

CERTIFICATION OF ENROLLMENT

ENGROSSED SUBSTITUTE SENATE BILL 6346

Chapter 238, Laws of 2026

69th Legislature
2026 Regular Session

TAXES—INDIVIDUAL INCOME OVER \$1 MILLION

EFFECTIVE DATE: June 11, 2026—Except for sections 901, 909 through 911, 1001, and 1002, which take effect January 1, 2029; and sections 1101 through 1104, which take effect July 1, 2026.

Passed by the Senate March 11, 2026
Yeas 27 Nays 21

DENNY HECK

President of the Senate

Passed by the House March 9, 2026
Yeas 51 Nays 46

LURIE JINKINS

**Speaker of the House of
Representatives**

Approved March 30, 2026 10:18 AM

BOB FERGUSON

Governor of the State of Washington

CERTIFICATE

I, Sarah Bannister, Secretary of the Senate of the State of Washington, do hereby certify that the attached is **ENGROSSED SUBSTITUTE SENATE BILL 6346** as passed by the Senate and the House of Representatives on the dates hereon set forth.

SARAH BANNISTER

Secretary

FILED

March 31, 2026

**Secretary of State
State of Washington**

ENGROSSED SUBSTITUTE SENATE BILL 6346

AS AMENDED BY THE HOUSE

Passed Legislature - 2026 Regular Session

State of Washington

69th Legislature

2026 Regular Session

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

READ FIRST TIME 02/09/26.

1 AN ACT Relating to investing in Washington families and
2 businesses to fund K-12 education, health care, higher education,
3 other essential governmental services, and the working families' tax
4 credit, and to reduce certain sales and use taxes and certain
5 business and occupation taxes by establishing a tax on millionaires;
6 amending RCW 82.32.050, 82.32.060, 82.32.090, 2.10.180, 2.12.090,
7 2.14.100, 6.15.020, 41.24.240, 41.32.052, 41.34.080, 41.35.100,
8 41.37.090, 41.40.052, 41.44.240, 41.26.053, 41.28.200, 43.43.310,
9 82.08.0206, 82.04.4451, 82.32.045, 82.04.288, 82.04.050, 82.04.192,
10 82.04.050, 82.04.288, and 1.90.100; amending 2023 c 456 s 3
11 (uncodified); adding a new section to chapter 74.20A RCW; adding new
12 sections to chapter 82.08 RCW; adding new sections to chapter 82.12
13 RCW; adding a new Title to the Revised Code of Washington to be
14 codified as Title 82A RCW; creating new sections; prescribing
15 penalties; and providing effective dates.

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

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

1 (2) These general fund dollars help the state meet its paramount
2 duty to make ample provision for the education of all children in the
3 state, including children who qualify for special education services,
4 creating the opportunity for each child to succeed in school and
5 achieve success in life. The legislature intends to further support
6 academic success and well-being of our children in K-12 education by
7 providing access to breakfast and lunch for all children served
8 without charge each school day.

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

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

18 (5) The general fund also invests in human services that provide
19 vital basic-needs assistance to the state's lowest-income households
20 and educate the youngest learners. The legislature intends to further
21 support these young learners through transferring a portion of the
22 revenues from this act to the fair start for kids account, for child
23 care and early learning purposes.

24 (6) Therefore, the intent of this act is to maintain and preserve
25 essential governmental services for Washingtonians, particularly
26 within K-12 education, health care, higher education, and human
27 services, and support working families by ensuring continued
28 investment in, and expansion of who qualifies for, the working
29 families' tax credit by depositing revenues from this act into the
30 general fund.

31 (7) The legislature further recognizes that reforming our tax
32 code to be common sense, balanced, and sustainable is essential to
33 the long-term economic success of Washington. The Washington tax
34 structure, developed during the Great Depression, relies heavily on
35 excise and consumption taxes, with consequences for equity, adequacy,
36 and long-term fiscal stability that persist today. The legislature
37 recognizes that more progress is needed for the state to have a fair
38 and balanced tax system that can provide sustainable, ample funding
39 for K-12 education, health care, higher education, human services,
40 and other essential governmental services. Washington's tax system

1 remains the second most regressive in the nation as it asks those
2 with the least to pay the most as a percentage of their income. Low-
3 income Washingtonians pay at least three times more in state and
4 local taxes as a percentage of their income than the state's highest
5 income households.

6 (8) Further, due to the action of the federal government through
7 the passage of HR 1, Washington's highest-income households are set
8 to receive an average federal tax break of \$90,850 while Washington's
9 lowest-income households are set to receive a mere \$200, according to
10 the institute on taxation and economic policy. These tax breaks were
11 largely funded through cuts to federal funding in health care and
12 food security programs, negatively impacting Washington's working
13 families.

14 (9) Thus, the legislature intends to limit the tax established by
15 this act to households with annual adjusted gross income of
16 \$1,000,000 or more. Washingtonian households with an annual adjusted
17 gross income of less than \$1,000,000 will not owe this tax. As a
18 result, the millionaires' tax is estimated to affect only the
19 wealthiest one-half of one percent of the households in this state,
20 taking a significant step toward reducing the disproportionate
21 reliance on working people to fund K-12 education, health care,
22 higher education, human services, the working families' tax credit,
23 and other essential governmental services to benefit Washingtonians.
24 The application of the tax to households matches the policy of the
25 state's capital gains excise tax and the policy of the property tax
26 exemption for senior citizens, veterans, and people with
27 disabilities.

28 (10) The legislature further intends to exempt certain sources of
29 income from the tax including, but not limited to, the sale of
30 qualified family owned small businesses in accordance with RCW
31 82.87.070 and the sale of residential and other real property in
32 accordance with RCW 82.87.050.

33 (11) It is also the intent of the legislature to rebalance the
34 tax system by reducing taxes on consumers, low and middle-income
35 families, and businesses through small business and other business
36 and occupation tax credits, by exempting from the retail sales tax
37 essential household items such as personal care products, certain
38 over the counter drugs, and diapers, and by providing the tax relief
39 in sections 1101 through 1104 of this act. The legislature further
40 intends that the tax imposed under this act operate together with

1 certain tax reductions and tax credits enacted by this act as an
2 integrated reform of the state tax code, and that repeal or
3 invalidation of section 201 of this act would reinstate certain sales
4 and use tax on items made exempt by this act and repeal working
5 families tax credits and small business tax credits enacted by this
6 act.

7 (12) The legislature finds that local government revenue sources
8 are limited and unable to keep up with rising costs. The legislature
9 further finds that many of the tax reductions that help
10 Washingtonians have an impact on local government revenues. To offset
11 some of those impacts, the legislature intends to create a city and
12 county fiscal health account for future transfers from the general
13 fund to mitigate a portion of the revenue loss to local government.
14 Such transfers will be unrestricted and available for general use.

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

19 (a) Impose a tax on those households with the greatest ability to
20 pay, specifically those earning Washington adjusted gross income
21 during the taxable year of at least \$1,000,000;

22 (b) Make the Washington millionaires' tax law reflect the
23 provisions of the internal revenue code relating to the measurement
24 of adjusted gross income, modified as necessary to achieve the goals
25 and purpose of this act;

26 (c) Achieve this result by the application of the various
27 provisions of the internal revenue code relating to the definition of
28 income, exemptions and exclusions therefrom, accounting methods,
29 basis, depreciation, and other pertinent provisions, subject to
30 additional exemptions and modifications as provided in this act,
31 resulting in a final amount called "Washington adjusted taxable
32 income";

33 (d) Impose a tax on residents of this state measured by
34 Washington adjusted taxable income wherever derived and to impose a
35 tax on nonresidents measured by Washington adjusted taxable income
36 from sources within this state; and

37 (e) Increase state funding for K-12 education in order to improve
38 outcomes for Washington's students by strengthening high quality
39 instruction and expanding student supports.

PART I
DEFINITIONS

1
2
3 NEW SECTION. **Sec. 101.** DEFINITIONS. The definitions in this
4 section apply throughout this chapter unless the context clearly
5 requires otherwise.

6 (1) "Capital asset" has the same meaning as provided in chapter
7 82.87 RCW.

8 (2) "Department" means the department of revenue of the state of
9 Washington.

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

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

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

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

18 (7) "Pass-through entity" means a partnership, limited liability
19 company, or S corporation, which reports out the distributive share
20 of taxable income to its partners, members, or shareholders for
21 federal income tax purposes.

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

23 (i) Who is domiciled in this state during the taxable year,
24 unless the individual (A) maintained no permanent place of abode in
25 this state during the entire taxable year, (B) maintained a permanent
26 place of abode outside of this state during the entire taxable year,
27 and (C) spent in the aggregate not more than 30 days of the taxable
28 year in this state; or

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

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

34 (c) An individual who is a resident under (a) of this subsection
35 is a resident for that portion of a taxable year in which the
36 individual was domiciled in this state or maintained a place of abode
37 in this state.

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

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

3 (11) "Washington base income" means federal adjusted gross income
4 as modified under sections 302 through 308 and 401 through 407 of
5 this act.

6 (12) "Washington taxable income" means Washington base income as
7 further modified by sections 309 through 314 of this act.

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

13 **PART II**
14 **DETERMINATION OF TAX**

15 NEW SECTION. **Sec. 201.** TAX IMPOSED—RATES. (1) Beginning January
16 1, 2028, a tax is imposed on the receipt of Washington taxable
17 income. Only individuals are subject to payment of the tax, which
18 equals 9.90 percent multiplied by an individual's Washington taxable
19 income.

20 (2) If an individual's Washington taxable income is less than
21 zero for a taxable year, no tax is due under this section.

22 NEW SECTION. **Sec. 202.** DISTRIBUTION OF TAX REVENUES. (1) Taxes
23 collected under this chapter must be deposited in the state general
24 fund to fund the sales and use tax relief in sections 903 through 908
25 of this act, the working families' tax credit program, including its
26 expansion in section 901 of this act, and the business and occupation
27 tax relief in sections 909 through 911 of this act, and to make
28 public investments in K-12 education, health care, human services,
29 and higher education.

30 (2) Beginning July 1, 2029, and each July 1st thereafter, the
31 state treasurer must deposit five percent of the revenues collected
32 pursuant to this chapter during the previous fiscal year into the
33 fair start for kids account created in RCW 43.216.772.

34 (3) All interest and penalties collected under this chapter must
35 be deposited in the state general fund.

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

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

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

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

16 (ii) The amount of tax due under this chapter before application
17 of credits allowable by this chapter, multiplied by a fraction. The
18 numerator of the fraction is the amount of the taxpayer's federal
19 adjusted gross income subject to tax in the other jurisdiction. The
20 denominator of the fraction is the taxpayer's total Washington base
21 income. The fraction may never be greater than one.

22 (2) If the laws of the other taxing jurisdiction contain a
23 provision exempting a resident of this state from liability for the
24 payment of income taxes on income earned for personal services
25 performed in such jurisdiction, then the department may enter into a
26 reciprocal agreement with such jurisdiction providing a similar tax
27 exemption on income earned for personal services performed in this
28 state.

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

34 (4) For purposes of this section, "state" means a state of the
35 United States, the District of Columbia, the Commonwealth of Puerto
36 Rico, a federally recognized tribe, or any territory or possession of
37 the United States.

38 NEW SECTION. **Sec. 204.** CREDIT FOR BUSINESS AND OCCUPATION AND
39 PUBLIC UTILITY TAXES. (1) Beginning in tax year 2028 with taxes due

1 in 2029, to avoid taxing the same Washington taxable income under the
2 business and occupation tax or public utility tax and the tax imposed
3 under this chapter, a nonrefundable credit is allowed against taxes
4 due under this chapter on income that is also subject to the tax
5 imposed under chapter 82.04 or 82.16 RCW. The credit is equal to the
6 amount of tax paid under chapter 82.04 or 82.16 RCW for income
7 included in both the calculation of the tax paid under chapter 82.04
8 or 82.16 RCW and the tax imposed under this chapter.

9 (2) The credit under this section is earned in regard to income
10 reportable for federal income tax purposes and may be claimed against
11 taxes due under this chapter, for the taxable year in which the
12 income is reportable for federal income tax purposes. The credit
13 claimed for a taxable year may not exceed the tax otherwise due under
14 this chapter for that taxable year. Unused credit may not be carried
15 forward or backward to another tax reporting period. No refunds may
16 be granted for unused credit under this section.

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

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

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

36 (2) The credit claimed under this section for a taxable year may
37 not exceed the tax otherwise due under this chapter for that taxable
38 year. Unused credit may not be carried forward or backward to another

1 taxable year. No refunds may be granted for unused credit under this
2 section.

3 **PART III**

4 **ADJUSTED GROSS INCOME MODIFICATIONS**

5 NEW SECTION. **Sec. 301.** INTRODUCTORY. In computing Washington
6 base income for a taxable year, modifications must be made to the
7 taxpayer's federal adjusted gross income as required under sections
8 302 through 308 and 401 through 407 of this act, unless the
9 modification has the effect of duplicating an item of income or
10 deduction. If an item of income is excluded from federal adjusted
11 gross income, it is excluded from the tax under this chapter unless
12 specifically included as provided in sections 302 through 309 of this
13 act.

