

1 AN ACT Relating to strengthening the tax structure, tax equity, and
2 essential governmental services by a voter-approved tax; amending RCW
3 82.08.020, 82.03.130, 82.03.140, 2.10.180, 2.12.090, 6.13.030,
4 6.15.020, 41.24.240, 41.35.100, 41.40.052, 41.44.240, and 43.43.310;
5 reenacting and amending RCW 41.32.052 and 41.26.053; adding a new title
6 to the Revised Code of Washington to be codified as Title 82A RCW;
7 repealing RCW 6.15.025; prescribing penalties; providing an effective
8 date; and providing for submission of this act to a vote of the people.

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

10 **PART I**

11 **GENERAL PROVISIONS**

12 NEW SECTION. **Sec. 101.** INTENT. The voters of Washington
13 recognize that the majority of state general funds are generated by the
14 sales tax collected on consumer transactions. The sales tax
15 disproportionately impacts lower-and middle-income families, who must
16 also manage the rising costs of health care, child care, and work-
17 related expenses. The economic crisis impacting the state in the 2009-
18 2011 biennium is an indicator that Washington's tax system requires

1 more stability and fairness to maintain vital state services, such as
2 education, health care, access to higher education, and programs for
3 the elderly and disabled. Therefore, it is the intent of the voters of
4 Washington state to provide the necessary revenues to strengthen our
5 tax structure by approving the imposition of the tax in this act and to
6 promote tax equity by reducing the state sales tax rate.

7 **PART II**
8 **DECREASED STATE SALES TAX RATE**

9 **Sec. 201.** RCW 82.08.020 and 2006 c 1 s 3 are each amended to read
10 as follows:

11 (1) There is levied and (~~there shall be~~) collected a tax on each
12 retail sale in this state equal to (~~six~~) five and five-tenths percent
13 of the selling price.

14 (2) There is levied and (~~there shall~~) be collected an additional
15 tax on each retail car rental, regardless of whether the vehicle is
16 licensed in this state, equal to five and nine-tenths percent of the
17 selling price. The revenue collected under this subsection (~~shall~~)
18 must be deposited in the multimodal transportation account created in
19 RCW 47.66.070.

20 (3) Beginning July 1, 2003, there is levied and collected an
21 additional tax of three-tenths of one percent of the selling price on
22 each retail sale of a motor vehicle in this state, other than retail
23 car rentals taxed under subsection (2) of this section. The revenue
24 collected under this subsection (~~shall~~) must be deposited in the
25 multimodal transportation account created in RCW 47.66.070.

26 (4) For purposes of subsection (3) of this section, "motor vehicle"
27 has the meaning provided in RCW 46.04.320, but does not include farm
28 tractors or farm vehicles as defined in RCW 46.04.180 and 46.04.181,
29 off-road and nonhighway vehicles as defined in RCW 46.09.020, and
30 snowmobiles as defined in RCW 46.10.010.

31 (5) Beginning on December 8, 2005, 0.16 percent of the taxes
32 collected under subsection (1) of this section (~~shall~~) must be
33 dedicated to funding comprehensive performance audits required under
34 RCW 43.09.470. The revenue identified in this subsection (~~shall~~)
35 must be deposited in the performance audits of government account
36 created in RCW 43.09.475.

1 (6) The taxes imposed under this chapter (~~shall~~) apply to
2 successive retail sales of the same property.

3 (7) The rates provided in this section apply to taxes imposed under
4 chapter 82.12 RCW as provided in RCW 82.12.020.

5 **PART III**
6 **DEFINITIONS**

7 NEW SECTION. **Sec. 301.** INTRODUCTORY. Unless the context clearly
8 requires otherwise, the definitions in sections 302 through 312 of this
9 act apply throughout this title.

10 NEW SECTION. **Sec. 302.** ADJUSTED GROSS INCOME. "Adjusted gross
11 income" means adjusted gross income as determined under the internal
12 revenue code.

13 NEW SECTION. **Sec. 303.** DEPARTMENT. "Department" means the state
14 department of revenue.

15 NEW SECTION. **Sec. 304.** INDIVIDUAL. "Individual" means a natural
16 person.

17 NEW SECTION. **Sec. 305.** INTERNAL REVENUE CODE. "Internal revenue
18 code" means the United States internal revenue code of 1986 and
19 amendments thereto, as existing and in effect on January 1, 2010.

20 NEW SECTION. **Sec. 306.** PERSON OR COMPANY. "Person" or "company,"
21 herein used interchangeably, means any individual, receiver,
22 administrator, executor, assignee, trustee in bankruptcy, trust,
23 estate, firm, copartnership, joint venture, club, company, joint stock
24 company, business trust, municipal corporation, political subdivision
25 of the state of Washington, corporation, limited liability company,
26 association, society, or any group of individuals acting as a unit,
27 whether mutual, cooperative, fraternal, nonprofit, or otherwise and the
28 United States or any instrumentality thereof.

29 NEW SECTION. **Sec. 307.** RESIDENT. "Resident" includes an
30 individual who:

- 1 (1) Has resided in this state for the entire tax year; or
2 (2) Is domiciled in this state unless the individual:
3 (a) Maintains no permanent place of abode in this state; and
4 (b) Does not maintain a permanent place of abode elsewhere; and
5 (c) Spends in the aggregate not more than thirty days in the tax
6 year in this state; or
7 (3) Is not domiciled in this state, but maintains a permanent place
8 of abode in this state and spends in the aggregate more than one
9 hundred eighty-three days of the tax year in this state unless the
10 individual establishes to the satisfaction of the director of revenue
11 that the individual is in the state only for temporary or transitory
12 purposes; or
13 (4) Claims the state of Washington as the individual's tax home for
14 federal income tax purposes.

15 NEW SECTION. **Sec. 308.** S CORPORATION. "S corporation" means an
16 S corporation as defined in section 1361 of the internal revenue code.

17 NEW SECTION. **Sec. 309.** TAXABLE INCOME. "Taxable income" means
18 taxable income as determined under the internal revenue code.

19 NEW SECTION. **Sec. 310.** TAXABLE YEAR. "Taxable year" means the
20 taxpayer's taxable year as defined under the internal revenue code.

21 NEW SECTION. **Sec. 311.** TAXPAYER. "Taxpayer" means an individual
22 receiving income subject to tax under this title.

23 NEW SECTION. **Sec. 312.** DEFINITION OF TERMS GENERALLY. Except as
24 provided in sections 301 through 311 of this act, any term used in this
25 title has the same meaning as when used in a comparable context in the
26 internal revenue code.

27 **PART IV**
28 **DETERMINATION OF TAX**

29 NEW SECTION. **Sec. 401.** TAX IMPOSED--RATE. For income earned on
30 or after January 1, 2011, a tax is imposed at the rate of four and
31 five-tenths percent on all taxable income of resident individuals and

1 on all individuals deriving income from sources in Washington for each
2 taxable year. Taxable income of a taxpayer exempt from taxation by
3 internal revenue code section 501 is exempt from taxation by this
4 title.

