in the business of splitting or processing dried peas; as to such persons the amount of tax with respect to such business shall be equal to the value of the peas split or processed, multiplied by the rate of one-quarter of one percent; PROVIDED. That upon and after July 1, 1974, the amount of tax with respect to such business shall be equal to the value of the peas split or processed, multiplied by the rate of one-eight of one percent.

(4) Upon every person engaging within this state in the business of manufacturing seafood products which remain in a raw, raw frozen, or raw salted state at the completion of the manufacturing by that person; as to such persons the amount of tax with respect to such business shall be equal to the value of the products manufactured, multiplied by the rate of one-eighth of one percent; PROVIDED. That upon and after July 1, 1974, the amount of tax with respect to such business shall be equal to the value of the products manufactured, multiplied by the rate of one-sixteenth of one percent.

(5) Upon every person engaging within this state in the business of manufacturing by canning, preserving, freezing or dehydrating fresh fruits and vegetables; as to such persons the
amount of tax with respect to such business shall be equal to the value of the products canned, preserved, frozen or dehydrated multiplied by the rate of three-tenths of one percent; PROVIDED, That upon and after July 1, 1974, the amount of tax with respect to such business shall be equal to the value of the products canned, preserved, frozen or dehydrated multiplied by the rate of three-twentinths of one percent.

(6) Upon every person engaging within this state in the business of manufacturing aluminum pig, ingot, billet, plate, sheet (flat or coiled), rod, bar, wire, cable or extrusions; as to such persons the amount of the tax with respect to such business shall be equal to the value of the products manufactured multiplied by the rate of four-tenths of one percent; PROVIDED, That upon and after July 1, 1974, the amount of tax with respect to such business shall be equal to the value of the products manufactured multiplied by the rate of twenty-five one-hundredths of one percent.

(7) Upon every nonprofit corporation and nonprofit association engaging within this state in research and development, as to such corporations and associations, the amount of tax with respect to such activities shall be equal to the gross income derived from such activities multiplied by the rate of forty-four one-hundredths of one percent; PROVIDED, That upon and after July 1, 1974, the amount of tax with respect to such activities shall be equal to the gross income derived from such activities multiplied by the rate of twenty-five one-hundredths of one percent.

(8) Upon every person engaging within this state in the business of slaughtering, breaking and/or processing perishable meat products and/or selling the same at wholesale; as to such persons the tax imposed shall be equal to the gross proceeds derived from such sales multiplied by the rate of thirty-three one-hundredths of one percent; PROVIDED, That upon and after July 1, 1974, as to such persons the tax imposed shall be equal to the gross proceeds derived from such sales multiplied by the rate of thirty-three two-hundredths of one percent.

(9) Upon every person engaging within this state in the business of making sales, at retail or wholesale, of nuclear fuel assemblies manufactured by that person, as to such persons the amount of tax with respect to such business shall be equal to the gross proceeds of sales of the assemblies multiplied by the rate of twenty-five one-hundredths of one percent; PROVIDED, That upon and after July 1, 1974, the amount of tax in respect to such business shall be equal to the gross proceeds of sales of the assemblies multiplied by the rate of twenty-five two-hundredths of one percent.

(10) Upon every person engaging within this state in the business of manufacturing nuclear fuel assemblies, as to such persons
the amount of tax with respect to such business shall be equal to the value of the products manufactured multiplied by the rate of twenty-five one-hundredths of one percent; PROVIDED, That upon and after July 1, 1974, the amount of tax with respect to such business shall be equal to the value of the products manufactured multiplied by the rate of twenty-five two-hundredths of one percent.

Sec. 12. Section 82.04.270, chapter 15, Laws of 1961 as last amended by section 6, chapter 281, Laws of 1971 ex. sess. and RCW 82.04.270 are each amended to read as follows:

(1) Upon every person except persons taxable under subsections (1) or (9) of RCW 82.04.260 engaging within this state in the business of making sales at wholesale; as to such persons the amount of tax with respect to such business shall be equal to the gross proceeds of sales of such business multiplied by the rate of forty-four one-hundredths of one percent; PROVIDED, That upon and after July 1, 1974, the amount of tax with respect to such business shall be equal to the gross proceeds of sales of such business multiplied by the rate of twenty-five one-hundredths of one percent.

(2) The tax imposed by this section is levied and shall be collected from every person engaged in the business of distributing in this state articles of tangible personal property, owned by them from their own warehouse or other central location in this state to two or more of their own retail stores or outlets, where no change of title or ownership occurs, the intent hereof being to impose a tax equal to the wholesaler's tax upon persons performing functions essentially comparable to those of a wholesaler, but not actually making sales: PROVIDED, That the tax designated in this section may not be assessed twice to the same person for the same article. The amount of the tax as to such persons shall be computed by multiplying forty-four one-hundredths of one percent of the value of the article so distributed as of the time of such distribution; PROVIDED, That upon and after July 1, 1974, the amount of tax as to such persons shall be computed by multiplying twenty-five one-hundredths of one percent of the value of the article so distributed as of the time of such distribution; PROVIDED, That persons engaged in the activities described in this subsection shall not be liable for the tax imposed if by proper invoice it can be shown that they have purchased such property from a wholesaler who has paid a business and occupation tax to the state upon the same articles. This proviso shall not apply to purchases from manufacturers as defined in RCW 82.04.110. The department of revenue shall prescribe uniform and equitable rules for the purpose of ascertaining such value, which value shall correspond as nearly as possible to the gross proceeds from sales at wholesale in this state of similar articles of like quality and character, and in similar quantities by other taxpayers: PROVIDED FURTHER, That
delivery trucks or vans will not under the purposes of this section be considered to be retail stores or outlets.

Sec. 13. Section 82.04.280, chapter 15, Laws of 1961 as last amended by section 5, chapter 299, Laws of 1971 ex. sess. and RCW 82.04.280 are each amended to read as follows:

Upon every person engaging within this state in the business of: (1) Printing, and of publishing newspapers, periodicals or magazines; (2) building, repairing or improving any street, place, road, highway, easement, right of way, mass public transportation terminal or parking facility, bridge, tunnel, or trestle which is owned by a municipal corporation or political subdivision of the state or by the United States and which is used or to be used, primarily for foot or vehicular traffic including mass transportation vehicles of any kind and including any readjustment, reconstruction or relocation of the facilities of any public, private or cooperatively owned utility or railroad in the course of such building, repairing or improving, the cost of which readjustment, reconstruction, or relocation, is the responsibility of the public authority whose street, place, road, highway, easement, right of way, mass public transportation terminal or parking facility, bridge, tunnel, or trestle is being built, repaired or improved; (3) extracting for hire or processing for hire; (4) operating a cold storage warehouse, but not including the rental of cold storage lockers; (5) representing and performing services for fire or casualty insurance companies as an independent resident managing general agent licensed under the provisions of RCW 48.05.310; (6) radio and television broadcasting, excluding network, national and regional advertising computed as a standard deduction based on the national average thereof as annually reported by the Federal Communications Commission, or in lieu thereof by itemization by the individual broadcasting station, and excluding that portion of revenue represented by the out-of-state audience computed as a ratio to the station's total audience as measured by the 100 micro-volt signal strength and delivery by wire, if any; as to such persons, the amount of tax on such business shall be equal to the gross income of the business multiplied by the rate of forty-four one-hundredths of one percent. Provided, That upon and after July 1, 1979, the amount of tax on such business shall be equal to the gross income of the business multiplied by the rate of twenty-five one-hundredths of one percent.

Sec. 14. Section 82.04.290, chapter 15, Laws of 1961 as last amended by section 8, chapter 281, Laws of 1971 ex. sess. and RCW 82.04.290 are each amended to read as follows:

Upon every person engaging within this state in any business activity other than or in addition to those enumerated in RCW
82.04.230, 82.04.240, 82.04.250, 82.04.255, 82.04.260, 82.04.270, 82.04.275 and 82.04.280; as to such persons the amount of tax on account of such activities shall be equal to the gross income of the business multiplied by the rate of one percent. PROVIDED, That upon and after July 1, 1974, the amount of tax on account of such activities shall be equal to the gross income of the business multiplied by the rate of twenty-five one-hundredths of one percent. This section includes, among others, and without limiting the scope hereof (whether or not title to materials used in the performance of such business passes to another by accession, confusion or other than by outright sale), persons engaged in the business of rendering any type of service which does not constitute a "sale at retail" or a "sale at wholesale." The value of advertising, demonstration, and promotional supplies and materials furnished to an agent by his principal or supplier to be used for informational, educational and promotional purposes shall not be considered a part of the agent's remuneration or commission and shall not be subject to taxation under this section.

PART IV
NET INCOME TAX
SUBPART A
DEFINITIONS-CONSTRUCTION RULES

NEW SECTION. Section 82A-1. Short Title-Codification. This Title shall be known and may be cited as the "Washington Income Tax Code." Sections 82A-1 through 82A-58 of this act shall be codified as a new Title in the Revised Code of Washington, to be numbered Title 82A.