14 NEW SECTION. **Sec. 302.** LONG-TERM CAPITAL GAINS AND LOSSES. (1)
15 In computing a taxpayer's Washington base income, the taxpayer must
16 deduct from the taxpayer's federal adjusted gross income any long-
17 term capital gains that have been included in computing federal
18 adjusted gross income.

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

23 (3) After making the modifications required under subsections (1)
24 and (2) of this section, in computing a taxpayer's Washington base
25 income, a taxpayer must add to the taxpayer's federal adjusted gross
26 income the amount of Washington capital gains subject to tax under
27 chapter 82.87 RCW for the same taxable year, plus the amount deducted
28 under RCW 82.87.060(1). Under this subsection (3), a taxpayer must
29 not include long-term capital gains or long-term capital losses, from
30 the sales or exchanges exempt under RCW 82.87.050, in the computation
31 of their Washington base income. This subsection (3) applies only to
32 taxpayers owing tax under chapter 82.87 RCW for that taxable year.
33 "Washington capital gains" has the same meaning as provided in RCW
34 82.87.020.

35 NEW SECTION. **Sec. 303.** STATE AND LOCAL OBLIGATIONS. In
36 computing a taxpayer's Washington base income, the taxpayer must add

1 to the taxpayer's federal adjusted gross income any income that has
2 been excluded under section 103 of the internal revenue code in
3 computing federal adjusted gross income, except interest on
4 obligations of the state of Washington or political subdivisions of
5 the state of Washington.

6 NEW SECTION. **Sec. 304.** STATE AND LOCAL INCOME TAXES—BUSINESS
7 AND OCCUPATION AND PUBLIC UTILITY TAXES. In computing a taxpayer's
8 Washington base income, the taxpayer must add to the taxpayer's
9 federal adjusted gross income:

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

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

16 NEW SECTION. **Sec. 305.** CARRYOVERS. In computing a taxpayer's
17 Washington base income, the taxpayer must:

18 (1) Add to the taxpayer's federal adjusted gross income, any
19 amounts that have been deducted in computing federal adjusted gross
20 income to the extent the amounts have been carried over from taxable
21 years ending before January 1, 2028;

22 (2) (a) Add to the taxpayer's federal adjusted gross income, any
23 amounts of net operating loss carryover that have been deducted in
24 computing federal adjusted gross income not described in subsection
25 (1) of this section; and

26 (b) Deduct 80 percent of the amount of net operating loss
27 carryover that has been deducted in computing federal adjusted gross
28 income, to the extent that the loss carryover meets all of the
29 following criteria:

30 (i) The loss carryover is from losses apportioned to Washington
31 under sections 401 through 407 of this act;

32 (ii) The loss carryover is not added to federal adjusted gross
33 income under subsection (1) of this section; and

34 (iii) The loss carryover is from a previous tax year so long as
35 that previous tax year is after January 1, 2028.

36 NEW SECTION. **Sec. 306.** FEDERAL OBLIGATIONS. In computing a
37 taxpayer's Washington base income, the taxpayer must deduct, to the

1 extent included, from the taxpayer's federal adjusted gross income,
2 any income derived from obligations of the United States that this
3 state is prohibited by federal law from subjecting to a net income
4 tax. However, the amount deducted under this section must be reduced
5 by any expense, including amortizable bond premiums, incurred in the
6 production of such income to the extent the expense has been deducted
7 in calculating federal adjusted gross income.

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

16 NEW SECTION. **Sec. 308.** TRIBAL INCOME. (1) The following is
17 exempt from the tax imposed by this chapter:

18 (a) Income derived from the exercise of rights by any member of a
19 federally recognized tribe secured by treaty, executive order, or act
20 of congress;

21 (b) Income received by any member of a federally recognized
22 tribe, when the individual worked or received income within their own
23 tribe's Indian country;

24 (c) Income received by any member of a federally recognized tribe
25 that is derived directly from lands or funds held in trust by the
26 secretary of the United States department of interior allotted and
27 restricted Indian lands;

28 (d) Income derived from a federally recognized tribe, including
29 its subdivisions and entities, when such income is received by a
30 member of a federally recognized tribe or by a beneficiary of an
31 Indian health program pursuant to 42 C.F.R. Sec. 136.12 (2026); and

32 (e) Any income, payments, benefits, or services, the taxation of
33 which is otherwise exempted or preempted by federal or state law
34 including, but not limited to, sections 139D and 139E of the internal
35 revenue code.

36 (2) This chapter is not intended to apply to, or impose
37 obligations on, federally recognized tribes or their subdivisions or

1 entities with tribal government headquarters located in the state of
2 Washington.

3 NEW SECTION. **Sec. 309.** CHARITABLE CONTRIBUTIONS. (1) In
4 computing a taxpayer's Washington taxable income, the taxpayer may
5 deduct from their Washington base income the amount of charitable
6 contributions they claimed for the taxable year under section 170 of
7 the internal revenue code to a qualified organization, up to a
8 maximum deduction of \$100,000 per individual, or in the case of
9 spouses or domestic partners, their combined charitable deduction is
10 limited to \$100,000, regardless of whether they file joint or
11 separate returns.

12 (2) For the purposes of this section, "qualified organization"
13 has the same meaning as in RCW 82.87.080.

14 NEW SECTION. **Sec. 310.** PASS-THROUGH ENTITY TAX PAYMENTS. In
15 computing a taxpayer's Washington taxable income, the taxpayer must
16 add to the taxpayer's Washington base income the taxpayer's
17 distributive share of the tax expense incurred by a pass-through
18 entity under section 502 of this act to the extent the expense has
19 been deducted in calculating the taxpayer's federal adjusted gross
20 income.

21 NEW SECTION. **Sec. 311.** CAPITAL CONSTRUCTION FUND FOR VESSEL
22 IMPROVEMENTS OR ACQUISITION. In computing a taxpayer's Washington
23 taxable income, the taxpayer may deduct from the taxpayer's
24 Washington base income the amount deposited in a capital construction
25 fund under section 7518 of the internal revenue code if the amount
26 has reduced the taxpayer's federal taxable income for the taxable
27 year.

28 NEW SECTION. **Sec. 312.** WAGERING LOSSES. In computing a
29 taxpayer's Washington taxable income, the taxpayer must deduct an
30 amount equal to 90 percent of any Washington allocated wagering
31 losses for the tax year. The amount of the losses deducted cannot be
32 more than the Washington allocated wagering income included in the
33 taxpayer's Washington base income. Wagering losses may not be carried
34 forward or backward. The wagering loss deduction must be adjusted for
35 nonresidents as provided in section 401 of this act.

1 NEW SECTION. **Sec. 313.** COMMERCIAL CANNABIS ACTIVITIES. In
2 computing a taxpayer's Washington taxable income, the taxpayer may
3 deduct from the taxpayer's Washington base income the amount of
4 expenditures disallowed pursuant to section 280E of the internal
5 revenue code so long as the expenditures are related to the
6 commercial cannabis activities by a person licensed pursuant to RCW
7 69.50.325.

8 NEW SECTION. **Sec. 314.** ONE MILLION DOLLAR STANDARD DEDUCTION.
9 In computing a taxpayer's Washington taxable income, a taxpayer may
10 deduct from the taxpayer's Washington base income a standard
11 deduction of \$1,000,000 per individual, or in the case of spouses or
12 state registered domestic partners, their combined standard deduction
13 is \$1,000,000, regardless of whether they file joint or separate
14 returns. The amount of the standard deduction must be annually
15 adjusted pursuant to section 316 of this act. The standard deduction
16 must be adjusted for nonresidents as provided in section 315 of this
17 act.

18 NEW SECTION. **Sec. 315.** ADJUSTMENT OF DEDUCTIONS FOR
19 NONRESIDENTS. The deduction from Washington base income allowed under
20 section 314 of this act for individual taxpayers who are not
21 residents of this state for the entire taxable year must be reduced
22 by multiplying the amount of the deduction by a fraction. The
23 numerator of the fraction is the individual's Washington base income.
24 The denominator of the fraction is the individual's federal adjusted
25 gross income from all sources. The fraction may never be greater than
26 one.

27 NEW SECTION. **Sec. 316.** INDEX FOR INFLATION. (1) Beginning
28 October 2029 and each October of an odd-numbered year thereafter, the
29 department must adjust the standard deduction under section 314 of
30 this act by multiplying the current standard deduction amount by one
31 plus the percentage by which the most current consumer price index
32 available on October 1st of the current year exceeds the consumer
33 price index for the prior 12-month period, and rounding the result to
34 the nearest \$1,000. If an adjustment under this subsection (1) would
35 reduce the standard deduction amount, the department must not adjust
36 the amounts for use in the following year. The department must
37 publish the adjusted standard deduction amount on its public website

1 by October 31st of each year. The adjusted standard deduction amount
2 calculated under this subsection (1) takes effect for taxes due in
3 the following calendar year.

4 (2) For purposes of this section, "consumer price index" means
5 the consumer price index for all urban wage earners and clerical
6 workers as calculated by the United States bureau of labor statistics
7 or its successor agency.

8 **PART IV**

9 **DIVISION OF INCOME**

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

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

13 (2) For nonresident individuals, income derived from sources
14 within this state must be allocated to this state. Income derived
15 from sources within this state means:

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

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

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

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

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

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

36 (g) Income received from wagering transactions.

37 (3) If the nonresident individual performs services in Washington
38 five or fewer days cumulatively in any calendar year, no income must

1 be allocated pursuant to this section. This subsection (3) does not
2 apply to nonresident professional athletes, nonresident student
3 athletes, and nonresident entertainers.

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

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

13 (6) Income earned by a nonresident participating as a keynote
14 speaker, panelist, presenter, moderator, or similar role at a
15 convention trade show or business event held in this state may be
16 excluded if the individual meets the requirements of RCW 82.32.531.

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

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

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

34 NEW SECTION. **Sec. 403.** GENERAL RULE FOR ALLOCATING NONRESIDENT
35 INCOME DERIVED FROM COMPENSATION TO WASHINGTON. (1) Unless provided
36 otherwise in this chapter, a nonresident individual is subject to tax
37 on the portion of federal adjusted gross income derived from

1 employment within the state of Washington, regardless of the location
2 of the commercial domicile of the employer.

3 (2) Compensation for services performed by a nonresident as part
4 of their employment must be allocated to this state to the extent
5 such services are rendered within the state. If services are
6 performed both within and outside the state, the compensation must be
7 apportioned based on the ratio of days worked in the state to total
8 days worked, or by another reasonable method approved by the
9 department.

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

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

14 (b) "Employment" means personal service, of whatever nature, as
15 known to the common law or any other legal relationship performed for
16 an employer by an individual for compensation or under any contract
17 calling for the performance of personal services, written or oral,
18 express or implied, where the employer is subject to tax under RCW
19 50.24.010 on any portion of compensation paid by the employer to the
20 individual for the performance of the personal services.

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

26 (2) (a) The portion of the compensation of a member of a
27 professional athletic team apportioned to Washington is that portion
28 of compensation received for the tax year that bears the same ratio
29 to total compensation received for the tax year as the number of duty
30 days within this state bears to the total number of duty days spent
31 both within and outside this state during the tax year.

32 (b) Notwithstanding the description of the portion of
33 compensation subject to apportionment to the state of Washington
34 under this subsection, the department may provide by rule alternative
35 methodologies for determining the portion of compensation subject to
36 apportionment to the state of Washington that the department
37 determines to be fair and equitable.

38 (3) (a) A person who transacts business in the state of Washington
39 and who pays wages, salary, bonuses, or other taxable income to a

1 member of a professional athletic team, must submit a report to the
2 department each year indicating any member of a professional athletic
3 team who may be reasonably assumed to owe tax under this chapter for
4 the calendar year.

5 (b) The report required under (a) of this subsection (3) must
6 include:

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

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

13 (A) A taxpayer identification number;

14 (B) Compensation paid to the member; and

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

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

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

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

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

26 (b) "Duty days" means the days during the tax year from the
27 beginning of the official preseason training period of a professional
28 athletic team through the last game in which the professional
29 athletic team competes or is scheduled to compete during the tax
30 year.

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

35 NEW SECTION. **Sec. 405.** GENERAL RULE FOR APPORTIONING AND
36 ALLOCATING NONRESIDENT INCOME FROM BUSINESS ACTIVITY CONDUCTED IN THE
37 STATE. (1) The portion of federal adjusted gross income of a
38 nonresident derived from or connected with a business, trade, or
39 profession carried on in this state, including a sole proprietorship

1 and any distributive share of a pass-through entity of a business,
2 trade, or profession carried on in this state, must be apportioned
3 and allocated as provided in this section. This section does not
4 apply to compensation received as an employee allocated under section
5 403 of this act.

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

10 (3) All apportionable income must be apportioned to this state by
11 multiplying the income by the receipts factor. The receipts factor is
12 a fraction the numerator of which is the total receipts of the
13 taxpayer in this state during the tax period and the denominator of
14 which is the total receipts of the taxpayer everywhere during the tax
15 period.