5 NEW SECTION. **Sec. 402.** CREDIT FOR INCOME TAXES DUE ANOTHER
6 JURISDICTION. (1) A resident individual is allowed a credit against
7 the tax imposed under this title for the amount of any income tax
8 imposed by another state or foreign country, or political subdivision
9 of the state or foreign country, on income taxed under this title,
10 subject to the following conditions, which must be imposed separately
11 with respect to each taxing jurisdiction:

12 (a) The credit is allowed only for taxes imposed by the other
13 jurisdiction on net income from sources within that jurisdiction; and

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

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

17 (ii) The amount of tax due under this title before application of
18 credits allowable by this title, multiplied by a fraction. The
19 numerator of the fraction is the amount of the taxpayer's taxable
20 income subject to tax in the other jurisdiction. The denominator of
21 the fraction is the taxpayer's total taxable income as modified by this
22 title. The fraction may never be greater than one.

23 (2) If, in lieu of a credit similar to the credit allowed under
24 subsection (1) of this section, the laws of the other taxing
25 jurisdiction contain a provision exempting a resident of this state
26 from liability for the payment of income taxes on income earned for
27 personal services performed in such jurisdiction, then the director is
28 authorized to enter into a reciprocal agreement with such jurisdiction
29 providing a similar tax exemption on income earned for personal
30 services performed in this state.

31 NEW SECTION. **Sec. 403.** DUAL RESIDENCE. If an individual is
32 regarded as a resident both of this state and another jurisdiction for
33 state personal income tax purposes, the department must reduce the tax
34 on that portion of the taxpayer's income which is subjected to tax in
35 both jurisdictions solely by virtue of dual residence, if the other
36 taxing jurisdiction allows a similar reduction. The reduction must

1 equal the lower of the two taxes applicable to the income taxed twice,
2 multiplied by a fraction. The numerator of the fraction is the tax
3 imposed by this state on the income taxed twice. The denominator of
4 the fraction is the tax imposed by both jurisdictions on the income
5 taxed twice. The fraction may never be greater than one.

6 NEW SECTION. **Sec. 404.** BUSINESS AND OCCUPATION TAX CREDIT. (1)
7 There is allowed a credit against the tax imposed by this title in the
8 amount of the state of Washington business and occupation tax paid by
9 the taxpayer in the tax year subject to the limitation of subsection
10 (2) of this section.

11 (2) The credit may not exceed the smaller of:

12 (a) The amount of business and occupation tax paid; or

13 (b) The amount of tax of the taxpayer imposed by this title before
14 the application of credits allowed by this title, multiplied by a
15 fraction:

16 (i) The numerator is the amount of the taxpayer's taxable income
17 attributable to activities subject to business and occupation tax; and

18 (ii) The denominator is the taxpayer's taxable income as modified
19 by this title. The fraction may never be greater than one.

20 NEW SECTION. **Sec. 405.** PUBLIC UTILITY TAX CREDIT. (1) There is
21 allowed a credit against the tax imposed by this title in the amount of
22 the state of Washington public utility tax paid by the taxpayer in the
23 tax year subject to the limitation of subsection (2) of this section.

24 (2) The credit may not exceed the smaller of:

25 (a) The amount of public utility tax paid; or

26 (b) The amount of tax of the taxpayer imposed by this title before
27 the application of credits allowed by this title, multiplied by a
28 fraction:

29 (i) The numerator is the amount of the taxpayer's taxable income
30 attributable to activities subject to public utility tax; and

31 (ii) The denominator is the taxpayer's taxable income as modified
32 by this title. The fraction may never be greater than one.

33 NEW SECTION. **Sec. 406.** CARRYFORWARDS AND CARRYBACKS. The amount
34 of tax credits received by any taxpayer under sections 402, 404, and

1 405 of this act may not exceed the total amount of tax due, and there
2 may be no carryback or carryforward of any unused excess credits.

3 **PART V**

4 **TAXABLE INCOME MODIFICATIONS**

5 NEW SECTION. **Sec. 501.** INTRODUCTORY. In computing taxable
6 income, modifications must be made to the taxpayer's taxable income as
7 required under sections 401 through 506 of this act, unless the
8 modification has the effect of duplicating an item of income or
9 deduction.

10 NEW SECTION. **Sec. 502.** CARRYOVERS. To taxable income, add
11 amounts which have been deducted in computing taxable income to the
12 extent the amounts have been carried over from taxable years ending
13 before the effective date of this act.

14 NEW SECTION. **Sec. 503.** FEDERAL OBLIGATIONS. From taxable income,
15 deduct, to the extent included in taxable income, income derived from
16 obligations of the United States which this state is prohibited by
17 federal law from subjecting to a net income tax. However, the amount
18 deducted under this section must be reduced by any expense, including
19 amortizable bond premiums, incurred in the production of such income to
20 the extent the expense has been deducted in calculating taxable income.

21 NEW SECTION. **Sec. 504.** STANDARD DEDUCTION. There is allowed from
22 taxable income the following standard deductions. The standard
23 deduction for an individual is:

24 (1) In the case of a joint return or a surviving spouse, four
25 hundred thousand dollars;

26 (2) In the case of the head of a household, three hundred thousand
27 dollars;

28 (3) In the case of an individual who is not married and who is not
29 a surviving spouse or head of a household and in the case of a married
30 individual filing a separate return, two hundred thousand dollars.

31 NEW SECTION. **Sec. 505.** ADJUSTMENT OF STANDARD DEDUCTIONS FOR
32 NONRESIDENTS. The deduction from taxable income allowed under section

1 504 of this act for individual taxpayers who are not residents of this
2 state for the entire taxable year must be reduced by multiplying the
3 amount of the deduction by a fraction. The numerator of the fraction
4 is the individual's taxable income attributable to sources within the
5 state of Washington. The denominator of the fraction is the
6 individual's taxable income from all sources. The fraction may never
7 be greater than one.

8 NEW SECTION. **Sec. 506.** TAX RETURNS FOR FRACTIONAL YEAR. (1) If
9 the first taxable year of any taxpayer with respect to which a tax is
10 imposed by this title ends before December 31st of the calendar year in
11 which this title becomes effective, the taxable income for the
12 fractional taxable year is the taxpayer's taxable income for the entire
13 taxable year, adjusted by one of the following methods, at the
14 taxpayer's election:

15 (a) The taxable income must be multiplied by a fraction. The
16 numerator of the fraction is the number of days in the fractional
17 taxable year. The denominator of the fraction is the number of days in
18 the entire taxable year.

19 (b) The taxable income must be adjusted, in accordance with rules
20 of the department, so as to include only such income and be reduced
21 only by such deductions as can be clearly determined from the permanent
22 records of the taxpayer to be attributable to the fractional taxable
23 year.

24 (2) If an individual taxpayer's taxable income is adjusted under
25 subsection (1) of this section, the deduction amounts allowed under
26 section 504 of this act for the taxpayer must be reduced by multiplying
27 the amount of the exemption by a fraction. The numerator of the
28 fraction is the number of days in the taxpayer's fractional taxable
29 year. The denominator of the fraction is the number of days in the
30 entire taxable year.

31 **PART VI**

32 **DIVISION OF INCOME, MODIFICATIONS, AND CREDITS**

33 NEW SECTION. **Sec. 601.** APPORTIONMENT AND ALLOCATION OF INCOME.

34 (1) For resident individuals, all income must be apportioned and
35 allocated to this state.

1 (2) For nonresident individuals, income derived from sources within
2 this state must be apportioned and allocated to this state. For
3 purposes of this title:

4 (a) The taxable income of a nonresident derived from sources within
5 this state is the net amount of items of income, gain, loss, and
6 deduction of the nonresident's federal taxable income that are derived
7 from or connected with sources in this state including any distributive
8 share of partnership income and deductions, and any share of estate or
9 trust income and deductions, including any unrelated business income of
10 an otherwise exempt trust or organization.