NEW SECTION. Sec. 82A-2. (1) Construction-Meaning of Terms. Except as otherwise expressly provided or clearly appearing from the context, any term used in this Title shall have the same meaning as when used in a comparable context in the United States Internal Revenue Code of 1954 and amendments thereto or any successor law or laws relating to federal income taxes and other provisions of the statutes of the United States relating to federal income taxes as such Code, laws and statutes are in effect for the taxable year. (2) General Intent. It is the intention of this Title that the income subject to tax be the same as taxable income as defined and applicable to the subject taxpayer for the same tax year in the Internal Revenue Code, except as otherwise expressly provided in this Title.

NEW SECTION. Sec. 82A-3. Definitions and Rules of Interpretation. When used in this Title where not otherwise distinctly expressed or manifestly incompatible with the intent thereof: (1) Business Income. The term "business income" means:
(a) in the case of a corporation, its total income from whatever source derived; and

(b) in all other cases income arising from transactions and activity in the regular course of the taxpayer's trade or business, net of the deductions allocable thereto, and includes income from tangible and intangible property if the acquisition, management, and disposition of the property constitute integral parts of the taxpayer's regular trade or business operations. Such term does not include compensation or the deductions allocable thereto.

(2) **Capital Asset.** The term "capital asset" means (i) a capital asset as defined in section 1221 of the Internal Revenue Code (ii) property defined in section 1231 of the Internal Revenue Code and (iii) other real property.

(3) **Commercial Domicile.** The term "commercial domicile" means the principal place from which the trade or business of the taxpayer is directed or managed.

(4) **Compensation.** The term "compensation" means wages, salaries, commissions and any other form of remuneration paid to employees for personal services, as used in both sections 3401 and 3402 of the Internal Revenue Code.

(5) **Corporation.** The term "corporation" means, in addition to an incorporated entity, an association, trust or any unincorporated organization which is defined as a corporation in the Internal Revenue Code.

(6) **Department.** The term "department" means the department of revenue of this state.

(7) **Director.** The term "director" means the director of revenue of this state.

(8) **Fiduciary.** The term "fiduciary" means a guardian, trustee, executor, administrator, executrix, administratrix, receiver, conservator, or any person acting in any fiduciary capacity for any person.

(9) **Financial Institution.** "Financial institution" means any bank, trust company, building and loan association, bank holding company as defined in section 1841, chapter 17, Title 12 of the laws of the United States, or industrial bank.

(10) **Financial Organization.** The term "financial organization" means any bank, trust company, savings bank, industrial bank, land bank, safe deposit company, private banker, savings and loan association, bank holding company as defined in section 1841, chapter 17, Title 12 of the laws of the United States, building and loan association, credit union, currency exchange, cooperative bank, small loan company, sales finance company, or investment company, and any other corporation at least 90 percent of whose assets consist of intangible property and at least 90 percent of whose gross income
consists of dividends or interest or other charges resulting from the use of money or credit.

(11) Fiscal Year. The term "fiscal year" means an accounting period of twelve months ending on the last day of any month other than December.

(12) Foreign Corporation. The term "foreign corporation" means a corporation organized under the laws of a foreign country or a corporation organized under the laws of any state or the United States which is domiciled in a foreign country.

(13) Includes and Including. The terms "includes" and "including" when used in a definition contained in this Title shall not be deemed to exclude other things otherwise within the meaning of the term defined.

(14) Internal Revenue Code. The term "Internal Revenue Code" means the United States Internal Revenue Code of 1954 or any successor law or laws relating to federal income taxes in effect for the taxable year.

(15) Nonbusiness Income. The term "nonbusiness income" means all income other than business income or compensation.

(16) Nonresident. The term "nonresident" means a person who is not a resident.

(17) Paid, Incurred and Accrued. The terms "paid", "incurred" and "accrued" shall be construed according to the method of accounting upon the basis of which the person's taxable income is computed under this Title.

(18) Partnership and Partner. The term "partnership" includes a syndicate, group, pool, joint venture or other unincorporated organization, through or by means of which any business, financial operation, or venture is carried on, and which is not, within the meaning of this Title, a trust or estate or a corporation; and the term "partner" includes a member in such syndicate, group, pool, joint venture or organization.

(19) Person or Individual. The term "person or individual" shall be construed to mean and include an individual, a trust, estate, partnership, association, firm, company, corporation or fiduciary or any other group or combination acting as a unit.

(20) Regulations. The term "regulations" includes rules promulgated and forms prescribed by the department.

(21) Resident. The term "resident" means: (a) An individual who is domiciled in this state unless he maintains no permanent place of abode in this state and does maintain a permanent place of abode elsewhere and spends in the aggregate not more than 30 days of the taxable year in this state; or who is not domiciled in this state but maintains a permanent place of abode in this state and spends in the aggregate more than 183 days of the taxable year in this state;
(b) The estate of a decedent who at his death was domiciled in this state;

(c) A trust created by a will of a decedent who at his death was domiciled in this state; and

(d) An irrevocable trust, the grantor of which was domiciled in this state at the time such trust became irrevocable. For purposes of this subparagraph, a trust shall be considered irrevocable to the extent that the grantor is not treated as the owner thereof under sections 671 through 678 of the Internal Revenue Code.

For purpose of the definition of a "resident", a taxable year shall be deemed terminated at the date of death of an individual.

(22) Returns. The term "returns" includes declarations of estimated tax required under this Title.

(23) Sales. The term "sales" means all gross receipts of the taxpayer not allocated under sections 82Α-12 through 82Α-15 except as provided in section 82Α-22 for sales factor purposes.

(24) State. The term "state" when applied to a jurisdiction other than this state means any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, and any Territory or Possession of the United States, or any political subdivision of any of the foregoing.

(25) "Tax" includes interest and penalties and includes the tax required to be withheld by an employer on wages, unless the intention to give it a more limited meaning is disclosed by the context.

(26) Taxable Income. "Taxable income" means taxable income or net income properly returned to and ascertained by the United States government for the tax year subject to the modifications and adjustments contained in this Title.

(27) Taxable Year. The term "taxable year" or "tax year" means the calendar year, or the fiscal year ending during such calendar year, upon the basis of which the taxable income is computed under this Title. "Taxable year" or "tax year" means, in the case of a return made for a fractional part of a year under the provisions of this Title, the period for which such return is made.

(28) Taxpayer. The term "taxpayer" means any person subject to the tax imposed by this Title.

(29) Constructions. Words denoting number, gender, and so forth, when used in this Title, where not otherwise distinctly expressed or manifestly incompatible with the intent thereof:

(a) Words importing the singular include and apply to several persons, parties or things;

(b) Words importing the plural include the singular; and

(c) Words importing the masculine gender include the feminine
"Company" or "Association" as Including Successors and Assigns. The word "company" or "association", when used in reference to a corporation, shall be deemed to embrace the words "successors and assigns of such company or association", and in like manner as if these last-named words, or words of similar import, were expressed.

Other terms. Any term used in any section of this Title with respect to the application of, or in connection with, the provisions of any other section of this Title shall have the same meaning as in such other section.

Captions. Section, subsection, part and subpart headings and captions do not constitute any part of the law.

SUBPART B
TAXABLE INCOME

NEW SECTION. Sec. 82A-4. Taxable Income - Persons Other Than a Corporation, a Financial Institution or an Estate or Trust.

(1) Taxable income of persons other than a corporation, financial institution or an estate or trust means adjusted gross income as defined in the Internal Revenue Code and returned to and ascertained by the federal government for the tax year subject to the following modifications:

(a) Add gross interest income and dividends derived from obligations or securities of states other than Washington state in the same amount which has been excluded from federal adjusted gross income less related expenses not deducted in computing federal adjusted gross income because of section 265(1) of the Internal Revenue Code.

(b) Add taxes on or measured by income to the extent the taxes have been deducted except the tax imposed by RCW 82.04 (business and occupation tax) in arriving at federal adjusted gross income.

(c) Add an amount equal to all amounts paid or accrued to the taxpayer as interest or dividends to the extent excluded from gross income in the computation of adjusted gross income.

(d) Add the amount of any deduction taken pursuant to section 613(b)(1) of the Internal Revenue Code.

(e) Deduct, to the extent included in federal adjusted gross income, income derived from obligations of the United States government which this state is prohibited by law from subjecting to a net income tax, reduced by any interest on indebtedness incurred in carrying the obligations, and by any expense incurred in the production of such income to the extent that the expenses, including amortizable bond premiums, were deducted in arriving at federal adjusted gross income.

(f) Deduct the amount paid for medical and dental care during the taxable year by the taxpayer, his or her spouse, and dependents.
and allowable as a deduction for federal income tax purposes under section 213 of the Internal Revenue Code.

(g) Deduct the amount of one thousand two hundred fifty dollars multiplied by the number of exemptions allowed to the taxpayer for the same taxable year under the Internal Revenue Code.

(h) Deduct in the case of a spouse, alimony, support maintenance payments and principal sums payable in installments to the extent included in the other spouse's adjusted gross income, pursuant to the provisions of the Internal Revenue Code, but only to the extent otherwise deductible by such spouse pursuant to the provisions of the Internal Revenue Code.