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

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

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

25 (b)(i) Receipts, other than receipts described in (a) of this
26 subsection (3), are in this state if the taxpayer's market for the
27 sales is in this state. The taxpayer's market for sales is in this
28 state:

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

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

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

35 (D) In the case of intangible property:

36 (I) That is rented, leased, or licensed, if and to the extent the
37 property is used in this state, provided that intangible property
38 used in marketing a good or service to a consumer is "used in this
39 state" if that good or service is purchased by a consumer who is in
40 this state; and

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

3 (1) A contract right, government license, or similar intangible
4 property that authorizes the holder to conduct a business activity in
5 a specific geographic area is "used in this state" if the geographic
6 area includes all or part of this state;

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

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

14 (c) If the state or states of assignment under (b) of this
15 subsection (3) cannot be determined, the state or states of
16 assignment must be reasonably approximated.

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

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

27 (i) Separate accounting;

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

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

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

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

1 whom such rule applies, the taxpayer may petition for, or the
2 department may require, adjustment under (a) of this subsection (4).

3 (c) (i) The party petitioning for, or the department requiring,
4 the use of any method to effectuate an equitable allocation and
5 apportionment of the taxpayer's income pursuant to (a) of this
6 subsection (4) must prove by clear and convincing evidence:

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

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

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

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

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

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

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

39 (b) Net rents and royalties from tangible personal property are
40 allocable to this state: (i) If and to the extent that the property

1 is utilized in this state; or (ii) in their entirety if the
2 taxpayer's commercial domicile is in this state and the taxpayer is
3 not organized under the laws of or taxable in the state in which the
4 property is utilized.

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

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

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

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

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

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

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

1 (c) A copyright is utilized in a state to the extent that
2 printing or other publication originates in the state. If the basis
3 of receipts from copyright royalties does not permit allocation to
4 states or if the accounting procedures do not reflect states of
5 utilization, the copyright is utilized in the state in which the
6 taxpayer's commercial domicile is located.

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

9 (a) "Apportionable income" means:

10 (i) All income that is apportionable under the Constitution of
11 the United States and is not allocated under the laws of this state,
12 including:

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

15 (B) Income arising from tangible and intangible property if the
16 acquisition, management, employment, development, or disposition of
17 the property is or was related to the operation of the taxpayer's
18 trade or business; and

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

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

24 (c) "Nonapportionable income" means all income other than
25 apportionable income.

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

32 (e) "State" means any state of the United States, the District of
33 Columbia, the Commonwealth of Puerto Rico, any territory or
34 possession of the United States, and any foreign country or political
35 subdivision thereof.

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

1 NEW SECTION. **Sec. 406.** PRORATION OF PART-YEAR INCOME. (1)

2 Except as provided in subsection (2) of this section, the adjusted
3 gross income of a part-year resident is the sum of the following:

4 (a) For the portion of the year in which the taxpayer was a
5 resident of Washington, the taxpayer's entire adjusted gross income;
6 and

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

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

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

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

27 NEW SECTION. **Sec. 407.** ALLOCATION AND APPORTIONMENT OF

28 NONRESIDENT STUDENT ATHLETE INCOME. (1) The portion of adjusted gross
29 income of a nonresident student athlete derived from the commercial
30 use of the student athlete's name, image, or likeness is allocated to
31 this state if the publicity services provided by the student athlete
32 related to such commercial use of the student athlete's name, image,
33 or likeness primarily occur in Washington.

34 (2) The portion of adjusted gross income of a nonresident student
35 athlete derived from payments by an institution of higher education
36 representing a percentage of institutional athletic revenues shall be
37 apportioned to Washington in a form and manner consistent with a
38 duty-day methodology. By January 1, 2028, the department shall submit

1 proposed legislation to the legislature that would implement an
2 apportionment methodology as specified under this subsection (2).

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

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

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

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

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

20 **PART V**

21 **ESTIMATED TAX PAYMENTS AND PASS-THROUGH ENTITY TAX ELECTION**

22 NEW SECTION. **Sec. 501.** ESTIMATED TAX IMPOSED—DUE DATE OF
23 ESTIMATED TAXES—AMOUNT OF ESTIMATED TAX—UNDERPAYMENT PENALTY. (1)
24 Each individual with an estimated tax under this chapter in excess of
25 \$5,000 that is required by the internal revenue code to make payment
26 of estimated taxes must pay to the department on forms prescribed by
27 the department the estimated taxes due under this chapter.

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

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

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

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

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

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

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

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

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

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

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

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

25 (i) The entire distributive share of income, gain, loss, and
26 deduction attributable to participating resident owners, regardless
27 of source; and

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

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

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

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

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

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

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

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

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

17 (c) Participating nonresident owners shall include in their
18 Washington base income their distributive share of the electing
19 entity's income, gains, losses, and deductions as allocated and
20 apportioned under section 405 of this act and shall claim the credit
21 allowed under section 206 of this act.

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

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

32 (b) The department may adopt rules necessary to administer this
33 section, which to the extent possible, must be consistent with the
34 requirements under this chapter for individuals. The department may
35 adopt rules to streamline and simplify the process and procedures for
36 making an election under this section.

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

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

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

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

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

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

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

15 **PART VI**
16 **CRIMES**

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

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

24 **PART VII**
25 **ADMINISTRATIVE PROVISIONS**

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

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

1 NEW SECTION.

2 **Sec. 702.**

3 FILING TAX RETURNS.

4 (1)(a) Except as
5 otherwise provided in this section or RCW 82.32.080, taxpayers owing
6 tax under this chapter must file, on forms prescribed by the
7 department, a return with the department on or before the date the
8 taxpayer's federal income tax return for the taxable year is required
9 to be filed. Individuals not owing tax under this chapter are not
10 required to file a return under this section.

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

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

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

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

24 (ii) Any information returns and federal tax documents received
25 by the taxpayer that directly relate to the taxpayer's federal
26 adjusted gross income including, but not limited to, form W-2, form
27 1099-INT, form 1099-DIV, form 1099-NEC, form 1099-MISC, form 1099-B,
28 schedule K-1 (form 1065), and schedule K-1 (form 1120-S).

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

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

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

39 (3) Each taxpayer required to file a return under this section
40 must, without assessment, notice, or demand, pay any tax due thereon
to the department on or before the date fixed for the filing of the
return, regardless of any filing extension. The tax must be paid by
electronic funds transfer as defined in RCW 82.32.085 or by other

1 forms of electronic payment as may be authorized by the department.
2 The department may waive the electronic payment requirement for good
3 cause as provided in RCW 82.32.080. If any tax due under this chapter
4 is not paid by the due date, interest and penalties as provided in
5 chapter 82.32 RCW apply to the deficiency.

6 (4) If a taxpayer has obtained an extension of time for filing
7 the federal income tax return for the taxable year, the taxpayer is
8 entitled to the same extension of time for filing the return required
9 under this section. An extension under this subsection for the filing
10 of a return under this chapter is not an extension of time to pay the
11 tax due under this chapter.

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

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

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

29 (ii) The taxpayer has not been delinquent in filing any return
30 due under this section during the preceding five calendar years and
31 the taxpayer has not been contacted by the department for enforcement
32 purposes regarding the reporting period covered by the waiver
33 request.

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

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

1 (b) The taxpayer has not been contacted by the department for
2 enforcement purposes regarding the reporting period covered by the
3 waiver request; and

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

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

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

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

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

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

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

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

5 (b) In the event the statute of limitations is extended under
6 (a)(i) of this subsection, no assessment or correction of an
7 assessment for additional taxes, penalties, or interest due may be
8 made by the department more than four years after the year in which
9 an amended return is filed with the department as required under
10 subsection (7) of this section. Any assessment or correction of an
11 assessment for additional taxes, penalties, or interest due under
12 this subsection (8)(b) but made by the department more than four
13 years after the year in which a return is filed under subsection (1)
14 of this section must be directly related to the federal income tax
15 return change described in subsection (7) of this section.

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

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

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

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

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

36 (b) Regardless of whether the spouse or state registered domestic
37 partner qualifies for relief as provided under (a) of this subsection
38 (3), the department determines that the spouse or state registered
39 domestic partner qualifies for relief as provided by rule of the

1 department in a manner consistent with sections 66 or 6015 of the
2 internal revenue code.

3 (4) (a) Unless the context clearly indicates otherwise,
4 individuals who are spouses or state registered domestic partners are
5 not considered separate taxpayers for the purposes of this chapter
6 regardless of whether they file a joint or separate return for the
7 tax imposed under this chapter. The activities and assets of each
8 spouse or state registered domestic partner are combined as if they
9 were one individual for the purposes of determining the applicability
10 of any threshold amounts, caps, deductions, credits, or any other
11 amounts related to the activities or assets of an individual
12 throughout this chapter.

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

21 NEW SECTION. **Sec. 704.** ADMINISTRATION OF CHAPTER CONSISTENT
22 WITH CHAPTER 82.32 RCW. Except as otherwise provided by law and to
23 the extent not inconsistent with the provisions of this chapter,
24 chapter 82.32 RCW applies to the administration of taxes imposed
25 under this chapter.

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

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

37 (a) For tax liabilities arising before January 1, 1992, interest
38 shall be computed at the rate of nine percent per annum from the last

1 day of the year in which the deficiency is incurred until the earlier
2 of December 31, 1998, or the date of payment. After December 31,
3 1998, the rate of interest shall be variable and computed as provided
4 in subsection (2) of this section. The rate so computed shall be
5 adjusted on the first day of January of each year for use in
6 computing interest for that calendar year.

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

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

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

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

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

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

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

1 (2) For the purposes of this section, the rate of interest to be
2 charged to the taxpayer shall be an average of the federal short-term
3 rate as defined in 26 U.S.C. Sec. 1274(d) plus two percentage points.
4 The rate set for each new year shall be computed by taking an
5 arithmetical average to the nearest percentage point of the federal
6 short-term rate, compounded annually. That average shall be
7 calculated using the rates from four months: January, April, and July
8 of the calendar year immediately preceding the new year, and October
9 of the previous preceding year.

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

15 (4) No assessment or correction of an assessment for additional
16 taxes, penalties, or interest due may be made by the department more
17 than four years after the close of the tax year, except (a) against a
18 taxpayer who has not registered as required by this chapter, (b) upon
19 a showing of fraud or of misrepresentation of a material fact by the
20 taxpayer, or (c) where a taxpayer has executed a written waiver of
21 such limitation. The execution of a written waiver shall also extend
22 the period for making a refund or credit as provided in RCW
23 82.32.060(2).

24 (5) For the purposes of this section, the following definitions
25 apply:

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

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

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

36 (1) If, upon receipt of an application by a taxpayer for a refund
37 or for an audit of the taxpayer's records, or upon an examination of
38 the returns or records of any taxpayer, it is determined by the
39 department that within the statutory period for assessment of taxes,

1 penalties, or interest prescribed by RCW 82.32.050 any amount of tax,
2 penalty, or interest has been paid in excess of that properly due,
3 the excess amount paid within, or attributable to, such period must
4 be credited to the taxpayer's account or must be refunded to the
5 taxpayer, at the taxpayer's option. Except as provided in subsection
6 (2) of this section, no refund or credit may be made for taxes,
7 penalties, or interest paid more than four years prior to the
8 beginning of the calendar year in which the refund application is
9 made or examination of records is completed.

10 (2) (a) The execution of a written waiver under RCW 82.32.050 or
11 82.32.100 will extend the time for making a refund or credit of any
12 taxes paid during, or attributable to, the years covered by the
13 waiver if, prior to the expiration of the waiver period, an
14 application for refund of such taxes is made by the taxpayer or the
15 department discovers a refund or credit is due.

16 (b) A refund or credit must be allowed for an excess payment
17 resulting from the failure to claim a bad debt deduction, credit, or
18 refund under RCW 82.04.4284, 82.08.037, 82.12.037, 82.14B.150, or
19 82.16.050(5) for debts that became bad debts under 26 U.S.C. Sec.
20 166, as amended or renumbered as of January 1, 2003, less than four
21 years prior to the beginning of the calendar year in which the refund
22 application is made or examination of records is completed.

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

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

36 (a) Interest at the rate of three percent per annum must be
37 allowed by the department and by any court on the amount of any
38 refund, credit, or other recovery allowed to a taxpayer for taxes,
39 penalties, or interest paid by the taxpayer before January 1, 1992.
40 This rate of interest applies for all interest allowed through

1 December 31, 1998. Interest allowed after December 31, 1998, must be
2 computed at the rate as computed under RCW 82.32.050(2). The rate so
3 computed must be adjusted on the first day of January of each year
4 for use in computing interest for that calendar year.

5 (b) For refunds or credits of amounts paid or other recovery
6 allowed to a taxpayer after December 31, 1991, the rate of interest
7 must be the rate as computed for assessments under RCW 82.32.050(2)
8 less one percent. This rate of interest applies for all interest
9 allowed through December 31, 1998. Interest allowed after December
10 31, 1998, must be computed at the rate as computed under RCW
11 82.32.050(2). The rate so computed must be adjusted on the first day
12 of January of each year for use in computing interest for that
13 calendar year.