11 (b) Items of income, gain, loss, and deduction derived from or
12 connected with sources within this state are those items attributable
13 to the ownership or disposition of any interest in real or tangible
14 personal property in this state, and a business, trade, profession, or
15 occupation carried on within this state. The department must issue
16 rules to provide consistency of this section with the excise tax
17 provisions.

18 (c) Deduction with respect to expenses, capital losses, and net
19 operating losses must be based solely on income, gains, losses, and
20 deductions derived from or connected with sources in this state but is
21 otherwise determined in the same manner as the corresponding federal
22 deduction except as provided in this title.

23 (d) Income from intangible personal property, including annuities,
24 dividends, interest, and gains from the disposition of intangible
25 personal property, constitutes income derived from sources within the
26 state of Washington only to the extent that such income is from
27 property employed in a business, trade, profession, or occupation
28 carried on within this state. However, distributed and undistributed
29 income of an electing S corporation for federal tax purposes derived
30 from or connected with sources within this state is income derived from
31 sources within this state for a nonresident shareholder. A net
32 operating loss of such corporation does constitute a loss or deduction
33 connected with sources within this state for a nonresident shareholder.

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

37 (f) If a business, trade, profession, or occupation is carried on
38 partly within and partly without this state, the determination of net

1 income derived or connected with sources within this state as provided
2 in this section must be made by apportionment and allocation of chapter
3 82.56 RCW.

4 NEW SECTION. **Sec. 602.** PARTNERSHIPS AND S CORPORATIONS. (1)
5 Partnerships are not subject to tax under this title. Partners are
6 subject to tax in their separate or individual capacities.

7 (2) S corporations are not subject to tax under this title.
8 Shareholders of S corporations are subject to tax in their separate or
9 individual capacities.

10 (3) The taxable incomes of partners must be computed by including
11 a pro rata share of the modifications under sections 501 through 603 of
12 this act and the credits allowed under sections 402, 404, and 405 of
13 this act, if the modification or credit relates to the income of the
14 partnership. Each partner's pro rata share of a modification or credit
15 is the amount of modification or credit multiplied by a fraction. The
16 numerator of the fraction is the partner's distributive share of
17 partnership income. The denominator of the fraction is the total
18 partnership income. The fraction may never be greater than one.

19 (4) The taxable incomes of shareholders of S corporations must be
20 computed by including a share of the modifications under sections 501
21 through 603 of this act and the credits allowed under sections 402,
22 404, and 405 of this act, if the modification or credit relates to the
23 income of the S corporation. Each shareholder's share of a
24 modification or credit is the amount of modification or credit
25 multiplied by a fraction. The numerator of the fraction is the
26 shareholder's pro rata share of S corporation income. The denominator
27 of the fraction is the total S corporation income. The fraction may
28 never be greater than one.

29 (5) As used in this section:

30 (a) "S corporation income" includes both distributed and
31 undistributed federal taxable income of the S corporation.

32 (b) "Pro rata share" means pro rata share as determined under
33 section 1366(a) of the internal revenue code.

34 NEW SECTION. **Sec. 603.** BENEFICIARIES OF ESTATES AND TRUSTS. (1)
35 The taxable incomes of beneficiaries of estates and trusts thereof must

1 be computed by including a share of the modifications under sections
2 501 through 602 of this act and this section and the credits allowed
3 under sections 402, 404, and 405 of this act.

4 (2) Each taxpayer's share of a modification or credit is the amount
5 of modification or credit multiplied by a fraction. The numerator of
6 the fraction is the taxpayer's share of the distributable net income of
7 the estate or trust. The denominator of the fraction is the total
8 distributable net income of the estate or trust. The fraction may
9 never be greater than one.

10 (3) As used in this section, "distributable net income" means
11 distributable net income as defined in the internal revenue code. If
12 an estate or trust has no federal distributable net income, the term
13 means the income of the estate or trust which is distributed or is
14 required to be distributed during the taxable year under local law or
15 the terms of the estate or trust instrument.

16 PART VII

17 WITHHOLDING--ESTIMATED TAX

18 NEW SECTION. **Sec. 701.** EMPLOYER WITHHOLDING--REQUIREMENTS. (1)
19 Every employer making a payment of wages or salaries earned in this
20 state, regardless of the place where the payment is made, and who is
21 required by the internal revenue code to withhold taxes, must deduct
22 and withhold a tax as prescribed by the department by rule. The rules
23 prescribed must reasonably reflect the annual tax liability of the
24 employee under this title. Every employer making such a deduction and
25 withholding must furnish to the employee a record of the amount of tax
26 deducted and withheld from the employee on forms provided by the
27 department.

28 (2) If the employee is a resident of this state and earns income
29 from personal services entirely performed in another state which
30 imposes an income tax on the income, and the employer withholds income
31 taxes under the laws of the state in which the income is earned, the
32 employer is not required to withhold any tax imposed by this title on
33 the income if the laws of the state in which the income is earned allow
34 a similar exemption for its residents who earn income in this state.

1 NEW SECTION. **Sec. 702.** LIABILITY OF EMPLOYER FOR TAX WITHHELD.

2 Any person required to deduct and withhold the tax imposed by this
3 title is liable to the department for the payment of the amount
4 deducted and withheld, and is not liable to any other person for the
5 amount of tax deducted and withheld under this title or for the act of
6 withholding. The amount of tax so deducted and withheld must be held
7 to be a special fund in trust for this state.

8 NEW SECTION. **Sec. 703.** CREDIT FOR TAX WITHHELD--HOW CLAIMED. The

9 amount deducted and withheld as tax under sections 701 through 706 of
10 this act during any taxable year is allowed as a credit against the tax
11 imposed for the taxable year by this title. If the liability of any
12 individual for taxes, interest, penalties, or other amounts due the
13 state of Washington is less than the total amount of the credit which
14 the individual is entitled to claim under this section, the individual
15 is entitled to a refund from the department in the amount of the excess
16 of the credit over the tax otherwise due. If any individual entitled
17 to claim a credit under this section is not otherwise required by this
18 title to file a return, a refund may be obtained in the amount of the
19 credit by filing a return, with applicable sections completed, to claim
20 the refund. No credit or refund is allowed under this section unless
21 the credit or refund is claimed on a return filed for the taxable year
22 for which the amount was deducted and withheld.

23 NEW SECTION. **Sec. 704.** WITHHOLDING--EXEMPTION DECLARATIONS. An

24 employee is entitled to use and an employer must use the withholding
25 exemption declaration on file with the employer for federal income tax
26 purposes. The department may redetermine the number of withholding
27 exemptions to which any employee is entitled, and the department may
28 require an additional withholding exemption declaration to be filed on
29 a form prescribed by the department where the department finds that the
30 exemption declaration filed for federal income tax purposes does not
31 properly reflect the number of withholding exemptions to which the
32 employee is entitled.

33 NEW SECTION. **Sec. 705.** WITHHOLDING--FAILURE TO PAY OR COLLECT--

34 PENALTIES. (1) The tax required by this title to be collected by the
35 employer is deemed to be held in trust by the employer until paid to

1 the department. Any employer who appropriates or converts the tax
2 deducted and withheld to his or her own use or to any use other than as
3 prescribed in this chapter is guilty of a gross misdemeanor.