(i) Deduct the amount paid by a taxpayer during the taxable year for necessary employee employment expenses, other than expenses deducted in arriving at adjusted gross income, including but not limited to union or professional association dues, fees to secure employment, work tools and required uniforms to the extent allowable as an itemized deduction under the Internal Revenue Code.

(j) Any adjustments with respect to estate and trust income as provided in section 82A-6.

(k) Any adjustments resulting from the allocation and apportionment provisions of subpart D.

(l) Any adjustments with respect to income from small business corporations as provided in section 82A-10.

(m) Any adjustments with respect to partnership income as provided in section 82A-11.

(n) Any adjustments with respect to capital assets as provided in section 82A-11.

(2) For the purposes of this section, a person other than a corporation, a financial institution or estate or trust means in addition to a resident or nonresident individual:

(a) A partner in a partnership.

(b) A beneficiary of an estate or a trust.

(3) For the purposes of this section, the taxable income of a nonresident shall be computed in the same manner as in the case of a resident, subject to the allocation and apportionment provisions of subpart D.

(4) A resident beneficiary of a trust whose taxable income includes all or part of an accumulation distribution by a trust, as defined in section 665 of the Internal Revenue Code, shall be allowed a credit against the tax otherwise due under this Title. The credit shall be all or a proportionate part of any tax paid by the trust under this Title for any preceding taxable year which would not have been payable if the trust had in fact made distribution to its beneficiaries at the times and in the amounts specified in section 666 of the Internal Revenue Code. The credit shall not reduce the
tax otherwise due from the beneficiary to an amount less than would have been due if the accumulation distribution were excluded taxable income.

(5) Taxable income of a nonresident who is a beneficiary of a resident estate or trust shall include the beneficiary's share of estate or trust income.

(6) The taxable income of a resident who is required to include income from a trust in his federal income tax return under the provisions of subpart F of subchapter J of the Internal Revenue Code, sections 671 through 678, shall include items of income and deductions from the trust in taxable income.

(7) It is the intention of this section that the income subject to tax or taxable income be computed in like manner and be the same as provided in the Internal Revenue Code, subject to adjustments specifically provided for in this Title.

(8) An addition or subtraction shall not be allowed under this section which has the effect of duplicating an item of income or deduction.

NEW SECTION. Sec. 82A-5. Taxable Income of Corporations Including Financial Institutions. (1) "Taxable income" in the case of a corporation including a financial institution means federal taxable income subject to the following adjustments:

(a) Add gross interest income and dividends derived from obligations or securities of states other than Washington state in the same amount which has been excluded from federal taxable income, less related expenses not deducted in computing federal taxable income because of section 265 of the Internal Revenue Code.

(b) Add taxes on or measured by net income to the extent the taxes have been deducted in arriving at federal taxable income.

(c) Add any net operating loss deductions which have been deducted in arriving at federal taxable income, and deduct any net operating loss deductions as defined in subsection (3).

(d) Add any capital loss carry-over which has been deducted in arriving at federal taxable income, and deduct the capital loss carry-over that would be deductible under the Internal Revenue Code if the Internal Revenue Code had become effective on January 1, 1974.

(e) Add for corporations other than financial institutions, losses on the sale or exchange of obligations of the United States government, the income of which this state is prohibited from subjecting to a net income tax, to the extent that the loss has been deducted in arriving at federal taxable income.

(f) Add the amount of any deduction taken pursuant to section 613(b)(1) of the Internal Revenue Code.

(g) Add an amount equal to all amounts paid or accrued to the taxpayer as interest during the taxable year to the extent excluded
from gross income in the computation of taxable income.

(h) Add in the case of a cooperative association patronage dividends to the extent deducted in computing federal taxable income.

(i) Add in the case of a Western Hemisphere trade corporation, China Trade Act corporation, or possessions company described in section 931(a) of the Internal Revenue Code, an amount equal to the amount deducted or excluded from gross income in the computation of taxable income for the taxable year on account of the special deductions and exclusions (but in the case of a possessions company, net of the deductions allocable thereto) allowed such corporations under the Internal Revenue Code.

(j) Deduct, for corporations other than financial institutions, to the extent included in federal taxable income, income derived from obligations or sale or exchange of obligations of the United States government, which this state is prohibited by law from subjecting to a net income tax reduced by any interest on indebtedness incurred to carry the obligations, and by any expenses incurred in the production of such income to the extent that the expenses including amortizable bond premiums were deducted in arriving at federal taxable income.

(k) Deduct the foreign dividend gross-up included in federal taxable income pursuant to section 78 of the Internal Revenue Code.

(l) Any adjustments resulting from the apportionment provisions of subpart D of this Title and the accounting provisions of section 82A-34.

(m) Any adjustments with respect to capital assets as provided in section 82A-11.

(2) Federal taxable income means "taxable income" as defined in section 63 of the Internal Revenue Code plus any special deductions for corporations for dividends received allowed by sections 241, 243, 244, 245, 246 and 247 of the Internal Revenue Code.

"Taxable income" for purposes of this definition shall mean:

(a) Certain life insurance companies. In the case of a life insurance company subject to the tax imposed by section 802 of the Internal Revenue Code, life insurance company taxable income;

(b) Certain mutual insurance companies. In the case of a mutual insurance company subject to the tax imposed by section 821 (a) or (c) of the Internal Revenue Code, mutual insurance company taxable income or taxable investment income, as the case may be;

(c) Regulated investment companies. In the case of a regulated investment company subject to the tax imposed by section 852 of the Internal Revenue Code, investment company taxable income;

(d) Real estate investment trusts. In the case of a real estate investment trust subject to the tax imposed by section 857 of
the Internal Revenue Code, real estate investment trust taxable income;

(e) Cooperatives. In the case of cooperative corporation or association, the taxable income of such organization determined in accordance with the provisions of sections 1381 through 1388 of the Internal Revenue Code.

(3) Net operating loss means the loss that would result from the computation under subsection (1) without deducting the net operating loss deduction permitted by subdivision (c) of subsection (1), and without deducting the capital loss carry-over permitted by subdivision (d) of subsection (1). The net operating loss is first carried back to the earliest of the 3 years preceding the loss year and, if not entirely used up in offsetting taxable income in that year, the unused portion of the loss is first carried back to the second earliest year and the balance, if any, is carried back to the year next preceding the loss year. If the taxable income of the 3 preceding years is not sufficient to be offset by the loss, the unused portion of the loss is first carried over to the year next following the loss year, then successively to the next 4 years following the loss year or until the loss is used up, whichever first occurs, but in no case for more than 5 years after the loss year. A net operating loss shall not be allowed for taxable periods ending before January 1, 1974, and the loss shall not be applied to the income of any taxable periods ending before January 1, 1974.

If for the taxable year of a corporation, there is in effect an election under section 992(a) of the Internal Revenue Code or the corporation is treated as a domestic international sales corporation as defined in section 992(a)(3) of the Internal Revenue Code, the corporation shall be subject to the tax imposed by this title on its taxable income as defined in the Internal Revenue Code for such corporation subject to the adjustments contained in this section except:

(a) There shall be deducted from taxable income the amount of earnings and profits taxed to the shareholders for the taxable year under section 995 of the Internal Revenue Code which have not in fact been distributed to the shareholders.

(b) In case the corporation is a wholly owned subsidiary corporation of another corporation which is subject to the tax imposed by this title, the corporation shall not be treated as a taxable entity and the taxable income of the parent corporation shall be determined by combining the taxable income and apportionment factors of the wholly owned subsidiary corporation and the parent corporation as provided for in section 82A-34. The corporation shall be considered a wholly owned subsidiary if all of its outstanding shares, except director's qualifying shares, are owned by a single
corporation, either directly or indirectly through other corporations
all of whose shares, except directors qualifying shares, are owned
directly or indirectly by such corporation.

**NEW SECTION.** Sec. 82A-6. Taxable Income of Trusts or
Estates. (1) "Taxable income" in the case of an estate or trust
means federal taxable income as defined in the Internal Revenue Code
subject to the following adjustments:

(a) Add gross interest income and dividends derived from
obligations or securities of states other than Washington state in
the same amount which has been excluded from federal taxable income
less related expenses not deducted in computing federal taxable
income because of section 265 of the Internal Revenue Code.

(b) Add taxes on or measured by income to the extent the taxes
have been deducted except the tax imposed by RCW 82.04 (business and
occupation tax) in arriving at federal taxable income.

(c) Add the amount of deduction taken pursuant to section
613(b)(1) of the Internal Revenue code.

(d) Deduct, to the extent included in federal taxable income,
income derived from obligations of the United States government which
this state is prohibited by law from subjecting to a net income tax,
reduced by any interest on indebtedness incurred in carrying the
obligations, and by any expenses incurred in the production of such
income to the extent that the expenses, including amortizable bond
premiums, were deducted in arriving at federal taxable income.

(e) Add an amount equal to all amounts paid or accrued to the
taxpayer as interest or dividends during the taxable year to the
extent excluded from gross income in the computation of taxable
income.

(f) Deduct any adjustment resulting from the allocation and
apportionment provisions of subpart D.