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

16 (a) If all overpayments for each calendar year and all reporting
17 periods ending with the final month included in a notice or refund
18 were made on or before the due date of the final return for each
19 calendar year or the final reporting period included in the notice or
20 refund:

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

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

25 (iii) For interest associated with annual tax reporting periods
26 having a due date as prescribed in RCW 82.32.045(3) ~~((and))~~,
27 82.87.110, and section 702 of this act, interest must be computed
28 from the last day of April following each such annual reporting
29 period included in a notice or refund.

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

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

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

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

19 (2) If the department of revenue determines that any tax has been
20 substantially underpaid, there is assessed a penalty of five percent
21 of the amount of the tax determined by the department to be due. If
22 payment of any tax determined by the department to be due is not
23 received by the department by the due date specified in the notice,
24 or any extension thereof, there is assessed a total penalty of 15
25 percent of the amount of the tax under this subsection; and if
26 payment of any tax determined by the department to be due is not
27 received on or before the 30th day following the due date specified
28 in the notice of tax due, or any extension thereof, there is assessed
29 a total penalty of 25 percent of the amount of the tax under this
30 subsection. No penalty so added may be less than \$5. As used in this
31 (~~section~~) subsection, "substantially underpaid" means that the
32 taxpayer has paid less than 80 percent of the amount of tax
33 determined by the department to be due for all of the types of taxes
34 included in, and for the entire period of time covered by, the
35 department's examination, and the amount of underpayment is at least
36 \$1,000.

37 (3) If a warrant is issued by the department of revenue for the
38 collection of taxes, increases, and penalties, there is added thereto

1 a penalty of 10 percent of the amount of the tax, but not less than
2 \$10.

3 (4) If the department finds that a person has engaged in any
4 business or performed any act upon which a tax is imposed under this
5 title and that person has not obtained from the department a
6 registration certificate as required by RCW 82.32.030, the department
7 must impose a penalty of five percent of the amount of tax due from
8 that person for the period that the person was not registered as
9 required by RCW 82.32.030. The department may not impose the penalty
10 under this subsection (4) if a person who has engaged in business
11 taxable under this title without first having registered as required
12 by RCW 82.32.030, prior to any notification by the department of the
13 need to register, obtains a registration certificate from the
14 department.

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

1 other written communication, provided that such specific written
2 instructions apply only to the taxpayer addressed or referenced on
3 such communication. Any specific written instructions by the
4 department must be clearly identified as such and must inform the
5 taxpayer that failure to follow the instructions may subject the
6 taxpayer to the penalties imposed by this subsection. If the
7 department determines that it is necessary to provide specific
8 written instructions to a taxpayer that does not comply with the
9 requirement to file returns or remit payment electronically as
10 provided in RCW 82.32.080, the specific written instructions must
11 provide the taxpayer with a minimum of 45 days to come into
12 compliance with its electronic filing and/or payment obligations
13 before the department may impose the penalty authorized in this
14 subsection.

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

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

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

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

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

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

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

28 NEW SECTION. Sec. 708. ESTIMATION AGREEMENTS. The department
29 may reasonably estimate the items of business or nonbusiness income
30 of a taxpayer having an office within the state and one or more other
31 states or foreign countries which may be apportioned or allocated to
32 the state and may enter into estimation agreements with such
33 taxpayers for the determination of their liability for the tax
34 imposed by this chapter.

35 NEW SECTION. Sec. 709. PROVISIONS OF INTERNAL REVENUE CODE
36 CONTROL. (1) To the extent possible without being inconsistent with
37 this chapter, all of the provisions of subtitle F (procedure and

1 administration) of the internal revenue code relating to the
2 following subjects apply to the taxes imposed under this chapter:

3 (a) Timing and amount of tax prepayments under section 501 of
4 this act;

5 (b) Liability of transferees; and

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

9 (2) The department by rule may provide modifications and
10 exceptions to the provisions listed in subsection (1) of this
11 section, if reasonably necessary to facilitate the prompt, efficient,
12 and equitable collection of tax under this chapter.

13 NEW SECTION. **Sec. 710.** RULES. (1) The department may adopt
14 rules under chapter 34.05 RCW for the administration and enforcement
15 of this chapter. The rules, to the extent possible without being
16 inconsistent with this chapter, must follow the internal revenue code
17 and the regulations and rulings of the United States treasury
18 department with respect to the federal income tax. The department may
19 adopt as a part of these rules any portions of the internal revenue
20 code and United States treasury department regulations and rulings,
21 in whole or in part.

22 (2) The department may adopt any rules under chapter 34.05 RCW it
23 considers necessary for the administration of section 711 of this
24 act.

25 NEW SECTION. **Sec. 711.** A new section is added to chapter 74.20A
26 RCW to read as follows:

27 (1) Income tax refunds held by the department of revenue pursuant
28 to chapter 82A.--- RCW (the new chapter created in section 1203 of
29 this act) are subject to collection action by the department under
30 this chapter and all other applicable state statutes.

31 (2) The department shall enter into a data-sharing agreement with
32 the department of revenue to facilitate the exchange of information
33 necessary to implement and administer this section.

34 (3) The department and the department of revenue shall adopt
35 rules as necessary to administer this section pursuant to their
36 relevant rule-making authority.

37 (4) When the department commences collection action under this
38 chapter to collect past due child support from income tax refunds due

1 to a taxpayer pursuant to chapter 82A.--- RCW (the new chapter
2 created in section 1203 of this act), the department of revenue may
3 not allow the taxpayer to apply an income tax refund to future taxes.

4 NEW SECTION. **Sec. 712.** ADVISORY GROUP. (1) For the purposes of
5 implementing sections 101 through 814 of this act, the department of
6 revenue is required to regularly consult with the advisory group
7 created in this section.

8 (2) The advisory group members must include:

9 (a) The director of the department of revenue, or their
10 appointees;

11 (b) The director of the office of financial management, or their
12 appointees;

13 (c) The director of the office of minority and women's business
14 enterprises, or their appointees;

15 (d) Two members of the senate, one from each of the major
16 caucuses and appointed by the president of the senate;

17 (e) Two members of the house of representatives, one from each of
18 the major caucuses and appointed by the speaker of the house of
19 representatives; and

20 (f) Ten members appointed by the governor from a list of
21 recommendations made by the president of the senate and the speaker
22 of the house, to include members representing the following groups:

23 (i) Two certified public accountants;

24 (ii) Two members of the tax section of the Washington state bar
25 association;

26 (iii) One member from the office of the attorney general;

27 (iv) One member from a small business association that has
28 membership throughout the state;

29 (v) One member from a large business association; and

30 (vi) One member of a federally recognized Indian tribe
31 recommended by the governor's office of Indian affairs.

32 (3) Staff support for the advisory group will be provided by the
33 department of revenue.

34 (4) Staff support for the legislative members during the advisory
35 group meetings shall include nonpartisan staff from senate committee
36 services and the house of representatives office of program research
37 as well as partisan staff for the majority and minority caucuses in
38 the senate and the house of representatives.

1 (5) After July 1, 2026, the advisory group must meet regularly to
2 be consulted on the implementation of this act and to make
3 recommendations regarding the implementation and administration of
4 this act, including:

5 (a) The implementation and administration of the pass-through
6 entity election, including the requirements and timing of the
7 election;

8 (b) The development of a state schedule K-1;

9 (c) Filing requirements, including documents required to be
10 included;

11 (d) The administration and implementation of the opt-in safe
12 harbor provision;

13 (e) The implementation and administration of extending sales tax
14 to services; and

15 (f) Other essential administrative and implementation matters to
16 be determined by the advisory group.

17 (6) The department of revenue is required to provide:

18 (a) An initial report by December 15, 2026, to the fiscal
19 committees of the house of representatives and the senate that are
20 responsible for the state's tax policy. This report must include any
21 recommended changes identified during the first phase of
22 implementation that may require legislation during the 2027 session;
23 and

24 (b) A final report of recommendations related to the
25 administration of the tax by December 15, 2027, to the fiscal
26 committees of the house of representatives and the senate that are
27 responsible for the state's tax policy.

28 PART VIII

29 APPLICATION OF TAX TO PUBLIC PENSIONS

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

32 (1) Except as provided in subsections (2), (3), ~~((and))~~ (4), and
33 (5) of this section, the right of a person to a retirement allowance,
34 disability allowance, or death benefit, the retirement, disability or
35 death allowance itself, any optional benefit, any other right accrued
36 or accruing to any person under the provisions of this chapter, and
37 the moneys in the fund created under this chapter, are hereby exempt
38 from any state, county, municipal, or other local tax and shall not

1 be subject to execution, garnishment, or any other process of law
2 whatsoever whether the same be in actual possession of the person or
3 be deposited or loaned.

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

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

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

23 (5) Subsection (1) of this section does not exempt any pension or
24 other benefit received under this chapter from tax under Title 82A
25 RCW (the new title created in section 1203 of this act).

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

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

38 (2) Subsection (1) of this section shall not prohibit the
39 department of retirement systems from complying with (a) a wage

1 assignment order for child support issued pursuant to chapter 26.18
2 RCW, (b) a notice of payroll deduction issued under chapter 26.23
3 RCW, (c) an order to withhold and deliver issued pursuant to chapter
4 74.20A RCW, (d) a mandatory benefits assignment order issued pursuant
5 to chapter 41.50 RCW, (e) a court order directing the department of
6 retirement systems to pay benefits directly to an obligee under a
7 dissolution order as defined in RCW 41.50.500(3) which fully complies
8 with RCW 41.50.670 and 41.50.700, or (f) any administrative or court
9 order expressly authorized by federal law.

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

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

18 (5) Subsection (1) of this section does not exempt any pension or
19 other benefit received under this chapter from tax under Title 82A
20 RCW (the new title created in section 1203 of this act).

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

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

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

36 (3) If a judgment, decree or other order, including a
37 court-approved property settlement agreement, that relates to the
38 provision of child support, spousal maintenance, or the marital
39 property rights of a spouse or former spouse, child, or other

1 dependent of a member is made pursuant to the domestic relations law
2 of the state of Washington or such order issued by a court of
3 competent jurisdiction in another state or country, that has been
4 registered or otherwise made enforceable in this state, then the
5 amount of the member's accumulated contributions shall be paid in the
6 manner and to the person or persons so directed in the domestic
7 relations order. However, this subsection does not permit or require
8 a benefit to be paid or to be provided that is not otherwise
9 available under the terms of this chapter or any rules adopted under
10 this chapter. The administrator for the courts shall establish
11 reasonable procedures for determining the status or any such decree
12 or order and for effectuating distribution pursuant to the domestic
13 relations order.

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

20 (5) Subsection (2) of this section does not exempt any payment or
21 other benefit received under this chapter from tax under Title 82A
22 RCW (the new title created in section 1203 of this act).

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

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

31 (2) Unless otherwise provided by federal law, any money received
32 by any citizen of the state of Washington as a pension from the
33 government of the United States, whether the same be in the actual
34 possession of such person or be deposited or loaned, shall be exempt
35 from execution, attachment, garnishment, or seizure by or under any
36 legal process whatever, and when a debtor dies, or absconds, and
37 leaves his or her family any money exempted by this subsection, the
38 same shall be exempt to the family as provided in this subsection.
39 This subsection shall not apply to child support collection actions

1 issued under chapter 26.18, 26.23, or 74.20A RCW, if otherwise
2 permitted by federal law, or to collection actions for taxes imposed
3 under Title 82A RCW (the new title created in section 1203 of this
4 act).

5 (3) The right of a person to a pension, annuity, or retirement
6 allowance or disability allowance, or death benefits, or any optional
7 benefit, or any other right accrued or accruing to any citizen of the
8 state of Washington under any employee benefit plan, and any fund
9 created by such a plan or arrangement, shall be exempt from
10 execution, attachment, garnishment, or seizure by or under any legal
11 process whatever. This subsection shall not apply to child support
12 collection actions issued under chapter 26.18, 26.23, or 74.20A RCW
13 if otherwise permitted by federal law, or to collection actions for
14 taxes imposed under Title 82A RCW (the new title created in section
15 1203 of this act). This subsection shall permit benefits under any
16 such plan or arrangement to be payable to a spouse, former spouse,
17 child, or other dependent of a participant in such plan to the extent
18 expressly provided for in a qualified domestic relations order that
19 meets the requirements for such orders under the plan, or, in the
20 case of benefits payable under a plan described in 26 U.S.C. Sec.
21 403(b) or 408 of the internal revenue code of 1986, as amended, or
22 section 409 of such code as in effect before January 1, 1984, to the
23 extent provided in any order issued by a court of competent
24 jurisdiction that provides for maintenance or support. This
25 subsection does not prohibit actions against an employee benefit
26 plan, or fund for valid obligations incurred by the plan or fund for
27 the benefit of the plan or fund.

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

1 any employee benefit plan that is established or maintained for its
2 employees by the government of the United States, by the state of
3 Washington under chapter 2.10, 2.12, 41.26, 41.32, 41.34, 41.35,
4 41.37, 41.40, or 43.43 RCW or RCW 41.50.770, or by any agency or
5 instrumentality of the government of the United States.