4 (2) In case any employer, or a responsible person within the
5 meaning of internal revenue code section 6672, fails to collect the tax
6 herein imposed or having collected the tax, fails to pay it to the
7 department, the employer or responsible person is, nevertheless,
8 personally liable to the state for the amount of the tax. The interest
9 and penalty provisions of chapter 82.32 RCW apply to this section.

10 NEW SECTION. **Sec. 706.** ESTIMATED TAX IMPOSED--DUE DATE OF
11 ESTIMATED TAXES--AMOUNT OF ESTIMATED TAX--UNDERPAYMENT PENALTY. (1)
12 Each individual subject to taxation by this title which is required by
13 the internal revenue code to make payment of estimated taxes must pay
14 to the department on forms prescribed by the department the estimated
15 taxes due under this title.

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

20 (3) The amount of the estimated tax is the annualized tax divided
21 by the number of months in the reporting period. No estimated tax is
22 due if the annualized tax is less than five hundred dollars. The
23 provisions of RCW 82.32.050 and 82.32.090 apply to underpayments of
24 estimated tax but do not apply to underpayments, as defined by the
25 internal revenue code, if the tax remitted to the department is either
26 ninety percent of the tax shown on the return or one hundred percent of
27 the tax shown on the previous year's tax return.

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

32 **PART VIII**
33 **CRIMES**

34 NEW SECTION. **Sec. 801.** CRIMES. (1) Any person who knowingly

1 attempts to evade the tax imposed under this title or payment thereof
2 is guilty of a class C felony as provided in chapter 9A.20 RCW.

3 (2) Any person required to collect tax imposed under this title who
4 knowingly fails to collect, truthfully account for, or pay over the tax
5 is guilty of a class C felony as provided in chapter 9A.20 RCW.

6 (3) Any person who knowingly fails to pay tax, pay estimated tax,
7 make returns, keep records, or supply information, as required under
8 this title, is guilty of a gross misdemeanor as provided in chapter
9 9A.20 RCW.

10 **PART IX**

11 **ADMINISTRATIVE PROVISIONS**

12 NEW SECTION. **Sec. 901.** METHOD OF ACCOUNTING. (1) A taxpayer's
13 method of accounting for purposes of the tax imposed under this title
14 must be the same as the taxpayer's method of accounting for federal
15 income tax purposes. If no method of accounting has been regularly
16 used by a taxpayer for federal income tax purposes or if the method
17 used does not clearly reflect income, tax due under this title must be
18 computed by a method of accounting which in the opinion of the
19 department fairly reflects income.

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

23 NEW SECTION. **Sec. 902.** PERSONS REQUIRED TO FILE RETURNS. (1) All
24 taxpayers must file with the department, on forms prescribed by the
25 department, an income tax return for each tax year. Each person
26 required to file a return under this title must, without assessment,
27 notice, or demand, pay any tax due thereon to the department on or
28 before the date fixed for the filing of the return.

29 (2) The department may by rule require that certain taxpayers file,
30 on forms prescribed by the department, informational returns for any
31 period. Each person required by rule to file an informational return
32 must, without assessment, notice, or demand, pay any tax due thereon to
33 the department on or before the date fixed for the filing of the
34 informational return.

1 (3) If an adjustment to a taxpayer's federal return is made by the
2 taxpayer or the internal revenue service, the taxpayer must, within
3 ninety days of the final determination of the adjustment by the
4 internal revenue service or within thirty days of the filing of a
5 federal return adjusted by the taxpayer, file with the department on
6 forms prescribed by the department a corrected return reflecting the
7 adjustments as finally determined. The taxpayer must pay any
8 additional tax due resulting from the finally determined internal
9 revenue service adjustment or a taxpayer adjustment without notice and
10 assessment. Notwithstanding any provision of this title or any other
11 title to the contrary, the period of limitation for the collection of
12 the additional tax, interest, and penalty due as a result of an
13 adjustment by the taxpayer or a finally determined internal revenue
14 service adjustment begins at the later of thirty days following the
15 final determination of the adjustment or the date of the filing of the
16 corrected return.

17 NEW SECTION. **Sec. 903.** DUE DATE FOR FILING A RETURN--EXTENSIONS--
18 INTEREST AND PENALTIES. The due date of a return required to be filed
19 with the department is the due date of the federal income tax return or
20 informational return for federal income tax purposes. The department
21 has the authority to grant extensions of times by which returns
22 required to be filed by this title may be submitted. The department
23 also has the authority to grant extensions of time to pay tax with
24 regard to taxes imposed by this title. Interest at the rate as
25 specified in RCW 82.32.050 accrues during any extension period and the
26 interest and penalty provisions of chapter 82.32 RCW apply to late
27 payments and deficiencies. Notwithstanding the limitation of RCW
28 82.32.090, in the case of the late filing of an informational return,
29 there is imposed a penalty the amount of which must be established by
30 the department by rule. The penalty may not exceed fifty dollars per
31 month for a maximum of ten months. RCW 82.32.105 applies to this
32 section.

33 NEW SECTION. **Sec. 904.** JOINT RETURN. (1) If the federal income
34 tax liabilities of both spouses are determined on a joint federal
35 return for the taxable year, they must file a joint return under this
36 title unless one spouse is a resident and the other is a nonresident.

1 (2) If neither spouse is required to file a federal income tax
2 return for the taxable year, a joint return may be filed under this
3 title under the same conditions under which a joint return may be filed
4 for purposes of the federal income tax.

5 (3) If the federal income tax liability of either spouse is
6 determined on a separate federal return for the taxable year, they must
7 file separate returns under this title.

8 (4) If one spouse is a resident and the other is a nonresident,
9 they must file separate returns under this title, unless they elect to
10 determine their tax liabilities under this title on a joint return as
11 if they were both residents, and:

12 (a) Their federal tax liability for the taxable year was determined
13 on a joint federal return; or

14 (b) Neither spouse has filed a federal income tax return for the
15 taxable year and they would be permitted to file a joint federal return
16 for the taxable year.

17 (5) In any case in which a joint return is filed under this
18 section, the liability of the husband and wife is joint and several,
19 unless the spouse is relieved of liability under section 6013 of the
20 internal revenue code.

21 NEW SECTION. **Sec. 905.** RECORDS--RETURNS. (1) Every taxpayer and
22 every person required to deduct and withhold the tax imposed under this
23 title must keep records, render statements, make returns, file reports,
24 and perform other acts as the department requires by rule. Each return
25 is made under penalty of perjury and on forms prescribed by the
26 department. The department may require other statements and reports be
27 made under penalty of perjury and on forms prescribed by the
28 department. The department may require any taxpayer and any person
29 required to deduct and withhold the tax imposed under this title to
30 furnish to the department a correct copy of any return or document
31 which the taxpayer has filed with the internal revenue service or
32 received from the internal revenue service.

33 (2) All books and records and other papers and documents required
34 to be kept under this title are subject to inspection by the department
35 at all times during business hours of the day.

1 NEW SECTION. **Sec. 906.** ESTIMATION AGREEMENTS. The department may
2 reasonably estimate the items of business or nonbusiness income of a
3 taxpayer having an office within the state and one or more other states
4 or foreign countries which may be apportioned or allocated to the state
5 and may enter into estimation agreements with such taxpayers for the
6 determination of their liability for the tax imposed by this title.