(g) Any adjustments with respect to capital assets as provided
in section 82A-11.

(2) The respective shares of an estate or trust and its
beneficiaries, including, solely for the purpose of this allocation,
nonresident beneficiaries, in the additions and subtractions to
taxable income shall be in proportion to their respective shares of
distributable net income of the estate or trust as defined in the
Internal Revenue Code. If the estate or trust has no distributable
net income for the taxable year, the share of each beneficiary in the
additions and subtractions shall be in proportion to his share of the
estate or trust income for the year, under local law or the terms of
the instrument, which is required to be distributed currently and any
other amounts of such income distributed in the year. Any balance of
the additions and subtractions shall be allocated to the estate or
trust.
An addition or subtraction shall not be made under this section which has the effect of duplicating an item of income or deduction.

**SUBPART C**

**IMPOSITION PROVISIONS**

**NEW SECTION.** Sec. 82A-7. Tax Imposed—Persons Other Than Corporations And Financial Institutions. For receiving, earning or otherwise acquiring income from any source whatsoever after the effective date of this Title, there is levied and imposed a tax upon the taxable income of every person, other than a corporation or financial institution, computed in accordance with the following schedules:

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<th>Taxable Income</th>
<th>Marginal Tax Rate</th>
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<td>Single Returns</td>
<td>Joint Returns</td>
</tr>
<tr>
<td>Over $0 - $2,000</td>
<td>2.0%</td>
</tr>
<tr>
<td>Over $2,000 - $3,000</td>
<td>2.5%</td>
</tr>
<tr>
<td>Over $3,000 - $4,000</td>
<td>3.0%</td>
</tr>
<tr>
<td>Over $4,000 - $6,000</td>
<td>3.5%</td>
</tr>
<tr>
<td>Over $6,000 - $8,000</td>
<td>4.0%</td>
</tr>
<tr>
<td>Over $8,000 - $10,000</td>
<td>4.5%</td>
</tr>
<tr>
<td>Over $10,000 - $15,000</td>
<td>5.0%</td>
</tr>
<tr>
<td>Over $15,000 - $20,000</td>
<td>5.5%</td>
</tr>
<tr>
<td>Over $20,000 - $25,000</td>
<td>6.0%</td>
</tr>
<tr>
<td>Over $25,000 - Over</td>
<td>6.5%</td>
</tr>
</tbody>
</table>

For purposes of this section, "marginal tax rate" shall mean the rate applicable to that portion of taxable income within each of the above rates. An individual who is not otherwise entitled to file a joint return, but who is a parent or step-parent who has supported a child or children who have or has been a member of his household during the taxable year, at his option, may elect to be taxed at the rates herein specified for a person filing a joint return.

On computing tax liability, an individual may average his income for the computation of his tax liability for any tax year subject to the conditions and as provided for in sections 1301 through 1305 of the Internal Revenue Code.

**NEW SECTION.** Sec. 82A-8. Tax Imposed—Corporations Other Than Financial Institutions. For receiving, earning or otherwise acquiring income from any source whatsoever after the effective date of this Title, there is levied and imposed a tax on every corporation other than a financial institution. The tax shall be the following
percentage of the corporation's taxable income, for each of the following taxable years:

- Commencing January 1, 1974 -- Eight percent of taxable income.
- Commencing January 1, 1976 -- Eight and one-half percent of taxable income.
- Commencing January 1, 1977 -- Nine percent of taxable income.
- Commencing January 1, 1978 -- Nine and one-half percent of taxable income.
- Commencing January 1, 1979 -- Ten percent of taxable income.

NEW SECTION. Sec. 82A-9. **Tax Imposed—Financial Institutions.**

There is hereby imposed and levied a tax on financial institutions on the privilege of carrying on any business activity in this state, in addition to other taxes imposed by law, a tax measured by the taxable income of every financial institution as follows, for each of the following taxable years:

- Commencing January 1, 1974 -- Eight percent of taxable income.
- Commencing January 1, 1976 -- Eight and one-half percent of taxable income.
- Commencing January 1, 1977 -- Nine percent of taxable income.
- Commencing January 1, 1978 -- Nine and one-half percent of taxable income.
- Commencing January 1, 1979 -- Ten percent of taxable income.

NEW SECTION. Sec. 82A-10. **Corporate Election under Subchapter S.**

1. A corporation which has filed a proper election under subchapter S of the Internal Revenue Code shall be subject to the tax imposed on corporations by this Title in the same manner as though no such election had been made to the extent that its shares of stock are owned by nonresidents of this state.

2. A resident stockholder of a subchapter S corporation shall include in his computation of taxable income any income or losses of the subchapter S corporation attributable to him in the computation of his federal income tax for the same tax year.

3. A nonresident stockholder of a subchapter S corporation shall exclude any income or losses of a subchapter S corporation from taxable income for purposes of this Title.

SUBPART D

APPORTIONMENT AND ALLOCATION PROVISIONS

NEW SECTION. Sec. 82A-11. **Adjustments to Taxable Income—Allocation and Apportionment Rules.**

1. In General. (a) The taxable income of any taxpayer whose income producing activities are confined solely to this state shall be allocated to this state.

(b) Any taxpayer having business income which is taxable both
within and without this state, other than the rendering of personal services by a resident individual, shall apportion his income as provided in this Title.

(c) To the extent taxable income is subject to the allocation and apportion provisions of this Title, only non-business income shall be allocated as provided in sections 82A-12 through 82A-15 and all business income shall be apportioned as provided in sections 82A-16 through 82A-30 of this Title.

(d) Any taxpayer whose taxable income for any tax year is increased or diminished by the sale or exchange of a capital asset after the effective date of this title which the taxpayer owned prior to the effective date of this title shall recompute taxable income for such tax year by excluding therefrom that proportion of the gain or loss on the sale or exchange of a capital asset attributable to the taxpayer's holding period of the capital asset occurring prior to the effective date of this title. The proportion of the gain or loss attributable to the taxpayer's holding period prior to the effective date of this title, at the election of the taxpayer, shall be either:

(i) The ratio that the holding period of the taxpayer expressed in months prior to the effective date of this title bears to the total holding period of the taxpayer expressed in months.

(ii) The difference between the fair market value of the capital asset on the effective date of this title and the amount of gain or loss taken into account in determining taxable income. The method of determining the fair market value of a capital asset on the effective date of this title for the purpose of this election shall be prescribed by the department.

(2) **Taxable In Another State.** For purposes of allocation and apportionment of income under this Title, a taxpayer is taxable in another state if that state has jurisdiction to subject the taxpayer to a net income tax whether or not the state has a net income tax.

(3) **Resident Individuals, Estates or Trusts.** In case of a resident individual, estate or trust all taxable income from any source whatsoever, except that attributable to another state under the apportionment provisions of subpart D and subject to the credit provisions of 82A-33, is allocated to this state.

(4) **Nonresident Individuals, Estates or Trusts.** In case of a nonresident individual, estate or trust all taxable income is allocated to this state to the extent it is earned, received or acquired:

(a) For the rendition of personal services performed in this state.

(b) As a distributive share of the net profits of an unincorporated business, profession, enterprise, undertaking or other activity as the result of work done, services rendered and other
business activities conducted in this state, except as allocated or apportioned to another state pursuant to the provisions of Subpart D and subject to the credit provisions of section 82A-33.

(5) **Beneficiaries of Nonresident Estates or Trusts.** (a) The respective shares of a nonresident estate or trust and its beneficiaries, including, solely for purposes of allocation, resident and nonresident beneficiaries, in the income attributable to Washington, shall be in proportion to their respective shares of distributable net income under the Internal Revenue Code. If the estate or trust has no distributable net income for the taxable year, the share of each beneficiary in the income attributable to Washington shall be in proportion to his share of the estate or trust income for such year, under local law or the terms of the instrument, which is required to be distributed currently and other amounts of such income distributed in such year. Any balance of the income attributable to Washington shall be allocated to the estate or trust.

(b) A nonresident estate or trust shall be allowed the credit provided in section 82A-33 (2) except that the limitation shall be computed by reference to the taxable income of the estate or trust.

(6) Rents and royalties from real or tangible personal property, capital gains, interest, dividends or patent or copyright royalties, to the extent that they constitute nonbusiness income together with any item of deduction allocable thereto, shall be allocated as provided in sections 82A-12 through 82A-15.

(7) In the case of a corporation including a financial institution which is taxable in more than one state, all taxable income from whatever source derived shall be apportioned as provided in this Title and the specific allocation rules in sections 82A-12 through 82A-15 shall not apply.

(8) **Allocation of Partnership Income by Partnerships and Partners Other Than Residents.** (a) Allocation of partnership business income by partners other than residents. The respective shares of partners other than residents in so much of the business income of the partnership as is allocated or apportioned to this state in the hands of the partnership shall be taken into account by such partners pro rata in accordance with their respective distributive shares of such partnership income for the partnership's taxable year and allocated to this state.

(b) Allocation of partnership nonbusiness income by partners other than residents. The respective shares of partners other than residents in the items of partnership income and deduction not taken into account in computing the business income of a partnership shall be taken into account by such partners pro rata in accordance with their respective distributive shares of such partnership income for
the partnership's taxable year, and allocated as if such items had
been paid, incurred or accrued directly to such partners in their
separate capacities.