6 (5) An employee benefit plan shall be deemed to be a spendthrift
7 trust, regardless of the source of funds, the relationship between
8 the trustee or custodian of the plan and the beneficiary, or the
9 ability of the debtor to withdraw or borrow or otherwise become
10 entitled to benefits from the plan before retirement. This subsection
11 shall not apply to child support collection actions issued under
12 chapter 26.18, 26.23, or 74.20A RCW, if otherwise permitted by
13 federal law, or to collection actions for taxes imposed under Title
14 82A RCW (the new title created in section 1203 of this act). This
15 subsection shall permit benefits under any such plan or arrangement
16 to be payable to a spouse, former spouse, child, or other dependent
17 of a participant in such plan to the extent expressly provided for in
18 a qualified domestic relations order that meets the requirements for
19 such orders under the plan, or, in the case of benefits payable under
20 a plan described in 26 U.S.C. Sec. 403(b) or 408 of the internal
21 revenue code of 1986, as amended, or section 409 of such code as in
22 effect before January 1, 1984, to the extent provided in any order
23 issued by a court of competent jurisdiction that provides for
24 maintenance or support.

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

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

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

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

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

1 (3) Subsection (1) of this section does not exempt any pension or
2 other benefit received under this chapter from tax under Title 82A
3 RCW (the new title created in section 1203 of this act).

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

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

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

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

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

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

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

36 (3) Subsection (1) of this section shall not prohibit the
37 department from complying with (a) a wage assignment order for child
38 support issued pursuant to chapter 26.18 RCW, (b) an order to
39 withhold and deliver issued pursuant to chapter 74.20A RCW, (c) ((a

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

8 (4) Subsection (1) of this section does not exempt any pension or
9 other benefit received under this chapter from tax under Title 82A
10 RCW (the new title created in section 1203 of this act).

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

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

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

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

12 (4) Subsection (1) of this section does not exempt any pension or
13 other benefit received under this chapter from tax under Title 82A
14 RCW (the new title created in section 1203 of this act).

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

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

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

1 authorized such deduction for payment to the same retirement
2 association or organization.

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

14 (4) Subsection (1) of this section does not exempt any pension or
15 other benefit received under this chapter from tax under Title 82A
16 RCW (the new title created in section 1203 of this act).

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

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

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

1 total of three hundred or more retired employees have authorized the
2 deduction for payment to the same retirement association or
3 organization.

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

14 (4) Subsection (1) of this section does not exempt any pension or
15 other benefit received under this chapter from tax under Title 82A
16 RCW (the new title created in section 1203 of this act).

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

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

30 (2) (a) This section shall not be deemed to prohibit a beneficiary
31 of a retirement allowance from authorizing deductions therefrom for
32 payment of premiums due on any group insurance policy or plan issued
33 for the benefit of a group comprised of public employees of the state
34 of Washington or its political subdivisions and which has been
35 approved for deduction in accordance with rules that may be adopted
36 by the state health care authority and/or the department, and this
37 section shall not be deemed to prohibit a beneficiary of a retirement
38 allowance from authorizing deductions therefrom for payment of dues
39 and other membership fees to any retirement association or

1 organization the membership of which is composed of retired public
2 employees, if a total of three hundred or more of such retired
3 employees have authorized such deduction for payment to the same
4 retirement association or organization.

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

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

20 (4) Subsection (1) of this section does not exempt any pension or
21 other benefit received under this chapter from tax under Title 82A
22 RCW (the new title created in section 1203 of this act).

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

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

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

1 settlement agreement incident to any court decree of dissolution or
2 legal separation.

3 (3) Subsection (1) of this section does not exempt any pension or
4 other benefit received under this chapter from tax under Title 82A
5 RCW (the new title created in section 1203 of this act).

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

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

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

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

1 (4) Subsection (1) of this section does not exempt any pension or
2 other benefit received under this chapter from tax under Title 82A
3 RCW (the new title created in section 1203 of this act).

4 **Sec. 813.** RCW 41.28.200 and 2012 c 159 s 22 are each amended to
5 read as follows:

6 (1) The right of a person to a pension, an annuity or a
7 retirement allowance, to the return of contributions, the pension,
8 annuity or retirement allowance itself, any optional benefit, any
9 other right accrued or accruing to any person under the provisions of
10 this chapter, and the moneys in the fund created under this chapter
11 shall not be subject to execution, garnishment, attachment, or any
12 other process whatsoever, whether the same be in actual possession of
13 the person or be deposited or loaned and shall be unassignable except
14 as in this chapter specifically provided.

15 (2) Subsection (1) of this section does not exempt any pension or
16 other benefit received under this chapter from tax under Title 82A
17 RCW (the new title created in section 1203 of this act).

18 **Sec. 814.** RCW 43.43.310 and 2012 c 159 s 28 are each amended to
19 read as follows:

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

30 (2) Subsection (1) of this section shall not prohibit the
31 department of retirement systems from complying with (a) a wage
32 assignment order for child support issued pursuant to chapter 26.18
33 RCW, (b) an order to withhold and deliver issued pursuant to chapter
34 74.20A RCW, (c) ~~((a notice of payroll deduction))~~ an income
35 withholding order issued pursuant to RCW 26.23.060, (d) a mandatory
36 benefits assignment order issued pursuant to chapter 41.50 RCW, (e) a
37 court order directing the department of retirement systems to pay
38 benefits directly to an obligee under a dissolution order as defined

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

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

11 (4) Subsection (1) of this section does not exempt any pension or
12 other benefit received under this chapter from tax under Title 82A
13 RCW (the new title created in section 1203 of this act).

14 **PART IX**
15 **TAX RELIEF**

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

18 (1) A working families' tax credit, funded by sales and use tax
19 imposed, is provided to eligible low-income persons for calendar
20 years beginning on or after January 1, 2022. The credit is refundable
21 and is calculated as provided in this section.

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

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

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

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

30 (C) Has paid either retail sales tax under this chapter or use
31 tax under chapter 82.12 RCW, or both. There is a rebuttable
32 presumption that a person paid either retail sales tax under this
33 chapter or use tax under chapter 82.12 RCW, or both, if they were a
34 Washington resident during the year for which the credit is claimed.

35 (ii) "Eligible low-income person" also means an individual who
36 meets the requirements provided in (a)(i)(B) of this subsection and
37 would otherwise qualify for the credit provided in Title 26 U.S.C.

1 Sec. 32 of the internal revenue code except that one or any
2 combination of the following conditions apply:

3 (A) The individual filed a federal income tax return for the
4 prior federal tax year using a valid individual taxpayer
5 identification number in lieu of a social security number, and the
6 individual's spouse, if any, and all qualifying children, if any,
7 have a valid individual taxpayer identification number or a social
8 security number; ((~~or~~))

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

14 (C) The individual does not meet the income requirement under
15 Title 26 U.S.C. Sec. 32(c)(1)(A)(ii)(II) of the internal revenue
16 code, but whose income was equal to or less than the maximum
17 qualifying income as defined in this section; or

18 (D) The individual does not meet the age requirement under Title
19 26 U.S.C. Sec. 32(c)(1)(A)(ii)(II) of the internal revenue code, but
20 is at least age 18 by the end of the prior federal tax year.

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

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

25 (d) "Internal revenue code" means the United States internal
26 revenue code of 1986, as amended, as of June 9, 2022, or such
27 subsequent date as the department may provide by rule consistent with
28 the purpose of this section.

29 (e) "Maximum qualifying income" means the greater of:

30 (i) The maximum federally adjusted gross income under Title 26
31 U.S.C. Sec. 32 of the internal revenue code for the prior federal tax
32 year; or

33 (ii) The individual's monthly need and payment standards for cash
34 assistance, under WAC 388-478-0015, multiplied by 12. For the
35 purposes of this subsection (2)(e)(ii), an individual's assistance
36 unit size is determined by their household size for federal income
37 tax purposes for the prior federal tax year, not to exceed five.

38 (f) "Qualifying child" means a qualifying child as defined by
39 Title 26 U.S.C. Sec. 32 of the internal revenue code, except the

1 child may have a valid individual taxpayer identification number in
2 lieu of a social security number.

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

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

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

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

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

25 (ii) For eligible persons with one qualifying child, beginning at
26 \$5,000 of income below the (~~federal phase-out~~) maximum qualifying
27 income for the prior federal tax year, by 12 percent per additional
28 dollar of income until the minimum credit amount as specified in (c)
29 of this subsection is reached.

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

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

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

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

9 (e) For purposes of this section, "consumer price index" means,
10 for any 12-month period, the average consumer price index for that
11 12-month period for the Seattle, Washington area for urban wage
12 earners and clerical workers, all items, compiled by the bureau of
13 labor statistics, United States department of labor.

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

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

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

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

30 (ii) An individual applying for the credit under this section
31 must keep records necessary for the department to verify eligibility
32 under this section. Any information provided by the individual is
33 subject to audit verification by the department.

34 (iii) In addition to information provided on the application, the
35 department may verify that an individual qualifies as a Washington
36 resident through the use of automated verification tools or other
37 reasonable means.

38 (iv) (A) Except as provided in (a) (iv) (B) of this subsection (4),
39 application for a refund under this section must be made in the year
40 following the year for which the federal tax return was filed, but in

1 no case may any refund be provided for any period before January 1,
2 2022.

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

10 (II) If a person seeks to increase the amount of a refund that
11 has been made under this subsection (4), the person must apply for
12 the amended refund within the nonclaims period established under RCW
13 82.32.060(1).

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

21 (b) The department shall protect the privacy and confidentiality
22 of personal data of refund recipients in accordance with chapter
23 82.32 RCW.

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

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

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

34 (6) The department may adopt rules necessary to implement this
35 section. This includes establishing a date by which applications will
36 be accepted, with the aim of accepting applications as soon as
37 possible.

38 (7) The department must review the application and determine
39 eligibility for the working families' tax credit based on information
40 provided by the applicant and through audit and other administrative

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

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

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

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

32 (c) If the department finds by clear, cogent, and convincing
33 evidence that an individual knowingly submitted, caused to be
34 submitted, or consented to the submission of, a fraudulent claim for
35 refund under this section, the department must assess a penalty of 50
36 percent of the overpaid amount. This penalty is in addition to any
37 other applicable penalties assessed in accordance with (b) of this
38 subsection (8).

39 (9) If, within the period allowed for refunds under RCW
40 82.32.060, the department finds that an individual received a lesser

1 refund than the individual was entitled to, the department must remit
2 the additional amount due under this section to the individual.

3 (10) Interest does not apply to refunds provided under this
4 section.

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

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

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

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

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

27 (4) The joint legislative audit and review committee shall review
28 this preference in 2028 and every 10 years thereafter. If a review
29 finds that the working families' tax credit does not provide
30 meaningful financial relief to low-income and middle-income
31 households, RCW 82.08.0206 expires at the end of the calendar year
32 two years after the adoption of the final report containing that
33 finding. The joint legislative audit and review committee shall
34 provide written notice of the expiration date of RCW 82.08.0206 to
35 the department of revenue, the chief clerk of the house of
36 representatives, the secretary of the senate, the office of the code
37 reviser, and others as deemed appropriate by the joint legislative
38 audit and review committee. In its review of the program, the joint
39 legislative audit and review committee should use at least the

1 following metrics: Size of the benefit per household, number of
2 household beneficiaries statewide, and demographic information of
3 beneficiaries to include family size, income level, race and
4 ethnicity, and geographic location.(5) In order to obtain the data
5 necessary to perform the review in subsection (4) of this section,
6 the joint legislative audit and review committee may refer to the
7 remittance data prepared by the department of revenue.

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

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

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

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

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

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

23 NEW SECTION. **Sec. 905.** A new section is added to chapter 82.08
24 RCW to read as follows:

25 (1) Beginning January 1, 2029, the tax levied by RCW 82.08.020
26 does not apply to the sale of diapers.

27 (2) For the purposes of this section, "diapers" means an
28 absorbent garment worn by humans who are incapable of, or have
29 difficulty, controlling their bladder or bowel movements.

30 NEW SECTION. **Sec. 906.** A new section is added to chapter 82.12
31 RCW to read as follows:

32 (1) Beginning January 1, 2029, the tax levied by this chapter
33 does not apply to the use of diapers.

34 (2) For the purposes of this section, "diapers" has the same
35 meaning as in section 905 of this act.

1 NEW SECTION. **Sec. 907.** A new section is added to chapter 82.08
2 RCW to read as follows:

3 (1) Beginning January 1, 2029, the tax levied by RCW 82.08.020
4 does not apply to the sale of over the counter drugs.

5 (2) For purposes of this section, "over the counter drugs" means
6 a drug that contains a label that identifies the product as a drug as
7 required by 21 C.F.R. Sec. 201.66 (2026) as it existed on the
8 effective date of this section. The over the counter drug label must
9 include a drug facts panel or a statement of the active ingredient or
10 ingredients with those ingredients contained in the compound,
11 substance, or preparation.

