

the state government and its existing public institutions, and shall take effect immediately.

Passed the House April 23, 1974.
Passed the Senate April 25, 1974.
Approved by the Governor May 5, 1974, with the exception of one section which is vetoed.
Filed in Office of Secretary of State May 5, 1974.
Note: Governor's explanation of partial veto is as follows:

"I am returning herewith without my approval as to one section Substitute House Bill No. 867 entitled:

"AN ACT Relating to authorized urban arterial projects, preserving approved allocations of the Washington State Urban Arterial Board while delayed by court order and for an interim period thereafter." Veto Message

This bill provides for the continued obligation of urban arterial trust funds for specified categories of urban arterial projects.

In the course of the enactment of the bill, sections 2 and 3 were added by amendment with the intention of replacing the provisions of section 1. By oversight, section 1 was left in the bill and is inconsistent with the remainder of the bill. To correct this mistake and to assist the Legislature in establishing its own intent, I have determined to veto section 1.

With the exception noted above, I have approved the remainder of Substitute House Bill No. 867."

CHAPTER 169

[House Bill No. 1301]

INVENTORY TAX PHASE-OUT

AN ACT Relating to revenue and taxation; adding new sections to chapter 15, Laws of 1961 and to chapter 82.04 RCW; adding new sections to chapter 15, Laws of 1961 and to chapter 84.36 RCW; adding new sections to chapter 15, Laws of 1961 and to chapter 84.40 RCW; creating new sections; and declaring an emergency.

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

NEW SECTION. Section 1. This 1974 act is intended to stimulate the economy of the state, and thereby to increase the revenues of the state and its local taxing districts. The department of revenue shall review the impact of this 1974 act upon the economy and revenues of the state and its local taxing districts, and shall report thereon biennially to the legislature. Recommendations for additional legislation shall be included in such reports if such legislation is needed to assure that the economic stimulus provided by this 1974 act is balanced by increased revenues.

NEW SECTION. Sec. 2. There is added to chapter 15, Laws of 1961 and to chapter 82.04 RCW a new section to read as follows:

For each of the calendar years 1974 through 1983, a percentage as set forth below, of any personal property taxes paid before

delinquency after the effective date of this 1974 act by any taxpayer upon business inventories during the same calendar year shall be allowed as a credit against the total of any taxes imposed on such taxpayer or its successor by chapter 82.04 RCW (business and occupation tax), as follows:

Inventory taxes paid in 1974.....ten percent
Inventory taxes paid in 1975.....twenty percent
Inventory taxes paid in 1976.....thirty percent
Inventory taxes paid in 1977.....forty percent
Inventory taxes paid in 1978.....fifty percent
Inventory taxes paid in 1979.....sixty percent
Inventory taxes paid in 1980.....seventy percent
Inventory taxes paid in 1981.....eighty percent
Inventory taxes paid in 1982.....ninety percent
Inventory taxes paid in 1983.....one hundred percent

NEW SECTION. Sec. 3. There is added to chapter 15, Laws of 1961 and to chapter 84.40 RCW a new section to read as follows:

Commencing with assessment as of January 1, 1983, for taxes due in 1984 business inventories shall be fully exempt under chapter 84.36 RCW. "Business inventories" shall have the meaning given to it in section 4 of this 1974 act.

Commencing with January 1, 1984, assessments for taxes due in 1985, taxpayers shall not be required to report, or assessors to list, the business inventories covered by this phase out exemption.

NEW SECTION. Sec. 4. There is added to chapter 15, Laws of 1961 and to chapter 82.04 RCW a new section to read as follows:

For the purposes of this chapter:

"Business inventories" means all livestock and means personal property acquired or produced 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. It shall include inventories of finished goods and work in process.

"Successor" shall have the meaning given to it in RCW 82.04.180.

NEW SECTION. Sec. 5. There is added to chapter 15, Laws of 1961 and to chapter 82.04 RCW a new section to read as follows:

(1) Each taxpayer requesting business and occupation tax credit under section 2 of this 1974 act shall verify, by completing and signing a form prepared and made available by the department of revenue, payment of business inventory taxes on which such credit is based.

(2) Any person signing a false claim with the intent to defraud or evade the payment of any tax shall be guilty of a gross misdemeanor.

NEW SECTION. Sec. 6. There is added to chapter 15, Laws of 1961 and to chapter 82.04 RCW a new section to read as follows:

If the department of revenue finds that any taxpayer received any tax credit under section 2 of this 1974 act based on false or fraudulent information supplied by such taxpayer the amount of taxes avoided thereby shall be collected together with statutory interest thereon, and in addition a twenty-five percent penalty shall be due thereon for a period of not to exceed three years. V

NEW SECTION. Sec. 7. There is added to chapter 15, Laws of 1961 and to chapter 84.36 RCW a new section to read as follows: V

Commencing with assessment as of January 1, 1984, for taxes due in 1985 business inventories shall be fully exempt under chapter 84.36 RCW. "Business inventories" shall have the meaning given to it in section 4 of this 1974 act.

Commencing with January 1, 1984, assessments for taxes due in 1985, taxpayers shall not be required to report, or assessors to list, the business inventories covered by this phase out exemption.