(c) Allocation or apportionment of business income by
partnership. Business income of a partnership shall be apportioned
to this state as provided in subpart D.

(9) (a) A partnership shall not be subject to the income tax
imposed by this Title. Persons carrying on business as partners
shall be liable for income tax only in their separate or individual
capacities. The taxable income attributable to a taxpayer's interest
in a partnership shall be computed in accordance with the provisions
of subchapter K of chapter 1 of the Internal Revenue Code, except as
otherwise provided in this Title.

(b) Character of Items. Each item of partnership income,
gain, loss, or deduction shall have the same character for a partner
under this Title as it has for federal income tax purposes. Where an
item is not characterized for federal income tax purposes, it shall
have the same character for a partner as if realized directly for the
source from which realized by the partnership or incurred in the same
manner as incurred by the partnership.

(c) Tax Avoidance or Evasion. Where a partner's distributive
share of an item of partnership income, gain, loss, or deduction is
determined for federal income tax purposes by a special provision in
the partnership agreement with respect to such items, and the
principal purpose of such provision is the avoidance or evasion of
tax under this Title, the partner's distributive share of such item
and any modification required with respect thereto shall be
determined in accordance with his distributive share of the taxable
income or loss of the partnership generally (that is, exclusive of
those items requiring separate computation under the provisions of
section 702 of the Internal Revenue Code).

NEW SECTION. Sec. 82A-12. Specific Allocation of Income From
Tangible Property. (1) Realty Located Within State. Net rents and
royalties from real property located in this state are allocable to
this state.

(2) Tangible Personal Property. Net rents and royalties from
tangible personal property are allocable to this state:

(a) If and to the extent that the property is utilized in this
state; or

(b) In their entirety if the taxpayer is a resident
partnership, estate or trust or individual of this state or has a
commercial domicile in this state and the taxpayer is not organized
under the laws of or taxable in the state in which the property is
utilized.

(3) Extent of Utilization of Tangible Personality. The extent
of utilization of tangible personal property in a state is determined by multiplying the rents and royalties by a fraction, the numerator of which is the number of days of physical location of the property in the state during the rental or royalty period in the taxable year and the denominator of which is the number of days of physical location of the property everywhere during all rental or royalty periods in the taxable year. If the physical location of the property during the rental or royalty period is unknown or unascertainable by the taxpayer, tangible personal property is utilized in the state in which the property was located at the time the rental or royalty payer obtained possession.

NEW SECTION. Sec. 82A-13. **Specific Allocation of Income From Capital Gains and Losses.**

(1) Capital gains and losses from sales or exchanges of real property located in this state are allocable to this state.

(2) Capital gains and losses from sales or exchanges of tangible personal property are allocable to this state if:

(a) The property had a situs in this state at the time of the sale; or

(b) The taxpayer is a resident partnership, estate or trust or individual of this state or has a commercial domicile in this state and the taxpayer is not taxable in the state in which the property has a situs.

(3) Capital gains and losses from sales or exchanges of intangible personal property are allocable to this state if the taxpayer is a resident partnership, estate or trust or individual of this state.

NEW SECTION. Sec. 82A-14. **Specific Allocation of Interest and Dividend Income.** Interest and dividends are allocable to this state if the taxpayer is a resident partnership, estate or trust or individual of this state.

NEW SECTION. Sec. 82A-15. **Specific Allocation of Income From Patents and Copyrights.** (1) Patent and copyright royalties are allocable to this state:

(a) If and to the extent that the patent or copyright is utilized by the payer in this state; or

(b) If and to the extent that the patent or copyright is utilized by the payer in a state in which the taxpayer is not taxable and the taxpayer is a resident partnership, estate or trust or individual of this state.

(2) A patent is utilized in a state to the extent that it is employed in production, fabrication, manufacturing or other processing in the state or to the extent that a patented product is produced in the state. If the basis of receipts from patent royalties does not permit allocation to states or if the accounting
procedures do not reflect states of utilization, the patent is utilized in this state if the taxpayer is a resident partnership, estate or trust or individual.

(3) A copyright is utilized in a state to the extent that printing or other publication originates in the state. If the basis of receipts from copyright royalties does not permit allocation to states or if the accounting procedures do not reflect states of utilization, the copyright is utilized in this state if the taxpayer is a resident partnership, estate or trust or individual.

**NEW SECTION. Sec. 82A-16. Apportionment of Business Income.** All business income, other than income from transportation services, and financial organizations, shall be apportioned to this state by multiplying the income by a fraction, the numerator of which is the property factor plus the payroll factor plus the sales factor, excluding any negligible factor and the denominator of which is 3 reduced by the number of negligible factors. "Negligible factor" means a factor the denominator of which is less than 10% of 1/3 of the taxpayer's business income.

**NEW SECTION. Sec. 82A-17. Property Factor.** The property factor is a fraction, the numerator of which is the average value of the taxpayer's real and tangible personal property owned and used or rented and used in this state during the tax period and the denominator of which is the average value of all the taxpayer's real and tangible personal property owned and used or rented and used in all states in which the taxpayer is taxable for the tax year.

**NEW SECTION. Sec. 82A-18. Valuation of Property; Rented Property.** Property owned by the taxpayer is valued at its original cost. Property rented by the taxpayer is valued at eight times the net annual rental rate. Net annual rental rate is the annual rental rate paid by the taxpayer less any annual rental rate received by the taxpayer from subrentals but not less than zero.

**NEW SECTION. Sec. 82A-19. Average Value of Property.** The average value of property shall be determined by averaging the values at the beginning and ending of the tax period but the director may require the averaging of monthly values during the tax period if reasonably required to reflect properly the average value of the taxpayer's property.

**NEW SECTION. Sec. 82A-20. Payroll Factor.** The payroll factor is a fraction, the numerator of which is the total amount paid in the state during the tax period by the taxpayer for compensation, and the denominator of which is the total compensation paid in all states in which the taxpayer is taxable for the tax year.

**NEW SECTION. Sec. 82A-21. Compensation Paid Within State.** Compensation is paid in this state if:

(1) The individual's service is performed entirely within the
state; or
(2) The individual's service is performed both within and without the state, but the service performed without the state is incidental to the individual's service within the state; or
(3) Some of the service is performed in the state and (a) the base of operations, or if there is no base of operations, the place from which the service is directed or controlled is in the state, or (b) the base of operations or the place from which the service is directed or controlled is not in any state in which some part of the service is performed, but the individual's residence is in this state.

NEW SECTION. Sec. 82A-22. Sales factor. The sales factor is a fraction, the numerator of which is the total sales of the taxpayer in this state during the tax year and the denominator of which is the total sales of the taxpayer in all states in which the taxpayer is taxable for the tax year.

"Sales", as used in this section means all gross receipts from:
(1) Sales of tangible personal property;
(2) Rentals of tangible personal property;
(3) Sales of real property held for sale in the ordinary course of a taxpayer's trade or business;
(4) Rentals of real property; and
(5) Sales of services.

NEW SECTION. Sec. 82A-23. Sales of Tangible Personalty, Real Property, Rentals and Services Within State. Sales of tangible personal property are in this state if:
(1) The property is delivered or shipped to a purchaser, other than the United States government, within this state regardless of the f.o.b. point or other conditions of the sale; or
(2) The property is shipped from an office, store, warehouse, factory or other place of storage in this state and (a) the purchaser is the United States government or (b) the taxpayer is not taxable in the state of the purchaser.
(3) The sale is made from an office located in this state to a purchaser (including the United States government) in another state in which the taxpayer is not taxable and the property is shipped to the purchaser from a state in which the taxpayer is not taxable.
(4) Sales and rentals of real property are in this state if the property is located in this state.
(5) Rentals of tangible personal property are in this state to the extent that the property is used in this state.
(6) Sales of services are in this state to the extent that the service is performed in this state.

NEW SECTION. Sec. 82A-24. Interstate Transportation
Services. The taxable income of a taxpayer whose income-producing activities consist of transportation services rendered partly within this state and partly within another state shall be determined under the provisions of sections 82A-25 through 82A-28.

NEW SECTION. Sec. 82A-25. Interstate Transportation Other Than Oil or Gas by Pipeline: Apportionment. In the case of such taxable income other than that derived from the transportation service of oil or gas by pipeline or air carriers, the taxable income attributable to Washington sources is that portion of the net income of the taxpayer derived from transportation services wherever performed that the revenue miles of the taxpayer in Washington bear to the revenue miles of the taxpayer in all the states in which the taxpayer is subject to tax on such services. A revenue mile means the transportation for a consideration or one net ton in weight or one passenger the distance of one mile. The taxable income attributable to Washington sources in the case of a taxpayer engaged in the transportation both of property and of individuals shall be that portion of the entire taxable income of the taxpayer which is equal to the average of his passenger miles and ton mile fractions, separately computed and individually weighted by the ratio of gross receipts from passenger transportation to total gross receipts from all transportation, and by the ratio of gross receipts from freight transportation to total gross receipts from all transportation, respectively. If it is shown to the satisfaction of the director that the foregoing information is not available or cannot be obtained without unreasonable expense to the taxpayer, the director may use such other data which may be available and which in the opinion of the director will result in an equitable apportionment of income to this state.