12 NEW SECTION. **Sec. 908.** A new section is added to chapter 82.12
13 RCW to read as follows:

14 (1) Beginning January 1, 2029, the tax levied by RCW 82.12.020
15 does not apply to the use of over the counter drugs.

16 (2) For purposes of this section, "over the counter drugs" has
17 the same meaning as in section 907 of this act.

18 **Sec. 909.** RCW 82.04.4451 and 2022 c 295 s 1 are each amended to
19 read as follows:

20 (1) In computing the tax imposed under this chapter, a credit is
21 allowed against the amount of tax otherwise due under this chapter,
22 as provided in this section. Except for taxpayers that report at
23 least 50 percent of their taxable amount under RCW 82.04.255,
24 82.04.290(2)(a), and 82.04.285, the maximum credit for a taxpayer for
25 a reporting period is (~~(\$55)~~) \$125 multiplied by the number of months
26 in the reporting period, as determined under RCW 82.32.045. For a
27 taxpayer that reports at least 50 percent of its taxable amount under
28 RCW 82.04.255, 82.04.290(2)(a), and 82.04.285, the maximum credit for
29 a reporting period is (~~(\$160)~~) \$375 multiplied by the number of
30 months in the reporting period, as determined under RCW 82.32.045.

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

34 (3) When the amount of tax otherwise due under this chapter
35 exceeds the maximum credit, a reduced credit is allowed equal to
36 twice the maximum credit, minus the tax otherwise due under this
37 chapter, but not less than zero.

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

10 **Sec. 910.** RCW 82.32.045 and 2023 c 374 s 12 are each amended to
11 read as follows:

12 (1) Except as otherwise provided in this chapter and subsection
13 (6) of this section, payments of the taxes imposed under chapters
14 82.04, 82.08, 82.12, 82.14, 82.16, and 82.27 RCW, along with reports
15 and returns on forms prescribed by the department, are due monthly
16 within 25 days after the end of the month in which the taxable
17 activities occur.

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

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

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

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

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

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

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

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

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

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

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

15 **Sec. 911.** RCW 82.04.288 and 2025 c 420 s 201 are each amended to
16 read as follows:

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

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

22 (3) (a) Any Washington taxable income subject to the tax in RCW
23 82.04.29004 is exempt from the surcharge imposed in this section.

24 (b) (i) Any Washington taxable income subject to the manufacturing
25 tax rates in RCW 82.04.240, 82.04.2404, 82.04.241, 82.04.260,
26 82.04.2602, 82.04.287, 82.04.2909, or 82.04.294(1) is exempt from the
27 surcharge imposed in this section.

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

32 (iii) Any Washington taxable income attributable to retail sales
33 that are exempt from the imposition of sales tax in RCW 82.08.0293,
34 82.08.0297, and 82.08.0281 is exempt from the surcharge imposed in
35 this section.

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

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

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

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

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

16 (vi) Any Washington taxable income received by a hospital as
17 defined in RCW 70.41.020 is exempt from the surcharge imposed by this
18 section.

19 (vii) Any Washington taxable income attributable to the
20 warehousing and reselling of drugs for human use pursuant to a
21 prescription is exempt from the surcharge imposed by this section.
22 For the purposes of this subsection (3)(b)(vii), the following
23 definitions apply:

24 (A) "Prescription" has the same meaning as in RCW 82.08.0281.

25 (B) "Warehousing and reselling drugs for human use pursuant to a
26 prescription" means the buying of drugs for human use pursuant to a
27 prescription from a manufacturer or another wholesaler and reselling
28 of the drugs to persons selling at retail or to hospitals, clinics,
29 health care providers, or other providers of health care services by
30 a wholesaler or retailer who is registered with the federal drug
31 enforcement administration and licensed by the pharmacy quality
32 assurance commission.

33 (viii) Any Washington taxable income attributable to the
34 provision of health care services by a health care provider licensed
35 under Title 18 RCW is exempt from the surcharge imposed by this
36 section.

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

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

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

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

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

12 (6) This section expires December 31, 2029.

13 NEW SECTION. **Sec. 912.** Sections 909 through 911 of this act
14 take effect January 1, 2029.

15 **PART X**

16 **CHAPTER 422, LAWS OF 2025**

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

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

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

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

35 (iii) Purchases for the purpose of consuming the property
36 purchased in producing for sale as a new article of tangible personal
37 property or substance, of which such property becomes an ingredient

1 or component or is a chemical used in processing, when the primary
2 purpose of such chemical is to create a chemical reaction directly
3 through contact with an ingredient of a new article being produced
4 for sale; or

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

10 (v) Purchases for the purpose of providing the property to
11 consumers as part of competitive telephone service, as defined in RCW
12 82.04.065; or

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

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

23 (c) The term also means every sale of tangible personal property
24 to persons engaged in any business that is taxable under RCW
25 82.04.280(1) (a), (b), and (~~(g)~~) (f), 82.04.290, and 82.04.2908.

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

29 (a) The installing, repairing, cleaning, altering, imprinting, or
30 improving of tangible personal property of or for consumers,
31 including charges made for the mere use of facilities in respect
32 thereto, but excluding charges made for the use of self-service
33 laundry facilities, and also excluding sales of laundry service to
34 nonprofit health care facilities, and excluding services rendered in
35 respect to live animals, birds and insects;

36 (b) The constructing, repairing, decorating, or improving of new
37 or existing buildings or other structures under, upon, or above real
38 property of or for consumers, including the installing or attaching
39 of any article of tangible personal property therein or thereto,
40 whether or not such personal property becomes a part of the realty by

1 virtue of installation, and also includes the sale of services or
2 charges made for the clearing of land and the moving of earth
3 excepting the mere leveling of land used in commercial farming or
4 agriculture;

5 (c) The constructing, repairing, or improving of any structure
6 upon, above, or under any real property owned by an owner who conveys
7 the property by title, possession, or any other means to the person
8 performing such construction, repair, or improvement for the purpose
9 of performing such construction, repair, or improvement and the
10 property is then reconveyed by title, possession, or any other means
11 to the original owner;

12 (d) The cleaning, fumigating, razing, or moving of existing
13 buildings or structures, but does not include the charge made for
14 janitorial services; and for purposes of this section the term
15 "janitorial services" means those cleaning and caretaking services
16 ordinarily performed by commercial janitor service businesses
17 including, but not limited to, wall and window washing, floor
18 cleaning and waxing, and the cleaning in place of rugs, drapes and
19 upholstery. The term "janitorial services" does not include painting,
20 papering, repairing, furnace or septic tank cleaning, snow removal or
21 sandblasting;

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

25 (f) The furnishing of lodging and all other services by a hotel,
26 rooming house, tourist court, motel, trailer camp, and the granting
27 of any similar license to use real property, as distinguished from
28 the renting or leasing of real property, and it is presumed that the
29 occupancy of real property for a continuous period of one month or
30 more constitutes a rental or lease of real property and not a mere
31 license to use or enjoy the same. For the purposes of this
32 subsection, it is presumed that the sale of and charge made for the
33 furnishing of lodging for a continuous period of one month or more to
34 a person is a rental or lease of real property and not a mere license
35 to enjoy the same. For the purposes of this section, it is presumed
36 that the sale of and charge made for the furnishing of lodging
37 offered regularly for public occupancy for periods of less than a
38 month constitutes a license to use or enjoy the property subject to
39 sales and use tax and not a rental or lease of property;

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

3 (h) Persons taxable under (a), (b), (c), (d), (e), (f), and (g)
4 of this subsection when such sales or charges are for property, labor
5 and services which are used or consumed in whole or in part by such
6 persons in the performance of any activity defined as a "sale at
7 retail" or "retail sale" even though such property, labor and
8 services may be resold after such use or consumption. Nothing
9 contained in this subsection may be construed to modify subsection
10 (1) of this section and nothing contained in subsection (1) of this
11 section may be construed to modify this subsection.

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

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

18 (b) Credit bureau services;

19 (c) Automobile parking and storage garage services;

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

25 (e) Service charges associated with tickets to professional
26 sporting events;

27 (f) The following personal services: Tanning salon services,
28 tattoo parlor services, steam bath services, turkish bath services,
29 escort services, and dating services;

30 ~~(g) ((Information technology training services, technical
31 support, and other services including, but not limited to, assisting
32 with network operations and support, help desk services, in-person
33 training related to hardware or software, network system support
34 services, data entry services, and data processing services;~~

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

39 ~~(i) Investigation, security services, security monitoring
40 services, and armored car services including, but not limited to,~~

1 ~~background checks, security guard and patrol services, personal and~~
2 ~~event security, armored car transportation of cash and valuables, and~~
3 ~~security system services and monitoring. This does not include~~
4 ~~locksmith services;~~

5 ~~(j) Temporary staffing services. For the purposes of this~~
6 ~~subsection (3), "temporary staffing services" means providing workers~~
7 ~~to other businesses, except for hospitals licensed under chapter~~
8 ~~70.41 or 71.12 RCW, for limited periods of time to supplement their~~
9 ~~workforce and fill employment vacancies on a contract or for fee~~
10 ~~basis;~~

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

15 (A) Layout, art direction, graphic design, mechanical
16 preparation, production supervision, placement, referrals,
17 acquisition of advertising space, and rendering advice concerning the
18 best methods of advertising products or services; and

19 (B) Online referrals, search engine marketing(~~(r)~~) and lead
20 generation optimization, web campaign planning, the acquisition of
21 advertising space in the internet media, and the monitoring and
22 evaluation of website traffic for purposes of determining the
23 effectiveness of an advertising campaign.

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

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

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

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

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

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

31 (C) Services rendered in respect to out-of-home advertising,
32 including: Billboard advertising; street furniture advertising;
33 transit advertising; place-based advertising, such as in-store
34 display advertising or point-of-sale advertising; dynamic or static
35 signage at live events; naming rights; and fixed signage advertising.
36 Out-of-home advertising does not include direct mail(~~(s)~~

37 ~~(l) Live presentations including, but not limited to, lectures,~~
38 ~~seminars, workshops, or courses where participants attend either in-~~
39 ~~person or via the internet or telecommunications equipment that~~

1 ~~allows audience members and the presenter or instructor to give,~~
2 ~~receive, and discuss information with each other in real time)); and~~

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

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

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

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

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

23 (D) Separately stated charges for physical therapy provided by a
24 physical therapist, as those terms are defined in RCW 18.74.010, or
25 occupational therapy provided by an occupational therapy
26 practitioner, as those terms are defined in RCW 18.59.020, when
27 performed pursuant to a referral from an authorized health care
28 practitioner or in consultation with an authorized health care
29 practitioner. For the purposes of this subsection (3) ~~((~~m~~))~~ (h)
30 (ii)(D), an authorized health care practitioner means a health care
31 practitioner licensed under chapter 18.83, 18.25, 18.36A, 18.57,
32 18.71, or 18.71A RCW, or, until July 1, 2022, chapter 18.57A RCW;

33 (E) Rent or association fees charged by a landlord or residential
34 association to a tenant or residential owner with access to an
35 athletic or fitness facility maintained by the landlord or
36 residential association, unless the rent or fee varies depending on
37 whether the tenant or owner has access to the facility;

38 (F) Services provided in the regular course of employment by an
39 employee with access to an athletic or fitness facility maintained by

1 the employer for use without charge by its employees or their family
2 members;

3 (G) The provision of access to an athletic or fitness facility by
4 an educational institution to its students and staff. However,
5 charges made by an educational institution to its alumni or other
6 members of the public for the use of any of the educational
7 institution's athletic or fitness facilities are a retail sale under
8 this subsection (3) ~~((m))~~ (h). For purposes of this subsection (3)
9 ~~((m))~~ (h)(ii)(G), "educational institution" has the same meaning as
10 in RCW 82.04.170;

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

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

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

23 (A) "Athletic or fitness facility" means an indoor or outdoor
24 facility or portion of a facility that is primarily used for:
25 Exercise classes; strength and conditioning programs; personal
26 training services; tennis, racquetball, handball, squash, or
27 pickleball; or other activities requiring the use of exercise or
28 strength training equipment, such as treadmills, elliptical machines,
29 stair climbers, stationary cycles, rowing machines, pilates
30 equipment, balls, climbing ropes, jump ropes, and weightlifting
31 equipment.

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

37 (C) "Physical fitness activities" means activities that involve
38 physical exertion for the purpose of improving or maintaining the
39 general fitness, strength, flexibility, conditioning, or health of

1 the participant. "Physical fitness activities" includes participating
2 in yoga, chi gong, or martial arts.

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

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

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

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

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

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

27 (i) Custom software; or

28 (ii) The customization of prewritten computer software.

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

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

39 (B) For purposes of this subsection (6) (~~(b)~~) (c)(ii), "data
40 processing" means the systematic performance of operations on data to

1 extract the required information in an appropriate form or to convert
2 the data to usable information. Data processing includes check
3 processing, image processing, form processing, survey processing,
4 payroll processing, claim processing, and similar activities.