7 NEW SECTION. **Sec. 907.** PROVISIONS OF INTERNAL REVENUE CODE
8 CONTROL. (1) To the extent possible without being inconsistent with
9 this title, all of the provisions of the internal revenue code relating
10 to the following subjects apply to the taxes imposed under this title:

11 (a) Time of payment of tax deducted and withheld under sections 401
12 through 406 of this act;

13 (b) Liability of transferees;

14 (c) Time and manner of making returns, extensions of time for
15 filing returns, verification of returns, and the time when a return is
16 deemed filed.

17 (2) The department by rule may provide modifications and exceptions
18 to the provisions listed in subsection (1) of this section, if
19 reasonably necessary to facilitate the prompt, efficient, and equitable
20 collection of tax under this title.

21 NEW SECTION. **Sec. 908.** REFUNDS OF OVERPAYMENTS--OTHER
22 ADMINISTRATIVE PROVISIONS. (1) The department must refund all taxes
23 improperly paid or collected.

24 (2) The following sections apply to the administration of taxes
25 imposed under this title: RCW 82.32.020, 82.32.050, 82.32.060,
26 82.32.070, 82.32.090, 82.32.100, 82.32.105, 82.32.110, 82.32.120,
27 82.32.130, 82.32.140, 82.32.150, 82.32.160, 82.32.170, 82.32.180,
28 82.32.190, 82.32.200, 82.32.210, 82.32.220, 82.32.230, 82.32.235,
29 82.32.237, 82.32.240, 82.32.245, 82.32.265, 82.32.300, 82.32.310,
30 82.32.320, 82.32.330, 82.32.340, 82.32.350, and 82.32.360.

31 NEW SECTION. **Sec. 909.** RULES. The department may adopt rules
32 under chapter 34.05 RCW for the administration and enforcement of this
33 title. The rules, to the extent possible without being inconsistent
34 with this title, must follow the internal revenue code and the
35 regulations and rulings of the United States treasury department with

1 respect to the federal income tax. The department may adopt as a part
2 of these rules any portions of the internal revenue code and treasury
3 department regulations and rulings, in whole or in part.

4 **PART X**
5 **APPEALS**

6 **Sec. 1001.** RCW 82.03.130 and 2005 c 253 s 7 are each amended to
7 read as follows:

8 (1) The board shall have jurisdiction to decide the following types
9 of appeals:

10 (a) Appeals taken pursuant to RCW 82.03.190.

11 (b) Appeals from a county board of equalization pursuant to RCW
12 84.08.130.

13 (c) Appeals by an assessor or landowner from an order of the
14 director of revenue made pursuant to RCW 84.08.010 and 84.08.060, if
15 filed with the board of tax appeals within thirty days after the
16 mailing of the order, the right to such an appeal being hereby
17 established.

18 (d) Appeals by an assessor or owner of an intercounty public
19 utility or private car company from determinations by the director of
20 revenue of equalized assessed valuation of property and the
21 apportionment thereof to a county made pursuant to chapter 84.12 and
22 84.16 RCW, if filed with the board of tax appeals within thirty days
23 after mailing of the determination, the right to such appeal being
24 hereby established.

25 (e) Appeals by an assessor, landowner, or owner of an intercounty
26 public utility or private car company from a determination of any
27 county indicated ratio for such county compiled by the department of
28 revenue pursuant to RCW 84.48.075(~~(+ PROVIDED, That)~~). However:

29 (i) (~~Said~~) The appeal must be filed after review of the ratio
30 under RCW 84.48.075(3) and not later than fifteen days after the
31 mailing of the certification; and

32 (ii) The hearing before the board (~~shall~~) must be expeditiously
33 held in accordance with rules prescribed by the board and (~~shall~~)
34 takes precedence over all matters of the same character.

35 (f) Appeals from the decisions of sale price of second class

1 shorelands on navigable lakes by the department of natural resources
2 pursuant to RCW ((79.94.210)) 79.125.450.

3 (g) Appeals from urban redevelopment property tax apportionment
4 district proposals established by governmental ordinances pursuant to
5 RCW 39.88.060.

6 (h) Appeals from interest rates as determined by the department of
7 revenue for use in valuing farmland under current use assessment
8 pursuant to RCW 84.34.065.

9 (i) Appeals from revisions to stumpage value tables used to
10 determine value by the department of revenue pursuant to RCW 84.33.091.

11 (j) Appeals from denial of tax exemption application by the
12 department of revenue pursuant to RCW 84.36.850.

13 (k) Appeals pursuant to RCW 84.40.038(3).

14 (l) Appeals pursuant to RCW 84.39.020.

15 (m) Appeals relating to income tax deficiencies and refunds,
16 including penalties and interest, under Title 82A RCW (sections 101 and
17 301 through 909 of this act).

18 (2) Except as otherwise specifically provided by law hereafter, the
19 provisions of RCW 1.12.070 ((shall)) apply to all notices of appeal
20 filed with the board of tax appeals.

21 **Sec. 1002.** RCW 82.03.140 and 2000 c 103 s 1 are each amended to
22 read as follows:

23 (1) In all appeals over which the board has jurisdiction under RCW
24 82.03.130, a party taking an appeal may elect either a formal or an
25 informal hearing, such election to be made according to rules of
26 practice and procedure to be promulgated by the board(~~(:—PROVIDED,~~
27 ~~That))~~).

28 (2) Nothing ((shall)) in this section prevents the assessor or
29 taxpayer, as a party to an appeal pursuant to RCW 84.08.130, within
30 twenty days from the date of the receipt of the notice of appeal, from
31 filing with the clerk of the board notice of intention that the hearing
32 be a formal one(~~(:—PROVIDED, HOWEVER, That))~~).

33 (3)(a) Nothing ((herein shall)) in this section may be construed to
34 modify the provisions of RCW 82.03.190(~~(:—AND PROVIDED FURTHER,~~
35 ~~That))~~).

36 (b) Upon an appeal under RCW 82.03.130(1) (e) or (m), the director
37 of revenue may, within ten days from the date of its receipt of the

1 notice of appeal, file with the clerk of the board notice of its
2 (~~intention that the hearing be held pursuant to chapter 34.05 RCW~~)
3 election of a formal hearing. In the event that appeals are taken from
4 the same decision, order, or determination, as the case may be, by
5 different parties and only one of such parties elects a formal hearing,
6 a formal hearing (~~shall~~) must be granted.

7 **PART XI**

8 **APPLICATION OF TAX TO PUBLIC PENSIONS**

9 **Sec. 1101.** RCW 2.10.180 and 1991 c 365 s 18 are each amended to
10 read as follows:

11 (1) Except as provided in subsections (2), (3), (~~and~~) (4), and
12 (5) of this section, the right of a person to a retirement allowance,
13 disability allowance, or death benefit, the retirement, disability or
14 death allowance itself, any optional benefit, any other right accrued
15 or accruing to any person under the provisions of this chapter, and the
16 moneys in the fund created under this chapter, are (~~hereby~~) exempt
17 from any state, county, municipal, or other local tax and (~~shall~~) are
18 not (~~be~~) subject to execution, garnishment, or any other process of
19 law whatsoever.

20 (2) Subsection (1) of this section (~~shall not be deemed to~~) does
21 not prohibit a beneficiary of a retirement allowance from authorizing
22 deductions therefrom for payment of premiums due on any group insurance
23 policy or plan issued for the benefit of a group comprised of public
24 employees of the state of Washington.