NEW SECTION. Sec. 82A-26. Interstate Transportation of Oil by Pipeline: Apportionment. In the case of taxable income derived from the transportation of oil by pipeline, that portion of the taxable income of the taxpayer derived from the pipeline transportation of oil that the barrel miles transported in Washington bear to the barrel miles transported by the taxpayer in all the states in which the taxpayer is subject to tax.

NEW SECTION. Sec. 82A-27. Interstate Transportation of Gas by Pipeline: Apportionment. In the case of taxable income derived from the transportation of gas by pipeline, taxable income attributable to Washington shall be that portion of the taxable income of the taxpayer derived from the pipeline transportation of gas that the thousand cubic feet miles transported in Washington bear to the thousand cubic feet miles transported by the taxpayer in all the states in which the taxpayer is subject to tax.

NEW SECTION. Sec. 82A-28. Air Carriers. In the case of
taxable income derived by a taxpayer as a carrier by aircraft, the portion of taxable income of such carrier attributable to Washington shall be the average of the following two percentages:

(1) The revenue tons handled by such air carrier at airports within this state for the tax year divided by the total revenue tons handled by such carrier at all airports on its entire system for the same tax year;

(2) The air carrier's originating revenue within this state for the tax year divided by the total originating revenue of such carrier from its entire system for the same tax year.

NEW SECTION. Sec. 82A-29. Financial Organizations: Income Attributable to Washington Sources. The taxable income of a financial organization attributable to Washington sources shall be taken to be:

(1) In the case of taxable income of a taxpayer whose income-producing activities are confined solely to this state, the entire taxable income of such taxpayer.

(2) In the case of taxable income of a taxpayer who conducts income-producing activities as a financial organization partially within and partially without this state, that portion of its taxable income as its gross business in this state is to its gross business in all the states in which the taxpayer is subject to tax during the tax year, which portion shall be determined as the sum of:

(a) Fees, commissions or other compensation for financial services rendered within this state;

(b) Gross profits from trading in stocks, bonds or other securities managed within this state;

(c) Interest and dividends received within this state;

(d) Interest charged to customers at places of business maintained within this state for carrying debit balances of margin accounts, without deduction of any costs incurred in carrying such accounts; and

(e) Any other gross income resulting from the operation as a financial organization within this state, divided by the aggregate amount of such items of the taxpayer everywhere.

NEW SECTION. Sec. 82A-30. Exceptions. If the apportionment provisions of this Title do not fairly represent the extent of the taxpayer's income attributable to this state, the taxpayer may petition for or the director may require, if reasonable:

(1) When the taxpayer carries on two or more businesses, a separate apportionment for each business;

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

(3) The inclusion of one or more additional factors or the substitution of one or more factors; or

(4) The employment of any other method to effectuate an
equitable apportionment of the taxpayer's income.

SUBPART E

CREDITS AND EXEMPTIONS FROM TAX

NEW SECTION. Sec. 82A-31. Exemptions. (1) A person who is exempt from federal income tax pursuant to the provisions of the Internal Revenue Code shall be exempt from the tax imposed by this Title except:

(a) An organization included under sections 501(c)(12) and 501(c)(16) of the Internal Revenue Code.

(b) The unrelated taxable business income of an exempt person as determined under the provisions of the Internal Revenue Code.

(2) This Title shall not apply to a regulated investment company or real estate investment trust as defined in the Internal Revenue Code, except to the extent that such company or trust has taxable income for federal tax purposes.

(3) Nothing in this section shall exempt any person from the withholding and information return provisions of this Title.

NEW SECTION. Sec. 82A-32. Dual Residence: Reduction of Tax. If an individual taxpayer is regarded as a resident both of this state and another jurisdiction for purposes of the tax imposed by this Title, the director shall reduce the tax on that portion of the taxpayer's income which is subjected to tax in both jurisdictions solely by virtue of dual residence, provided that the other taxing jurisdiction allows a similar reduction. The reduction shall be in an amount equal to that portion of the lower of the two taxes applicable to the income taxed twice which the tax imposed by this state bears to the combined of the two jurisdictions on the income taxed twice.

NEW SECTION. Sec. 82A-33. (1) Credit-Individual, Estate or Trust. A resident individual, estate or trust, in the state of Washington shall be allowed a credit against the taxes imposed by this Title for net income taxes imposed by and paid or accrued to another state or to a foreign country or political subdivision thereof on income taxed under this Title, subject to the following conditions:

(a) The credit shall be allowed only for taxes imposed by such other state or country on net income from sources within such state or country and taxed under the laws thereof.

(b) The amount of such tax credit shall be the smaller of the following two amounts:

(i) the amount of tax actually paid; or
(ii) the product of the Washington tax times a fraction, the numerator of which is that portion of the taxpayer's adjusted gross income actually taxed by such other state or country, and the denominator of which is the taxpayer's adjusted gross income as
modified by the provisions of section 82A-4.

(c) If, in lieu of a credit, the laws of the state of residence contain a provision exempting a resident of this state from liability for the payment of income taxes on income earned for personal services performed in that state, then the director is authorized to enter into a reciprocal agreement with that state providing a similar tax exemption for its residents on income earned for personal services performed in this state.

(2) Credit-Nonresident Individual, Estate or Trust. (a) A nonresident individual, estate or trust shall be allowed a credit against but not in excess of the tax otherwise due under this Title for the amount of any income tax imposed on him for the taxable year by the state of residence on income from sources therein which is also subject to tax under this Title.

(b) The credit allowed by this subsection shall be allowable only if the laws of the state of residence contain a reciprocal provision which allows credits to residents of this state under similar circumstances.

(3) No credit shall be allowed for any income tax paid to another state or on any income which has not been included in taxable income under this Title for the same tax year and in fact subject to an income tax by this state and by another state.

NEW SECTION. Sec. 82A-33(a). The amount of any sales tax or use tax which qualifies under RCW 82.04.435 for credit against business and occupation taxes, shall be allowable as a credit against taxes imposed by this Title, but only to the extent such amount has not been taken as a credit under RCW 82.04.435: PROVIDED, HOWEVER, that the amount of the credit allowable under this section may not exceed for any taxable year one hundred percent of the credit allowable under RCW 82.04.435 for such taxable year.

SUBPART F
ACCOUNTING PROVISIONS

NEW SECTION. Sec. 82A-34. Combined Reporting; Administrative Adjustments. (1) In the case of a corporation liable to report under this Title owning or controlling, either directly or indirectly, another corporation, or other corporations, except foreign corporations and in the case of a corporation liable to report under this Title and owned or controlled, either directly or indirectly, by another corporation, except foreign corporations the department may require a report showing the combined taxable income and apportionment factors of the controlled group except foreign corporations and other facts as it deems necessary. The department is authorized and empowered, in such manner as it may determine, to assess the tax against the corporations which are liable to report under this Title and whose taxable income is involved in the report
upon the basis of the combined entire taxable income and apportionment factors of the controlled group except foreign corporations and other information as it may possess; or it may adjust the tax in such other information as it shall determine to be equitable if it determines such adjustment to be necessary in order to prevent evasion of taxes or to clearly reflect the taxable income earned by said corporations from business done in this state. Direct or indirect ownership or control of more than fifty percent of the voting stock of a corporation shall constitute ownership or control for purposes of this section.

(2) In the case of a corporation subject to the tax imposed under this Title which computes its federal taxable income, as a common parent or as an affiliate, on a consolidated basis with one or more other corporations, the department may require a separate return computing taxable income as if separate returns had been filed for federal income tax returns and restoring intercompany transactions eliminated for purposes of computing federal taxable income.

(3) In the case of two or more organizations, trades, or businesses (whether or not incorporated, whether or not organized in or having income from sources apportionable to this state, and whether or not affiliated) owned or controlled directly or indirectly by the same interests, the department may distribute, apportion or allocate income, deductions, credits or allowances between or among such organizations, trades, or businesses, if it determines that such distribution, apportionment, or allocation is necessary in order to prevent evasion of taxes or to clearly reflect the income of any of such organizations, trades, or businesses.

NEW SECTION. Sec. 82A-35. Method of Accounting. (1) For purposes of the tax imposed under this Title, a person's method of accounting shall be the same method of accounting for federal income tax purposes. If no method of accounting has been regularly used by a person for federal income tax purposes, taxable income under this Title shall be computed by a method of accounting which in the opinion of the department fairly reflects income.

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

(3) It is the intent of this Title that taxable income as defined in this Title for the subject taxpayer be ascertained and returned as provided herein on the same accounting method or methods used by the taxpayer in computing his federal income tax liability.