5 (7) The term also includes the sale of or charge made for an
6 extended warranty to a consumer. For purposes of this subsection,
7 "extended warranty" means an agreement for a specified duration to
8 perform the replacement or repair of tangible personal property at no
9 additional charge or a reduced charge for tangible personal property,
10 labor, or both, or to provide indemnification for the replacement or
11 repair of tangible personal property, based on the occurrence of
12 specified events. The term "extended warranty" does not include an
13 agreement, otherwise meeting the definition of extended warranty in
14 this subsection, if no separate charge is made for the agreement and
15 the value of the agreement is included in the sales price of the
16 tangible personal property covered by the agreement. For purposes of
17 this subsection, "sales price" has the same meaning as in RCW
18 82.08.010.

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

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

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

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

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

29 (b) A retail sale of digital goods, digital codes, or digital
30 automated services under this subsection (8) includes any services
31 provided by the seller exclusively in connection with the digital
32 goods, digital codes, or digital automated services, whether or not a
33 separate charge is made for such services.

34 (c) A retail sale of digital goods, digital codes, or digital
35 automated services does not include ~~((the following services if the~~
36 ~~sale occurs between members of an affiliated group as defined in RCW~~
37 ~~82.04.299(1)(f)):~~

38 ~~(i) Any service that primarily involves the application of human~~
39 ~~effort by the seller, and the human effort originated after the~~
40 ~~customer requested the service;~~

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

6 ~~(iii) Advertising))~~ advertising services if the sale occurs
7 between members of an affiliated group as defined in RCW
8 82.04.299(1)(f). For purposes of this subsection (8)(c), "advertising
9 services" means all services directly related to the creation,
10 preparation, production, or dissemination of advertisements.
11 Advertising services include layout, art direction, graphic design,
12 mechanical preparation, production supervision, placement, and
13 rendering advice to a client concerning the best methods of
14 advertising that client's products or services. Advertising services
15 also include online referrals, search engine marketing and lead
16 generation optimization, web campaign planning, the acquisition of
17 advertising space in the internet media, and the monitoring and
18 evaluation of website traffic for purposes of determining the
19 effectiveness of an advertising campaign. Advertising services do not
20 include web hosting services and domain name registration(~~;~~and

21 ~~(iv) Data processing services. For purposes of this subsection~~
22 ~~(8)(c), "data processing service" means a primarily automated service~~
23 ~~provided to a business or other organization where the primary object~~
24 ~~of the service is the systematic performance of operations by the~~
25 ~~service provider on data supplied in whole or in part by the customer~~
26 ~~to extract the required information in an appropriate form or to~~
27 ~~convert the data to usable information. Data processing services~~
28 ~~include check processing, image processing, form processing, survey~~
29 ~~processing, payroll processing, claim processing, and similar~~
30 ~~activities. Data processing does not include the service described in~~
31 ~~subsection (6)(b) of this section).~~

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

38 (9) The term also includes the charge made for providing tangible
39 personal property along with an operator for a fixed or indeterminate
40 period of time. A consideration of this is that the operator is

1 necessary for the tangible personal property to perform as designed.
2 For the purpose of this subsection (9), an operator must do more than
3 maintain, inspect, or set up the tangible personal property.

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

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

29 (12) The term does not include the sale of or charge made for
30 labor and services rendered in respect to the constructing,
31 repairing, decorating, or improving of new or existing buildings or
32 other structures under, upon, or above real property of or for the
33 United States, any instrumentality thereof, or a county or city
34 housing authority created pursuant to chapter 35.82 RCW, including
35 the installing, or attaching of any article of tangible personal
36 property therein or thereto, whether or not such personal property
37 becomes a part of the realty by virtue of installation. Nor does the
38 term include the sale of services or charges made for the clearing of
39 land and the moving of earth of or for the United States, any
40 instrumentality thereof, or a county or city housing authority. Nor

1 does the term include the sale of services or charges made for
2 cleaning up for the United States, or its instrumentalities,
3 radioactive waste and other by-products of weapons production and
4 nuclear research and development.

5 (13) The term does not include the sale of or charge made for
6 labor, services, or tangible personal property pursuant to agreements
7 providing maintenance services for bus, rail, or rail fixed guideway
8 equipment when a regional transit authority is the recipient of the
9 labor, services, or tangible personal property, and a transit agency,
10 as defined in RCW 81.104.015, performs the labor or services.

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

14 (15)(a) The term "sale at retail" or "retail sale" includes
15 amounts charged, however labeled, to consumers to engage in any of
16 the activities listed in this subsection (15)(a), including the
17 furnishing of any associated equipment or, except as otherwise
18 provided in this subsection, providing instruction in such
19 activities, where such charges are not otherwise defined as a "sale
20 at retail" or "retail sale" in this section:

21 (i)(A) Golf, including any variant in which either golf balls or
22 golf clubs are used, such as miniature golf, hitting golf balls at a
23 driving range, and golf simulators, and including fees charged by a
24 golf course to a player for using his or her own cart. However,
25 charges for golf instruction are not a retail sale, provided that if
26 the instruction involves the use of a golfing facility that would
27 otherwise require the payment of a fee, such as green fees or driving
28 range fees, such fees, including the applicable retail sales tax,
29 must be separately identified and charged by the golfing facility
30 operator to the instructor or the person receiving the instruction.

31 (B) Notwithstanding (a)(i)(A) of this subsection (15) and except
32 as otherwise provided in this subsection (15)(a)(i)(B), the term
33 "sale at retail" or "retail sale" does not include amounts charged to
34 participate in, or conduct, a golf tournament or other competitive
35 event. However, amounts paid by event participants to the golf
36 facility operator are retail sales under this subsection (15)(a)(i).
37 Likewise, amounts paid by the event organizer to the golf facility
38 are retail sales under this subsection (15)(a)(i), if such amounts
39 vary based on the number of event participants;

- 1 (ii) Ballooning, hang gliding, indoor or outdoor sky diving,
2 paragliding, parasailing, and similar activities;
- 3 (iii) Air hockey, billiards, pool, foosball, darts, shuffleboard,
4 ping pong, and similar games;
- 5 (iv) Access to amusement park, theme park, and water park
6 facilities, including but not limited to charges for admission and
7 locker or cabana rentals. Discrete charges for rides or other
8 attractions or entertainment that are in addition to the charge for
9 admission are not a retail sale under this subsection (15)(a)(iv).
10 For the purposes of this subsection, an amusement park or theme park
11 is a location that provides permanently affixed amusement rides,
12 games, and other entertainment, but does not include parks or zoos
13 for which the primary purpose is the exhibition of wildlife, or
14 fairs, carnivals, and festivals as defined in (b)(i) of this
15 subsection;
- 16 (v) Batting cage activities;
- 17 (vi) Bowling, but not including competitive events, except that
18 amounts paid by the event participants to the bowling alley operator
19 are retail sales under this subsection (15)(a)(vi). Likewise, amounts
20 paid by the event organizer to the operator of the bowling alley are
21 retail sales under this subsection (15)(a)(vi), if such amounts vary
22 based on the number of event participants;
- 23 (vii) Climbing on artificial climbing structures, whether indoors
24 or outdoors;
- 25 (viii) Day trips for sightseeing purposes;
- 26 (ix) Bungee jumping, zip lining, and riding inside a ball,
27 whether inflatable or otherwise;
- 28 (x) Horseback riding offered to the public, where the seller
29 furnishes the horse to the buyer and providing instruction is not the
30 primary focus of the activity, including guided rides, but not
31 including therapeutic horseback riding provided by an instructor
32 certified by a nonprofit organization that offers national or
33 international certification for therapeutic riding instructors;
- 34 (xi) Fishing, including providing access to private fishing areas
35 and charter or guided fishing, except that fishing contests and
36 license fees imposed by a government entity are not a retail sale
37 under this subsection;
- 38 (xii) Guided hunting and hunting at game farms and shooting
39 preserves, except that hunting contests and license fees imposed by a
40 government entity are not a retail sale under this subsection;

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

9 (xiv) Go-karting, bumper cars, and other motorized activities
10 where the seller provides the vehicle and the premises where the
11 buyer will operate the vehicle;

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

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

26 (xvii) Paintball and airsoft activities;

27 (xviii) Skating, including ice skating, roller skating, and
28 inline skating, but only in respect to discrete charges to members of
29 the public to engage in skating activities, but not including skating
30 lessons, competitive events, team activities, or fees to join or
31 renew a membership at a skating facility, club, or other
32 organization;

33 (xix) Nonmotorized snow sports and activities, such as downhill
34 and cross-country skiing, snowboarding, ski jumping, sledding, snow
35 tubing, snowshoeing, and similar snow sports and activities, whether
36 engaged in outdoors or in an indoor facility with or without snow,
37 but only in respect to discrete charges to the public for the use of
38 land or facilities to engage in nonmotorized snow sports and
39 activities, such as fees, however labeled, for the use of ski lifts
40 and tows and daily or season passes for access to trails or other

1 areas where nonmotorized snow sports and activities are conducted.
2 However, fees for the following are not retail sales under this
3 subsection (15)(a)(xix): (A) Instructional lessons; (B) permits
4 issued by a governmental entity to park a vehicle on or access public
5 lands; and (C) permits or leases granted by an owner of private
6 timberland for recreational access to areas used primarily for
7 growing and harvesting timber; and

8 (xx) Scuba diving; snorkeling; river rafting; surfing;
9 kiteboarding; flyboarding; water slides; inflatables, such as water
10 pillows, water trampolines, and water rollers; and similar water
11 sports and activities.

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

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

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

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

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

35 (16)(a) The term "sale at retail" or "retail sale" includes the
36 purchase or acquisition of tangible personal property and specified
37 services by a person who receives either a qualifying grant exempt
38 from tax under RCW 82.04.767 or 82.16.320 or a grant deductible under
39 RCW 82.04.4339, except for transactions excluded from the definition
40 of "sale at retail" or "retail sale" by any other provision of this

1 section. Nothing in this subsection (16) may be construed to limit
2 the application of any other provision of this section to purchases
3 by a recipient of either a qualifying grant exempt from tax under RCW
4 82.04.767 or a grant deductible under RCW 82.04.4339, or by any other
5 person.

6 (b) For purposes of this subsection (16), "specified services"
7 means:

8 (i) The constructing, repairing, decorating, or improving of new
9 or existing buildings or other structures under, upon, or above real
10 property, including the installing or attaching of any article of
11 tangible personal property therein or thereto, whether or not such
12 personal property becomes a part of the realty by virtue of
13 installation;

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

17 (iii) The razing or moving of existing buildings or structures;
18 and

19 (iv) Landscape maintenance and horticultural services.

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

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

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

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

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

32 (i) Any service that primarily involves the application of human
33 effort by the seller, and the human effort originated after the
34 customer requested the service;

35 (ii) The loaning or transferring of money or the purchase, sale,
36 or transfer of financial instruments. For purposes of this subsection
37 (3)(b) ~~((+i))~~ (ii), "financial instruments" include cash, accounts
38 receivable and payable, loans and notes receivable and payable, debt

1 securities, equity securities, as well as derivative contracts such
2 as forward contracts, swap contracts, and options;

3 ~~((iii))~~ (iii) Dispensing cash or other physical items from a
4 machine;

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

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

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

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

12 ~~((vii))~~ (viii) The service described in RCW 82.04.050(6) ~~((b))~~
13 (c);

14 ~~((viii))~~ (ix) Online educational programs provided by a:
15 (A) Public or private elementary or secondary school; or
16 (B) An institution of higher education as defined in sections
17 1001 or 1002 of the federal higher education act of 1965 (Title 20
18 U.S.C. Secs. 1001 and 1002), as existing on July 1, 2009. For
19 purposes of this subsection (3)(b) ~~((viii))~~ (ix)(B), an online
20 educational program must be encompassed within the institution's
21 accreditation;

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

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

29 ~~((x))~~ (xii) (A) A service that allows the person receiving the
30 service to make online sales of products or services, digital or
31 otherwise, using either: (I) The service provider's website; or (II)
32 the service recipient's website, but only when the service provider's
33 technology is used in creating or hosting the service recipient's
34 website or is used in processing orders from customers using the
35 service recipient's website.

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

39 ~~((xi))~~ (xiii) Telehealth as defined in RCW 18.134.010 or
40 telemedicine as defined in RCW 48.43.735;

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

6 ~~(xiii)~~) (xv) Data processing services. For purposes of this
7 subsection (3)(b)(xv), "data processing service" means a primarily
8 automated service provided to a business or other organization where
9 the primary object of the service is the systematic performance of
10 operations by the service provider on data supplied in whole or in
11 part by the customer to extract the required information in an
12 appropriate form or to convert the data to usable information. "Data
13 processing services" include check processing, image processing, form
14 processing, survey processing, payroll processing, claim processing,
15 and similar activities. "Data processing service" does not include
16 the service described in RCW 82.04.050(6)(c); and

17 (xvi) Digital goods.