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

28 (4) Subsection (1) of this section (~~shall~~) does not prohibit the
29 department of retirement systems from complying with (a) a wage
30 assignment order for child support issued pursuant to chapter 26.18
31 RCW, (b) a notice of payroll deduction issued under chapter 26.23 RCW,
32 (c) an order to withhold and deliver issued pursuant to chapter 74.20A
33 RCW, (d) a mandatory benefits assignment order issued pursuant to
34 chapter 41.50 RCW, (e) a court order directing the department of
35 retirement systems to pay benefits directly to an obligee under a

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

4 (5) Subsection (1) of this section does not exempt any pension or
5 other benefit received under this chapter from tax under Title 82A RCW
6 (sections 101 and 301 through 909 of this act), nor does it prohibit
7 the department of retirement systems from complying with the tax
8 withholding requirements of that title.

9 **Sec. 1102.** RCW 2.12.090 and 1991 c 365 s 19 are each amended to
10 read as follows:

11 (1) Except as provided in subsections (2), (3), ~~((and))~~ (4), and
12 (5) of this section, the right of any person to a retirement allowance
13 or optional retirement allowance under the provisions of this chapter
14 and all moneys and investments and income thereof are exempt from any
15 state, county, municipal, or other local tax and ~~((shall))~~ are not
16 ~~((be))~~ subject to execution, garnishment, attachment, the operation of
17 bankruptcy or the insolvency laws, or other processes of law whatsoever
18 and ~~((shall-be))~~ are unassignable except as herein specifically
19 provided.

20 (2) Subsection (1) of this section ~~((shall))~~ does not prohibit the
21 department of retirement systems from complying with (a) a wage
22 assignment order for child support issued pursuant to chapter 26.18
23 RCW, (b) a notice of payroll deduction issued under chapter 26.23 RCW,
24 (c) an order to withhold and deliver issued pursuant to chapter 74.20A
25 RCW, (d) a mandatory benefits assignment order issued pursuant to
26 chapter 41.50 RCW, (e) a court order directing the department of
27 retirement systems to pay benefits directly to an obligee under a
28 dissolution order as defined in RCW 41.50.500(3) which fully complies
29 with RCW 41.50.670 and 41.50.700, or (f) any administrative or court
30 order expressly authorized by federal law.

31 (3) Subsection (1) of this section ~~((shall))~~ does not ~~((be-deemed~~
32 ~~to))~~ prohibit a beneficiary of a retirement allowance from authorizing
33 deductions therefrom for payment of premiums due on any group insurance
34 policy or plan issued for the benefit of a group comprised of public
35 employees of the state of Washington.

36 (4) Deductions made in the past from retirement benefits are hereby

1 expressly recognized, ratified, and affirmed. Future deductions may
2 only be made in accordance with this section.

3 (5) Subsection (1) of this section does not exempt any pension or
4 other benefit received under this chapter from tax under Title 82A RCW
5 (sections 101 and 301 through 909 of this act), nor does it prohibit
6 the department of retirement systems from complying with the tax
7 withholding requirements of that title.

8 **Sec. 1103.** RCW 6.13.030 and 2007 c 429 s 1 are each amended to
9 read as follows:

10 A homestead may consist of lands, as described in RCW 6.13.010,
11 regardless of area, but the homestead exemption amount (~~shall~~) may
12 not exceed the lesser of (1) the total net value of the lands,
13 manufactured homes, mobile home, improvements, and other personal
14 property, as described in RCW 6.13.010, or (2) the sum of one hundred
15 twenty-five thousand dollars in the case of lands, manufactured homes,
16 mobile home, and improvements, or the sum of fifteen thousand dollars
17 in the case of other personal property described in RCW 6.13.010(~~—~~
18 ~~except where the homestead is subject to execution, attachment, or~~
19 ~~seizure by or under any legal process whatever to satisfy a judgment in~~
20 ~~favor of any state for failure to pay that state's income tax on~~
21 ~~benefits received while a resident of the state of Washington from a~~
22 ~~pension or other retirement plan, in which event there shall be no~~
23 ~~dollar limit on the value of the exemption)).~~

24 **Sec. 1104.** RCW 6.15.020 and 2007 c 492 s 1 are each amended to
25 read as follows:

26 (1) It is the policy of the state of Washington to ensure the well-
27 being of its citizens by protecting retirement income to which they are
28 or may become entitled. For that purpose generally and pursuant to the
29 authority granted to the state of Washington under 11 U.S.C. Sec.
30 522(b)(2), the exemptions in this section relating to retirement
31 benefits are provided.

32 (2) Unless otherwise provided by federal law, any money received by
33 any citizen of the state of Washington as a pension from the government
34 of the United States, whether the same be in the actual possession of
35 such person or be deposited or loaned, (~~shall be~~) is exempt from
36 execution, attachment, garnishment, or seizure by or under any legal

1 process whatever, and when a debtor dies, or absconds, and leaves his
2 or her family any money exempted by this subsection, the same (~~shall~~
3 ~~be~~) is exempt to the family as provided in this subsection. This
4 subsection (~~shall~~) does not apply to child support collection actions
5 issued under chapter 26.18, 26.23, or 74.20A RCW, if otherwise
6 permitted by federal law, or to collection actions for taxes imposed
7 under Title 82A RCW (sections 101 and 301 through 909 of this act).

8 (3)(a) The right of a person to a pension, annuity, or retirement
9 allowance or disability allowance, or death benefits, or any optional
10 benefit, or any other right accrued or accruing to any citizen of the
11 state of Washington under any employee benefit plan, and any fund
12 created by such a plan or arrangement, (~~shall be~~) is exempt from
13 execution, attachment, garnishment, or seizure by or under any legal
14 process whatever.

15 (b) This subsection (~~shall~~) does not apply to child support
16 collection actions issued under chapter 26.18, 26.23, or 74.20A RCW if
17 otherwise permitted by federal law, or to collection actions for taxes
18 imposed under Title 82A RCW (sections 101 and 301 through 909 of this
19 act).

20 (c) This subsection (~~shall~~) (3) permits benefits under any such
21 plan or arrangement to be payable to a spouse, former spouse, child, or
22 other dependent of a participant in such plan to the extent expressly
23 provided for in a qualified domestic relations order that meets the
24 requirements for such orders under the plan, or, in the case of
25 benefits payable under a plan described in sections 403(b) or 408 of
26 the internal revenue code of 1986, as amended, or section 409 of such
27 code as in effect before January 1, 1984, to the extent provided in any
28 order issued by a court of competent jurisdiction that provides for
29 maintenance or support.

30 (d) This subsection (~~shall~~) (3) does not prohibit actions against
31 an employee benefit plan, or fund for valid obligations incurred by the
32 plan or fund for the benefit of the plan or fund.