NEW SECTION. Sec. 82A-36. Tax Returns for Partial Year. In the event that the first taxable year of any taxpayer with respect to which a tax is imposed by this Title ends prior to December 31st of the calendar year in which this Title becomes effective (hereinafter
referred to as a fractional taxable year), the taxable income for such fractional taxable year shall be the taxpayer's taxable income, computed in accordance with the otherwise applicable provisions of this Title, for the entire taxable year, adjusted as follows:

(1) Such taxable income shall be multiplied by a fraction, the numerator of which is the number of days in the fractional taxable year and the denominator of which is the number of days in the entire taxable year; or

(2) If the taxpayer so elects, such taxable income shall be adjusted, in accordance with rules of the department, so as to include only such income and be reduced only by such deductions as are attributable to such fractional taxable year, as can be clearly determined from the permanent records of the taxpayer.

SUBPART G
ADMINISTRATIVE PROVISIONS

NEW SECTION. Sec. 82A-37. Joint Return--Federal Election. A joint return may be filed under the same conditions under which a joint return may be filed for purposes of the federal income tax. Where a joint return is made by husband and wife pursuant to the Internal Revenue Code, a joint return shall be made pursuant to this Title. In any case in which a joint return is filed pursuant to this section, the liability of the husband and wife shall be joint and several.

NEW SECTION. Sec. 82A-38. Records; Returns. (1) Every person liable for the tax imposed under this Title, or for the collection thereof shall

(a) keep such records, render such statements, make such returns, and comply with such rules and regulations as the department may from time to time prescribe (and, whenever in the judgment of the department it is necessary, it may require any person, by notice served upon such person or by regulations, to make such returns, render such statements, or keep such records, as the department deems sufficient to show whether or not such person is liable for tax under this Title), and

(b) include in any return, declaration, statement or other document required to be filed or furnished to the department, such identifying number as may be prescribed by the department for securing proper identification of such person or of any other person with respect to whom such return, declaration, statement or other document may apply.

(2) All books and records and other papers and documents which are required by or pursuant to this Title to be kept shall, at all times during business hours of the day, be subject to inspection by the department.

(3) Every person subject to this Title required to make a
return or declaration relating to the federal income tax under the provisions of the Internal Revenue Code shall, unless exempted by the department by notice or regulation, at the same time (including any extensions of time granted by the internal revenue service or allowed by the Internal Revenue Code) render to the department a return or declaration setting forth the following:

(a) The amount of tax due, if any, or overpayment of tax, if any, as reported on returns, including declarations of estimated tax, filed with the internal revenue service;

(b) The amount of tax due under this Title, if any, less credits claimed against tax;

(c) Such other information for the purpose of carrying out the provisions of this Title as may be prescribed by the department.

(4) All of the provisions of the Internal Revenue Code relating to the manner in which returns shall be signed, the verification of returns, presumption of authenticity of signatures, the time when a return is deemed filed, the power of the secretary or his delegate to prepare and execute returns and the power of the secretary or his delegate to prescribe forms shall apply to the taxes imposed under this Title. The department shall, by regulations, prescribe the place for the filing of any return, declaration, statement or other document or copies thereof, required by this Title or by regulations.

The return shall contain a written declaration that it is made under the penalty of perjury, and the department may prescribe forms accordingly, and such statement shall entail the penalties of perjury.

NEW SECTION. Sec. 82A-39. Federal Return: Copy. Any taxpayer, may be required by the department to furnish to the department a true and correct copy of any federal tax return which he has filed and any report or other document filed with the internal revenue service or received from the internal revenue service relating to the computation of or adjustment to the taxpayer's federal income tax liability.

NEW SECTION. Sec. 82A-40. Time and Manner of Payment. The time and manner of the payment of the tax imposed by this Title shall be in accordance with the provisions of the Internal Revenue Code (including the provisions relating to installment payments of estimated income tax) and the regulations promulgated thereunder providing for the time and manner of the payment of the federal income tax: PROVIDED, That the department by regulation may make such modifications and exceptions to such provisions as it deems necessary to facilitate the prompt and efficient collection of the tax. All of the provisions of the Internal Revenue Code relating to the assessment of income tax (including the authority to assess and
the mode, time and method of assessment), jeopardy assessments, notices and demand for payment and extensions of time for payment shall apply to the tax imposed by this Title.

NEW SECTION. Sec. 82A-41. Administration: Overpayments; Credit or Refund: Deficiencies: Penalties: Liens. (1) The department is authorized to credit or refund all overpayments of taxes, all taxes erroneously or illegally assessed or collected, all penalties collected without authority, and all taxes that are found unjustly assessed or excessive in amount, or in any manner wrongfully collected. The department shall by means of rules and regulations specify the manner in which claims for credits or refunds shall be made, prescribe limitations and give notice of allowance or disallowance. These rules and regulations shall be based upon the provisions of the Internal Revenue Code applicable to overpayments, including the authority to make credits or refunds, the definition thereof, overpayments of installments, abatement authority, date of allowance, tentative carryback adjustments, refunds of withheld tax, and limitations on refunds or credits or suits therefor, all of which shall apply to the tax imposed by this Title.

(2) All the provisions of the Internal Revenue Code relating to liens for income taxes, including periods of lien, validity and priority against certain persons, release of lien and discharge of property, and all the provisions of the Internal Revenue Code relating to seizure of property for collection of income taxes, including those relating to levy and distraint, surrender of property subject to levy, production of books, property exempt from levy, sale of seized property, sale of perishable goods, redemption of property, legal effect of certificate of sale of personal property and deed of real property, records of sale, expense of levy and sale, application of proceeds of levy, and authority to release levy and return property, shall apply to the taxes imposed under this Title.

(3) Those additions to the tax, additional amounts, and assessable penalties imposed under the provisions of the Internal Revenue Code for failure to file a tax return or to pay the tax (other than the fifty percent addition to tax for fraudulent failure to pay the tax and the five percent addition to the tax for negligent underpayments), failure to pay estimated income tax, and failure to make deposit of taxes, shall be imposed with respect to the tax imposed under this Title, at the same rates and computed in the same manner, and with the same exceptions, as are set forth in the Internal Revenue Code.

(4) The powers conferred and duties imposed upon the department and the state treasurer with respect to the administration of chapter 82.04 RCW by RCW 82.32.110, 82.32.120, 82.32.130, 82.32.320, 82.32.340, and 82.32.380 shall be applicable to the

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administration of the taxes imposed pursuant to this Title.

(5) The department shall, by regulation, establish procedures for administrative conferences with respect to proposed assessments of deficiencies and applications for refunds or credits, which regulations shall conform, so far as practicable, with the provisions of RCW 82.32.160 and 82.32.170.

**NEW SECTION.** Sec. 82A-42. **Period of Limitations.** The same period of limitation upon the assessment and collection of taxes imposed under this Title and the same exceptions thereto and suspensions thereof shall apply as are provided in the Internal Revenue Code relating to the federal income tax: PROVIDED, HOWEVER, that if a taxpayer fails to report pursuant to section 82A-39 of this Title, a change or correction increasing his federal taxable income, or fails to report a change or correction which is treated in the same manner as if it were a deficiency for federal income tax purposes, an assessment may be made at any time within one year of the date on which the department first learned of the correction: AND PROVIDED FURTHER, that the running of the statute of limitations shall be suspended for the period pending final determination of litigation of or hearing on a taxpayer's federal income tax return and for sixty days thereafter: AND PROVIDED FURTHER, that in the event a report of change or correction increasing federal taxable income is made, the running of the statute of limitations shall be suspended for a period of one year after such report is made.

**NEW SECTION.** Sec. 82A-43. **Evasion Penalty.** Any person required to collect, truthfully account for, and pay over any tax imposed by this Title who wilfully fails to collect such tax, or truthfully account for and pay over such tax, or wilfully attempts in any manner to evade or defeat any such tax or the payment thereof, shall, in addition to other penalties provided by law, be liable to a penalty equal to the total amount of the tax evaded, or not collected, or not accounted for and paid over.

**NEW SECTION.** Sec. 82A-44. **Interest on Refund and Deficiencies.** Interest on underpayments and erroneous refunds shall be paid by the taxpayer, and on overpayments shall be paid by the department, at the rate of six percent per annum, computed in the manner and in accordance with the provisions of the Internal Revenue Code relating thereto.

**NEW SECTION.** Sec. 82A-45. **Transferee Liability.** The provisions of the Internal Revenue Code relating to the liability of transferees of property and of fiduciaries, including those relating to the imposition of liability, the method of collection and the period of limitation, shall apply to the taxes imposed under this Title.

**NEW SECTION.** Sec. 82A-46. **Employer Withholding Requirements.**
(1) Every employer making a payment of wages or salaries earned in this state shall deduct and withhold a tax in such amount as shall be prescribed in tables promulgated by the department to reasonably reflect the tax liability of the employee under this Title, and which shall be computed by the department in such a manner as to result as closely as possible in annual withholding of the taxpayer's annual tax liability. Every employer making a deduction and withholding as outlined above, shall furnish to the employee a record of the amount of tax withheld from such employee on forms to be prescribed upon request and furnished by the department. Remittance of taxes withheld shall be made at such times and in such manner as are prescribed by regulations to be prescribed by the department, which regulations insofar as practicable shall be in conformity with the provisions of the Internal Revenue Code and regulations adopted thereunder.