NEW SECTION. Sec. 8. There is added to chapter 15, Laws of 1961 and to chapter 84.36 RCW a new section to read as follows:

All animals, birds, or insects, and all agricultural of horticultural produce or crops, including the milk, egg, wool, fur, meat, honey, or such other substance therefrom shall be assessed for the purposes of ad valorem taxes according to the following schedule: V

Commencing with assessment as of January 1, 1975, for taxes due in 1976 the assessment level shall be seventy-five percent of true and fair value.

Commencing with assessment as of January 1, 1976, for taxes due in 1977 the assessment level shall be seventy percent of true and fair value.

Commencing with assessment as of January 1, 1977, for taxes due in 1978 the assessment level shall be sixty percent of true and fair value.

Commencing with assessment as of January 1, 1978, for taxes due in 1979 the assessment level shall be fifty percent of true and fair value.

Commencing with assessment as of January 1, 1979, for taxes due in 1980 the assessment level shall be forty percent of true and fair value.

Commencing with assessment as of January 1, 1980, for taxes due in 1981 the assessment level shall be thirty percent of true and fair value.

Commencing with assessment as of January 1, 1981, for taxes due in 1982 the assessment level shall be twenty percent of true and fair value.

Commencing with assessment as of January 1, 1982, for taxes due in 1983 the assessment level shall be ten percent of true and fair value.

Commencing with assessment as of January 1, 1983, for taxes due in 1984 such inventories shall be fully exempt under chapter 84.36 RCW.

Commencing with January 1, 1983, assessments for taxes due in 1984, taxpayers shall not be required to report, or assessors to list, the inventories covered by this phase out exemption.

NEW SECTION. Sec. 9. There is added to chapter 15, Laws of 1961 and to chapter 84.40 RCW a new section to read as follows:

The department of revenue shall promulgate such rules and regulations, and prescribe such procedures as it deems necessary to carry out sections 1 through 8 of this 1974 act.

NEW SECTION. Sec. 10. If any provision of this act, or its application to any person or circumstance is held invalid, the remainder of the act, or the application of the provision to other persons or circumstances is not affected.

NEW SECTION. Sec. 11. This act is necessary for the immediate preservation of the public peace, health and safety, the support of the state government and its existing public institutions, and shall take effect on May 10, 1974.

Passed the House April 23, 1974.

Passed the Senate April 23, 1974.

Approved by the Governor May 5, 1974, with the exception of certain items which are vetoed.

Filed in Office of Secretary of State May 5, 1974.

Note: Governor's explanation of partial veto is as follows:

"I am returning herewith without my approval as to certain items House Bill No. 1301 entitled:

"AN ACT Relating to revenue and taxation."

Section 6 imposes a twenty-five percent penalty for avoidance of the business and occupation tax by supplying fraudulent information on the credit due for inventory tax payments. An item in that section sets a three-year statute of limitations for the collection of the penalty. This limitations period conflicts with the four-year statute of limitations for other excise taxes set in RCW 82.32.100 where no fraud is involved and the open limitations period upon a showing of fraud by the taxpayer. There is no compelling reason for this discrepancy. Accordingly, I have vetoed that item.

Veto
Message

Section 7 provides for the elimination of inventory taxes commencing with 1984 assessments for 1985 taxes. This is inconsistent with other portions of the bill dealing with the inventory tax phase-out, and specifically with section 3 which eliminates the inventory tax commencing with 1983 assessments for 1984 taxes in accordance with the phase-out schedule set forth in section 2. I have therefore vetoed section 7.

Section 8 is intended to provide relief primarily for taxpayers such as farmers who have no business and occupation tax liability against which inventory taxes may be credited. As enacted, however, the language of this section is so broadened by certain items as to extend far beyond the farmer and original producer, and would permit an exemption from tax to be passed on to the manufacturing, wholesaling, and retail levels. In addition, agricultural product retailers, wholesalers, and manufacturers who presently are exempted from business and occupation tax liability would receive an additional credit against their remaining inventory tax liability. I have determined to veto the items in section 8 which unduly broaden its effect and strongly urge the Legislature to refine even further the remaining language which still provides potential loopholes for tax exemptions and double benefits not intended by the drafters of the bill. I would specifically suggest that the Legislature refer to the very restrictive agricultural exemptions enacted in RCW 82.04.330.

Veto Message

With the foregoing exceptions, the remainder of House Bill No. 1301 is approved."

CHAPTER 170

[Substitute House Bill No. 94]

PUBLIC EMPLOYMENT COMPETITIVE EXAMINATIONS—
VETERANS' PREFERENCE

AN ACT Relating to veterans; providing veterans with certain public employment preferences; and amending section 1, chapter 189, Laws of 1945 as last amended by section 2, chapter 269, Laws of 1969 ex. sess. and RCW 41.04.010.

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

Section 1. Section 1, chapter 189, Laws of 1945 as last amended by section 2, chapter 269, Laws of 1969 ex. sess. and RCW 41.04.010 are each amended to read as follows:

In all competitive examinations, unless otherwise provided herein, to determine the qualifications of applicants for public offices, positions or employment, the state, and all of its political subdivisions and all municipal corporations, shall give a preference status to all veterans as defined in RCW 41.04.005, by adding to the passing mark, grade or rating only, based upon a possible rating of one hundred points as perfect a percentage in accordance with the following:

- (1) Ten percent to a veteran who is not receiving any veterans retirement payments and said percentage shall be utilized in said veteran's ((first)) competitive examination ((only)) and not in any promotional examination until one of such examinations results in said veteran's first appointment; PROVIDED, That said percentage shall not be utilized in any promotional examination;