33 (4) For the purposes of this section, the term "employee benefit
34 plan" means any plan or arrangement that is described in RCW 49.64.020,
35 including any Keogh plan, whether funded by a trust or by an annuity
36 contract, and in sections 401(a) or 403(a) of the internal revenue code
37 of 1986, as amended; or that is a tax-sheltered annuity described in
38 section 403(b) of such code or an individual retirement account

1 described in section 408 of such code; or a Roth individual retirement
2 account described in section 408A of such code; or a medical savings
3 account described in section 220 of such code; or an education
4 individual retirement account described in section 530 of such code; or
5 a retirement bond described in section 409 of such code as in effect
6 before January 1, 1984. The term "employee benefit plan" also means
7 any rights accruing on account of money paid currently or in advance
8 for purchase of tuition units under the advanced college tuition
9 payment program in chapter 28B.95 RCW. The term "employee benefit
10 plan" shall not include any employee benefit plan that is established
11 or maintained for its employees by the government of the United States,
12 by the state of Washington under chapter 2.10, 2.12, 41.26, 41.32,
13 41.34, 41.35, 41.37, 41.40, or 43.43 RCW or RCW 41.50.770, or by any
14 agency or instrumentality of the government of the United States.

15 (5)(a) An employee benefit plan (~~shall be~~) is deemed to be a
16 spendthrift trust, regardless of the source of funds, the relationship
17 between the trustee or custodian of the plan and the beneficiary, or
18 the ability of the debtor to withdraw or borrow or otherwise become
19 entitled to benefits from the plan before retirement.

20 (b) This subsection (~~shall~~) (5) does not apply to child support
21 collection actions issued under chapter 26.18, 26.23, or 74.20A RCW, if
22 otherwise permitted by federal law, or to collection actions for taxes
23 imposed under Title 82A RCW (sections 101 and 301 through 909 of this
24 act).

25 (c) This subsection (~~shall~~) (5) permits benefits under any such
26 plan or arrangement to be payable to a spouse, former spouse, child, or
27 other dependent of a participant in such plan to the extent expressly
28 provided for in a qualified domestic relations order that meets the
29 requirements for such orders under the plan, or, in the case of
30 benefits payable under a plan described in sections 403(b) or 408 of
31 the internal revenue code of 1986, as amended, or section 409 of such
32 code as in effect before January 1, 1984, to the extent provided in any
33 order issued by a court of competent jurisdiction that provides for
34 maintenance or support.

35 (6)(a) Unless contrary to applicable federal law, nothing contained
36 in subsection (3), (4), or (5) of this section (~~shall~~) may be
37 construed as a termination or limitation of a spouse's community
38 property interest in an individual retirement account held in the name

1 of or on account of the other spouse, the account holder spouse. At
2 the death of the nonaccount holder spouse, the nonaccount holder spouse
3 may transfer or distribute the community property interest of the
4 nonaccount holder spouse in the account holder spouse's individual
5 retirement account to the nonaccount holder spouse's estate,
6 testamentary trust, inter vivos trust, or other successor or successors
7 pursuant to the last will of the nonaccount holder spouse or the law of
8 intestate succession, and that distributee may, but shall not be
9 required to, obtain an order of a court of competent jurisdiction,
10 including a nonjudicial dispute resolution agreement or other order
11 entered under chapter 11.96A RCW, to confirm the distribution.

12 (b) For purposes of subsection (3) of this section, the distributee
13 of the nonaccount holder spouse's community property interest in an
14 individual retirement account (~~(shall be)~~) is considered a person
15 entitled to the full protection of subsection (3) of this section. The
16 nonaccount holder spouse's consent to a beneficiary designation by the
17 account holder spouse with respect to an individual retirement account
18 (~~(shall)~~) is not, absent clear and convincing evidence to the contrary,
19 (~~(be deemed)~~) a release, gift, relinquishment, termination, limitation,
20 or transfer of the nonaccount holder spouse's community property
21 interest in an individual retirement account.

22 (c) For purposes of this subsection(~~(, the term)~~) the following
23 apply:

24 (i) "Nonaccount holder spouse" means the spouse of the person in
25 whose name the individual retirement account is maintained. (~~The~~
26 ~~term~~)

27 (ii) "Individual retirement account" includes an individual
28 retirement account and an individual retirement annuity both as
29 described in section 408 of the internal revenue code of 1986, as
30 amended, a Roth individual retirement account as described in section
31 408A of the internal revenue code of 1986, as amended, and an
32 individual retirement bond as described in section 409 of the internal
33 revenue code as in effect before January 1, 1984. (~~As used in this~~
34 ~~subsection,~~)

35 (iii) An order of a court of competent jurisdiction includes an
36 agreement, as that term is used under RCW 11.96A.220.

1 **Sec. 1105.** RCW 41.24.240 and 1995 c 11 s 13 are each amended to
2 read as follows:

3 (1) The right of any person to any future payment under the
4 provisions of this chapter (~~shall~~) is not (~~be~~) transferable or
5 assignable at law or in equity, and none of the moneys paid or payable
6 or the rights existing under this chapter, (~~shall-be~~) is subject to
7 execution, levy, attachment, garnishment, or other legal process, or to
8 the operation of any bankruptcy or insolvency law. This section
9 (~~shall~~) is not (~~be~~) applicable to any child support collection
10 action taken under chapter 26.18, 26.23, or 74.20A RCW. Benefits under
11 this chapter (~~shall-be~~) are payable to a spouse or ex-spouse to the
12 extent expressly provided for in any court decree of dissolution or
13 legal separation or in any court order or court-approved property
14 settlement agreement incident to any court decree of dissolution or
15 legal separation.

16 (2) Nothing in this chapter (~~shall~~) may be construed to deprive
17 any participant, eligible to receive a pension hereunder, from
18 receiving a pension under any other act to which that participant may
19 become eligible by reason of services other than or in addition to his
20 or her services under this chapter.

21 (3) Subsection (1) of this section does not exempt any pension or
22 other benefit received under this chapter from tax under Title 82A RCW
23 (sections 101 and 301 through 909 of this act), nor does it prohibit
24 the department of retirement systems from complying with the tax
25 withholding requirements of that title.

26 **Sec. 1106.** RCW 41.32.052 and 1991 c 365 s 21 and 1991 c 35 s 63
27 are each reenacted and amended to read as follows:

28 (1) Subject to subsections (2) (~~and~~), (3), and (4) of this
29 section, the right of a person to a pension, an annuity, a retirement
30 allowance, or disability allowance, to the return of contributions, any
31 optional benefit or death benefit, any other right accrued or accruing
32 to any person under the provisions of this chapter and the moneys in
33 the various funds created by this chapter (~~shall-be~~) is unassignable,
34 and (~~are hereby~~) is exempt from any state, county, municipal or other
35 local tax, and (~~shall~~) is not (~~be~~) subject to execution,
36 garnishment, attachment, the operation of bankruptcy or insolvency
37 laws, or other process of law whatsoever.

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

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

7 (b) Under a group health care benefit plan approved pursuant to RCW
8 28A.400.350 or 41.05.065 from authorizing monthly deductions therefrom,
9 of the amount or amounts of subscription payments, premiums, or
10 contributions to any person, firm, or corporation furnishing or
11 providing medical, surgical, and hospital care or other health care
12 insurance; or

13 (c) Under this system from authorizing monthly deductions therefrom
14 for payment of dues and other membership fees to any retirement
15 association composed of retired teachers and/or public employees
16 pursuant to a written agreement between the director and the retirement
17 association.

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

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

30 (4) Subsection (1) of this section does not exempt any pension or
31 other benefit received under this chapter from tax under Title 82A RCW
32 (sections 101 and 301 through 909 of this act), nor does it prohibit
33 the department of retirement systems from complying with the tax
34 withholding requirements of that title.