(2) If the employee is a resident of this state and earns income from personal services entirely performed in another state which imposes an income tax on such income and the employer is required by the laws of the state in which such income is earned to withhold state income taxes for such state and does in fact do so, the employer shall not be required to withhold any tax imposed by this Title on such income (provided the laws of the state in which such income is earned allows a similar exemption for its residents who earn such income in this state).

NEW SECTION. Sec. 82A-47. Liability of Employer for Tax Withheld. Every employer or any other person required under any provisions of the Internal Revenue Code to deduct and withhold taxes from wages or salaries making payments of wages or salaries earned in this state, regardless of the place where such payment is made, shall be liable for the payment of the tax required to be deducted and withheld under section 82A-46 of this Title and shall not be liable to any individual for the amount of any such payment. Whenever any person is required to collect or withhold the tax imposed by this Title from any other person and to pay over such tax to the department, the amount of tax so collected or withheld shall be held to be a special fund in trust for this state.

NEW SECTION. Sec. 82A-48. Withholding by Govermental Entity. If the employer is the United States or this state or any political subdivision thereof, or an agency or instrumentality of any one or more of the foregoing, the return of the amount deducted and withheld upon any wages or salaries may be made by any officer of said employer having control of the payment of such wages and salaries or appropriately designated for that purpose.

NEW SECTION. Sec. 82A-49. Credit for Tax Withheld; How Claimed. The amount so deducted and withheld as tax under sections
82A-46 through 82A-48 of this Title during any taxable year shall be allowed as a credit against the tax imposed for such taxable year by this Title. If the tax liability of any individual shown by the return is less than the total amount of the credit which he is entitled to claim pursuant to this section, such individual shall be entitled to a refund in the amount of the excess of the credit over the net income tax otherwise due. If any individual entitled to claim a credit pursuant to this section is not otherwise required by this Title to file a return, a refund may be obtained in the amount of such credit by filing a return, completed insofar as may be applicable, and claiming such refund. No credit or refund shall be allowed pursuant to this section unless such credit or refund is claimed on a return filed for the taxable year for which such amount was so deducted and withheld.

NEW SECTION. Sec. 82A-50. Closing Agreements and Compromises. The provisions of the Internal Revenue Code relating to closing agreements and compromises shall apply to the taxes imposed under this Title.

NEW SECTION. Sec. 82A-51. Service of Process. (1) Any person who incurs tax liability under this Title, and who removes from this state or conceals his whereabouts, shall be deemed thereby to appoint the secretary of state of this state his agent for service of process or notice in any judicial or administrative proceeding under this Title. Such process or notice shall be served by the department on the secretary of state by leaving, at the office of the secretary of state, at least fifteen days before the return day of such process or notice, a true and certified copy thereof, and by sending to the person by registered or certified mail, a like and true certified copy with an endorsement thereon of the service upon said secretary of state, addressed to such person at his last known address.

(2) Service of process or notice in the manner and under the circumstances provided in this section, shall be of the same force and validity as if served upon the person personally within this state. Proof of such service may be made in such judicial or administrative proceeding by the affidavit of the authorized agent of the department who made such service, with a copy of the process or notice that was so served attached to such affidavit.

NEW SECTION. Sec. 82A-52. Deficiency Procedures. All of the provisions of the Internal Revenue Code relating to income tax deficiency procedures, including the provisions thereof relating to notice of deficiency, tax court jurisdiction to review deficiencies, and procedures for invoking such jurisdiction shall apply to the tax imposed under this Title.

NEW SECTION. Sec. 82A-53. Board of Tax Appeals Jurisdiction.
Jurisdiction is hereby conferred on the state board of tax appeals to review income tax deficiencies. In all cases in which the board has jurisdiction under this section:

(1) The taxpayer or the department may elect either a formal or informal hearing, such election to be made according to rules of practice and procedure to be promulgated by the board; and

(2) The provisions of RCW 82.03.100 through 82.03.120 and RCW 82.03.150 through 82.03.170 shall be applicable with respect to hearings and decisions.

NEW SECTION. Sec. 82A-54. Judicial Review on Appeal From Board. Within thirty days after the final decision of the board in a case in which it has jurisdiction and in which a formal hearing has been elected, the taxpayer or the department may appeal to the court of appeals. Such appeal shall be perfected by filing with the clerk of the court of appeals a petition for review and by serving a copy thereof by mail or personally on the opposing party. The petitioner shall pay the costs of preparing the record of the hearing, and thereafter the board shall file with the clerk of the court the original or a certified copy of the entire record of the proceeding under review. The provisions of RCW 34.04.130 (6) shall be applicable to such review, and a bond shall be required for such review if requested by the department. The appropriate division of the court of appeals in which the petition for review is to be filed shall be, at the option of the petitioner, either division II or that division containing the district in which there is located the petitioner's residence or principal place of business. The method of judicial review of the Board of Tax Appeals decision provided for herein shall be exclusive: PROVIDED, HOWEVER, That nothing herein shall be construed to prevent an appeal from the court of appeals to the state supreme court in the same manner as in other civil cases: AND PROVIDED FURTHER, That nothing herein shall be construed to allow judicial review of a final decision of the board in which a formal hearing has not been elected.

NEW SECTION. Sec. 82A-55. Rules and Regulations. The department shall have the power to make and publish rules and regulations in accordance with chapter 34.04 RCW for the administration and enforcement of this Title, not inconsistent with the provisions of this Title. The rules insofar as possible without being inconsistent with the provisions of this Title, shall follow the rulings of the United States internal revenue service with respect to the federal income tax, and the department may adopt as a part of such rules any portions of the Internal Revenue Code or rulings, in whole or in part.

NEW SECTION. Sec. 82A-56. Judicial Review of Claim for Refund. Any person having filed a claim for refund or credit of any
tax, penalty, or other sum collected pursuant to this Title may, within the applicable period of limitation provided for in section 82A-41 of this Title, sue for a refund or credit of such tax, penalty or other sum in the superior court of Thurston county. All procedures and rights of appeal governing other civil actions shall be applicable to such proceedings. The provisions of this section shall not apply to any tax payment which has been the subject of an appeal to the state board of tax appeals with respect to which appeal a formal hearing has been held.

NEW SECTION. Sec. 82A-57. Confidential Nature of Tax Information. Except as hereinafter provided it shall be unlawful for the department of revenue or any member, deputy, clerk, agent, employee, or representative thereof or any other person to make known or reveal any facts or information contained in any return filed by any taxpayer or disclosed in any investigation or examination of the taxpayer's books and records made in connection with the administration hereof. The foregoing, however, shall not be construed to prohibit the department of revenue or a member or employee thereof from: (1) Giving such facts or information in evidence in any court action involving tax imposed hereunder or involving a violation of the provisions hereof or involving another state department or agency and the taxpayer; (2) giving such facts and information to the taxpayer or his duly authorized agent; (3) publishing statistics so classified as to prevent the identification of particular returns or reports or items thereof; (4) giving any such facts or information to the proper officer of the internal revenue service of the United States or to the proper officer of the tax department of any state, for official purposes, but only if the statutes of the United States or of such other state, as the case may be, grant substantially similar privileges to the proper officers of this state; or (5) giving any such facts or information to the Department of Justice or the army or navy departments of the United States, or any authorized representative thereof, for official purposes; or (6) giving any such facts or information to the Multistate Tax Commission or any authorized representative thereof for any official purposes of the Multistate Tax Commission including the conducting of audits on behalf of this state or any other state.

Any person acquiring knowledge of such facts or information in the course of his employment with the department of revenue and any person acquiring knowledge of such facts and information as provided under subsections (4), (5) and (6) above, who reveals or makes known any such facts or information to another not entitled to knowledge of such facts or information under the provisions of this section, shall be punished by a fine of not exceeding one thousand dollars and, if the offender or person guilty of such violation is an officer or
employee of the state, he shall forfeit such office or employment and shall be incapable of holding any public office or employment in this state for a period of two years thereafter.

NEW SECTION. Sec. 82A-58. Tax Compact. To the extent that Article IV of chapter 82.56 RCW (Multistate Tax Compact) is in conflict with the allocation and apportion rules contained herein such Article is hereby superseded.

NEW SECTION. Sec. 59. An aggregate amount equal to no less than four percent of the collections of the state imposed net income tax (said collections to be computed on the basis of the rates, individual and corporate, contained in the act initially adopting a net income tax) shall be placed in a special account in the state general fund to be used exclusively for distribution, as provided by law to municipal corporations other than school districts.

NEW SECTION. Sec. 60. Effective Date. The provisions of this 1973 amendatory act shall take effect on January 1, 1974 if the proposed amendment to Article 7 of the state Constitution authorizing the legislature to impose a tax upon net income and to authorize property tax relief is validly submitted and is approved and ratified by the voters at a general election held in November, 1973. If such proposed amendment is not so submitted and approved and ratified, this 1973 amendatory act shall be null and void in its entirety.

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CHAPTER 142
[Engrossed Substitute Senate Bill No. 2336]
MENTALLY DISORDERED PERSONS--
COMMITMENT PROCEDURES