35 **Sec. 1107.** RCW 41.35.100 and 1998 c 341 s 11 are each amended to
36 read as follows:

37 (1) Subject to subsections (2) (~~and~~), (3), and (4) of this

1 section, the right of a person to a pension, an annuity, or retirement
2 allowance, any optional benefit, any other right accrued or accruing to
3 any person under the provisions of this chapter, the various funds
4 created by this chapter, and all moneys and investments and income
5 thereof, are hereby exempt from any state, county, municipal, or other
6 local tax, and (~~shall~~) is not (~~be~~) subject to execution,
7 garnishment, attachment, the operation of bankruptcy or insolvency
8 laws, or other process of law whatsoever, and (~~shall-be~~) is
9 unassignable.

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

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

33 (4) Subsection (1) of this section does not exempt any pension or
34 other benefit received under this chapter from tax under Title 82A RCW
35 (sections 101 and 301 through 909 of this act), nor does it prohibit
36 the department of retirement systems from complying with the tax
37 withholding requirements of that title.

1 **Sec. 1108.** RCW 41.40.052 and 1999 c 83 s 1 are each amended to
2 read as follows:

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

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

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

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

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

4 (4) Subsection (1) of this section does not exempt any pension or
5 other benefit received under this chapter from tax under Title 82A RCW
6 (sections 101 and 301 through 909 of this act), nor does it prohibit
7 the department of retirement systems from complying with the tax
8 withholding requirements of that title.

9 **Sec. 1109.** RCW 41.44.240 and 1989 c 360 s 28 are each amended to
10 read as follows:

11 (1) The right of a person to a pension, annuity or a retirement
12 allowance, to the return of contribution, the pension, annuity or
13 retirement allowance itself, any optional benefit, any other right
14 accrued or accruing to any person under the provisions of this chapter,
15 and the moneys in the fund created under this chapter (~~shall~~) is not
16 (~~be~~) subject to execution, garnishment, or any other process
17 whatsoever.

18 (2) This section (~~shall~~) does not apply to child support
19 collection actions taken under chapter 26.18, 26.23, or 74.20A RCW
20 against benefits payable under any such plan or arrangement. Benefits
21 under this chapter (~~shall be~~) are payable to a spouse or ex-spouse to
22 the extent expressly provided for in any court decree of dissolution or
23 legal separation or in any court order or court-approved property
24 settlement agreement incident to any court decree of dissolution or
25 legal separation.

26 (3) Subsection (1) of this section does not exempt any pension or
27 other benefit received under this chapter from tax under Title 82A RCW
28 (sections 101 and 301 through 909 of this act), nor does it prohibit
29 the department of retirement systems from complying with the tax
30 withholding requirements of that title.

31 **Sec. 1110.** RCW 41.26.053 and 1991 c 365 s 20 and 1991 c 35 s 25
32 are each reenacted and amended to read as follows:

33 (1) Subject to subsections (2) (~~and~~), (3), and (4) of this
34 section, the right of a person to a retirement allowance, disability
35 allowance, or death benefit, to the return of accumulated
36 contributions, the retirement, disability or death allowance itself,

1 any optional benefit, any other right accrued or accruing to any person
2 under the provisions of this chapter, and the moneys in the fund
3 created under this chapter, (~~are hereby~~) is exempt from any state,
4 county, municipal, or other local tax and (~~shall~~) is not (~~be~~)
5 subject to execution, garnishment, attachment, the operation of
6 bankruptcy or insolvency laws, or any other process of law whatsoever,
7 and (~~shall be~~) is unassignable.

8 (2) On the written request of any person eligible to receive
9 benefits under this section, the department may deduct from such
10 payments the premiums for life, health, or other insurance. The
11 request on behalf of any child or children (~~shall~~) must be made by
12 the legal guardian of such child or children. The department may
13 provide for such persons one or more plans of group insurance, through
14 contracts with regularly constituted insurance carriers or health care
15 service contractors.

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

26 (4) Subsection (1) of this section does not exempt any pension or
27 other benefit received under this chapter from tax under Title 82A RCW
28 (sections 101 and 301 through 909 of this act), nor does it prohibit
29 the department of retirement systems from complying with the tax
30 withholding requirements of that title.

31 **Sec. 1111.** RCW 43.43.310 and 1991 c 365 s 23 are each amended to
32 read as follows:

33 (1) Except as provided in subsections (2) (~~and~~), (3), and (4) of
34 this section, the right of any person to a retirement allowance or
35 optional retirement allowance under the provisions (~~hereof~~) of this
36 section and all moneys and investments and income thereof are exempt
37 from any state, county, municipal, or other local tax and (~~shall~~) are

1 not (~~be~~) subject to execution, garnishment, attachment, the operation
2 of bankruptcy or the insolvency laws, or other processes of law
3 whatsoever and (~~shall be~~) are unassignable except as (~~herein~~)
4 specifically provided in this section.

5 (2) Subsection (1) of this section (~~shall~~) does not prohibit the
6 department of retirement systems from complying with (a) a wage
7 assignment order for child support issued pursuant to chapter 26.18
8 RCW, (b) an order to withhold and deliver issued pursuant to chapter
9 74.20A RCW, (c) a notice of payroll deduction issued pursuant to RCW
10 26.23.060, (d) a mandatory benefits assignment order issued pursuant to
11 chapter 41.50 RCW, (e) a court order directing the department of
12 retirement systems to pay benefits directly to an obligee under a
13 dissolution order as defined in RCW 41.50.500(3) which fully complies
14 with RCW 41.50.670 and 41.50.700, or (f) any administrative or court
15 order expressly authorized by federal law.

16 (3) Subsection (1) of this section (~~shall~~) does not (~~be deemed~~
17 ~~to~~) prohibit a beneficiary of a retirement allowance from authorizing
18 deductions therefrom for payment of premiums due on any group insurance
19 policy or plan issued for the benefit of a group comprised of members
20 of the Washington state patrol or other public employees of the state
21 of Washington, or for contributions to the Washington state patrol
22 memorial foundation.

23 (4) Subsection (1) of this section does not exempt any pension or
24 other benefit received under this chapter from tax under Title 82A RCW
25 (sections 101 and 301 through 909 of this act), nor does it prohibit
26 the department of retirement systems from complying with the tax
27 withholding requirements of that title.

28 NEW SECTION. Sec. 1112. RCW 6.15.025 (Exemption of pension or
29 retirement plan benefits from execution for judgment for out-of-state
30 income tax) and 1991 c 123 s 3 are each repealed.

31 **PART XII**
32 **MISCELLANEOUS**

33 NEW SECTION. Sec. 1201. Section 201 of this act takes effect July
34 1, 2012.

1 NEW SECTION. **Sec. 1202.** The legislature finds that this act
2 constitutes a single integrated plan to strengthen our tax structure
3 and promote tax equity. If any provision of this act is held invalid
4 or enjoined, this act is void in its entirety until the invalidity or
5 injunction is cured.

6 NEW SECTION. **Sec. 1203.** CODIFICATION. Sections 101 through 909
7 of this act constitute a new title in the Revised Code of Washington,
8 to be codified as Title 82A RCW.

9 NEW SECTION. **Sec. 1204.** The secretary of state shall submit this
10 act to the people for their adoption and ratification, or rejection, at
11 the next general election to be held in this state, in accordance with
12 Article II, section 1 of the state Constitution and the laws adopted to
13 facilitate its operation.

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