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

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

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

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

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

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

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

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

9 (B) The exclusion in (b) (iv) (A) of this subsection (6) does not
10 apply to photographers in respect to amounts received for the taking
11 of photographs that are transferred electronically to the customer,
12 but only if the customer is an end user, as defined in RCW
13 82.04.190(11), of the photographs. Such amounts are considered to be
14 for the sale of digital goods; and

15 (v) Services and activities excluded from the definition of
16 digital automated services in subsection (3) (b) (i) through (~~(xii)~~)
17 (xv) of this section and not otherwise described in (b) (i) through
18 (iv) of this subsection (6).

19 (7) "Digital products" means digital goods and digital automated
20 services.

21 (8) "Electronically transferred" or "transferred electronically"
22 means obtained by the purchaser by means other than tangible storage
23 media. It is not necessary that a copy of the product be physically
24 transferred to the purchaser. So long as the purchaser may access the
25 product, it will be considered to have been electronically
26 transferred to the purchaser.

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

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

35 (11) "Subscription television services" means the sale of video
36 programming by a television broadcaster as defined in RCW 82.08.0208,
37 except as otherwise provided in this subsection. "Subscription
38 television services" does not include video programming that is sold
39 on a pay-per-program basis or that allows the buyer to access a
40 library of programs at any time for a specific charge for that

1 service, but only if the seller is not subject to a franchise fee in
2 this state under the authority of Title 47 U.S.C. Sec. 542(a) on the
3 gross revenue derived from the sale.

4 NEW SECTION. **Sec. 1003.** Sections 1001 and 1002 of this act take
5 effect January 1, 2029.

6 **PART XI**
7 **CLARIFYING APPLICABILITY OF RECENT CHANGES TO SALES AND USE TAXES AND**
8 **BUSINESS AND OCCUPATION TAXES**

9 **Sec. 1101.** RCW 82.04.050 and 2025 c 422 s 101 are each amended
10 to read as follows:

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

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

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

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

34 (iv) Purchases for the purpose of consuming the property
35 purchased in producing ferrosilicon which is subsequently used in
36 producing magnesium for sale, if the primary purpose of such property

1 is to create a chemical reaction directly through contact with an
2 ingredient of ferrosilicon; or

3 (v) Purchases for the purpose of providing the property to
4 consumers as part of competitive telephone service, as defined in RCW
5 82.04.065; or

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

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

16 (c) The term also means every sale of tangible personal property
17 to persons engaged in any business that is taxable under RCW
18 82.04.280(1) (a), (b), and (~~(g)~~) (f), 82.04.290, and 82.04.2908.

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

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

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

38 (c) The constructing, repairing, or improving of any structure
39 upon, above, or under any real property owned by an owner who conveys
40 the property by title, possession, or any other means to the person

1 performing such construction, repair, or improvement for the purpose
2 of performing such construction, repair, or improvement and the
3 property is then reconveyed by title, possession, or any other means
4 to the original owner;

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

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

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

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

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

1 contained in this subsection may be construed to modify subsection
2 (1) of this section and nothing contained in subsection (1) of this
3 section may be construed to modify this subsection.

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

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

10 (b) Credit bureau services;

11 (c) Automobile parking and storage garage services;

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

17 (e) Service charges associated with tickets to professional
18 sporting events;

19 (f) The following personal services: Tanning salon services,
20 tattoo parlor services, steam bath services, turkish bath services,
21 escort services, and dating services;

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

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

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

37 (j) Temporary staffing services. For the purposes of this
38 subsection (3), "temporary staffing services" means providing workers
39 to other businesses, except for hospitals licensed under chapter
40 70.41 or 71.12 RCW, for limited periods of time to supplement their

1 workforce and fill employment vacancies on a contract or for fee
2 basis. "Temporary staffing services" do not include staffing services
3 utilized by hospital-based clinical providers to supplement their
4 fulfillment of hospital contracts for professional services and that
5 are utilized for limited periods of time to supplement hospital
6 staffing;

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

11 (A) Layout, art direction, graphic design, mechanical
12 preparation, production supervision, placement, referrals,
13 acquisition of advertising space, and rendering advice concerning the
14 best methods of advertising products or services; and

15 (B) Online referrals, search engine marketing(~~(r)~~) and lead
16 generation optimization, web campaign planning, the acquisition of
17 advertising space in the internet media, and the monitoring and
18 evaluation of website traffic for purposes of determining the
19 effectiveness of an advertising campaign.

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

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

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

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

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

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

27 (C) Services rendered in respect to out-of-home advertising,
28 including: Billboard advertising; street furniture advertising;
29 transit advertising; place-based advertising, such as in-store
30 display advertising or point-of-sale advertising; dynamic or static
31 signage at live events; naming rights; and fixed signage advertising.
32 Out-of-home advertising does not include direct mail;

33 (l) (i) Live presentations including, but not limited to,
34 lectures, seminars, workshops, or courses where participants attend
35 either in-person or via the internet or telecommunications equipment
36 that allows audience members and the presenter or instructor to give,
37 receive, and discuss information with each other in real time;

38 (ii) "Live presentations" do not include:

39 (A) Before and after school care provided in-person and on-site
40 by elementary schools;

1 (B) Presentations given by a nonprofit organization exempt from
2 federal income tax under Title 26 U.S.C. Sec. 501(c) of the federal
3 internal revenue code;

4 (C) Musical, dramatic, comedic, or similar performances,
5 including any incidental instruction;

6 (D) One-on-one instructional activities including tutoring and
7 consulting; and

8 (E) Music lessons regardless of the number of participants; and

9 (m) (i) Operating an athletic or fitness facility, including all
10 charges for the use of such a facility or for any associated services
11 and amenities, except as provided in (m) (ii) of this subsection.

12 (ii) Notwithstanding anything to the contrary in (m) (i) of this
13 subsection (3), the term "sale at retail" and "retail sale" under
14 this subsection does not include:

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

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

22 (C) Separately stated charges for services, such as massage,
23 nutritional consulting, and body composition testing, that do not
24 require the customer to engage in physical fitness activities to
25 receive the service. The exclusion in this subsection (3) (m) (ii) (C)
26 does not apply to personal training services and instruction in a
27 physical fitness activity;

28 (D) Separately stated charges for physical therapy provided by a
29 physical therapist, as those terms are defined in RCW 18.74.010, or
30 occupational therapy provided by an occupational therapy
31 practitioner, as those terms are defined in RCW 18.59.020, when
32 performed pursuant to a referral from an authorized health care
33 practitioner or in consultation with an authorized health care
34 practitioner. For the purposes of this subsection (3) (m) (ii) (D), an
35 authorized health care practitioner means a health care practitioner
36 licensed under chapter 18.83, 18.25, 18.36A, 18.57, 18.71, or 18.71A
37 RCW, or, until July 1, 2022, chapter 18.57A RCW;

38 (E) Rent or association fees charged by a landlord or residential
39 association to a tenant or residential owner with access to an
40 athletic or fitness facility maintained by the landlord or

1 residential association, unless the rent or fee varies depending on
2 whether the tenant or owner has access to the facility;

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

7 (G) The provision of access to an athletic or fitness facility by
8 an educational institution to its students and staff. However,
9 charges made by an educational institution to its alumni or other
10 members of the public for the use of any of the educational
11 institution's athletic or fitness facilities are a retail sale under
12 this subsection (3)(m). For purposes of this subsection
13 (3)(m)(ii)(G), "educational institution" has the same meaning as in
14 RCW 82.04.170;

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

20 (iii) Nothing in (m)(ii) of this subsection (3) may be construed
21 to affect the taxation of sales made by the operator of an athletic
22 or fitness facility, where such sales are defined as a retail sale
23 under any provision of this section other than this subsection (3).

24 (iv) For the purposes of this subsection (3)(m), the following
25 definitions apply:

26 (A) "Athletic or fitness facility" means an indoor or outdoor
27 facility or portion of a facility that is primarily used for:
28 Exercise classes; strength and conditioning programs; personal
29 training services; tennis, racquetball, handball, squash, or
30 pickleball; or other activities requiring the use of exercise or
31 strength training equipment, such as treadmills, elliptical machines,
32 stair climbers, stationary cycles, rowing machines, pilates
33 equipment, balls, climbing ropes, jump ropes, and weightlifting
34 equipment.

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

1 (C) "Physical fitness activities" means activities that involve
2 physical exertion for the purpose of improving or maintaining the
3 general fitness, strength, flexibility, conditioning, or health of
4 the participant. "Physical fitness activities" includes participating
5 in yoga, chi gong, or martial arts.

6 For the purposes of (g) through (i) and (k) of this subsection
7 (3), the terms "sale at retail" and "retail sale" do not include a
8 sale between members of an affiliated group as defined in RCW
9 82.04.299(1)(f).

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

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

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

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

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

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

38 (B) For purposes of this subsection (6)(b)(ii), "data processing"
39 means the systematic performance of operations on data to extract the
40 required information in an appropriate form or to convert the data to

1 usable information. Data processing includes check processing, image
2 processing, form processing, survey processing, payroll processing,
3 claim processing, and similar activities.

4 (7) The term also includes the sale of or charge made for an
5 extended warranty to a consumer. For purposes of this subsection,
6 "extended warranty" means an agreement for a specified duration to
7 perform the replacement or repair of tangible personal property at no
8 additional charge or a reduced charge for tangible personal property,
9 labor, or both, or to provide indemnification for the replacement or
10 repair of tangible personal property, based on the occurrence of
11 specified events. The term "extended warranty" does not include an
12 agreement, otherwise meeting the definition of extended warranty in
13 this subsection, if no separate charge is made for the agreement and
14 the value of the agreement is included in the sales price of the
15 tangible personal property covered by the agreement. For purposes of
16 this subsection, "sales price" has the same meaning as in RCW
17 82.08.010.

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

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

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

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

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

28 (b) A retail sale of digital goods, digital codes, or digital
29 automated services under this subsection (8) includes any services
30 provided by the seller exclusively in connection with the digital
31 goods, digital codes, or digital automated services, whether or not a
32 separate charge is made for such services.

33 (c) A retail sale of digital goods, digital codes, or digital
34 automated services does not include the following services if the
35 sale occurs between members of an affiliated group as defined in RCW
36 82.04.299(1)(f):

37 (i) Any service that primarily involves the application of human
38 effort by the seller, and the human effort originated after the
39 customer requested the service;

1 (ii) Live presentations, such as lectures, seminars, workshops,
2 or courses, where participants are connected to other participants
3 via the internet or telecommunications equipment, which allows
4 audience members and the presenter or instructor to give, receive,
5 and discuss information with each other in real time;

6 (iii) Advertising services. For purposes of this subsection
7 (8)(c), "advertising services" means all services directly related to
8 the creation, preparation, production, or dissemination of
9 advertisements. Advertising services include layout, art direction,
10 graphic design, mechanical preparation, production supervision,
11 placement, and rendering advice to a client concerning the best
12 methods of advertising that client's products or services.
13 Advertising services also include online referrals, search engine
14 marketing and lead generation optimization, web campaign planning,
15 the acquisition of advertising space in the internet media, and the
16 monitoring and evaluation of website traffic for purposes of
17 determining the effectiveness of an advertising campaign. Advertising
18 services do not include web hosting services and domain name
19 registration; and

20 (iv) Data processing services. For purposes of this subsection
21 (8)(c), "data processing service" means a primarily automated service
22 provided to a business or other organization where the primary object
23 of the service is the systematic performance of operations by the
24 service provider on data supplied in whole or in part by the customer
25 to extract the required information in an appropriate form or to
26 convert the data to usable information. Data processing services
27 include check processing, image processing, form processing, survey
28 processing, payroll processing, claim processing, and similar
29 activities. Data processing does not include the service described in
30 subsection (6)(b) of this section.

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

37 (9) The term also includes the charge made for providing tangible
38 personal property along with an operator for a fixed or indeterminate
39 period of time. A consideration of this is that the operator is
40 necessary for the tangible personal property to perform as designed.

1 For the purpose of this subsection (9), an operator must do more than
2 maintain, inspect, or set up the tangible personal property.

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

11 (11) The term also does not include sales of chemical sprays or
12 washes to persons for the purpose of postharvest treatment of fruit
13 for the prevention of scald, fungus, mold, or decay, nor does it
14 include sales of feed, seed, seedlings, fertilizer, agents for
15 enhanced pollination including insects such as bees, and spray
16 materials to: (a) Persons who participate in the federal conservation
17 reserve program, the environmental quality incentives program, the
18 wetlands reserve program, and the wildlife habitat incentives
19 program, or their successors administered by the United States
20 department of agriculture; (b) farmers for the purpose of producing
21 for sale any agricultural product; (c) farmers for the purpose of
22 providing bee pollination services; and (d) farmers acting under
23 cooperative habitat development or access contracts with an
24 organization exempt from federal income tax under 26 U.S.C. Sec.
25 501(c)(3) of the federal internal revenue code or the Washington
26 state department of fish and wildlife to produce or improve wildlife
27 habitat on land that the farmer owns or leases.

28 (12) The term does not include the sale of or charge made for
29 labor and services rendered in respect to the constructing,
30 repairing, decorating, or improving of new or existing buildings or
31 other structures under, upon, or above real property of or for the
32 United States, any instrumentality thereof, or a county or city
33 housing authority created pursuant to chapter 35.82 RCW, including
34 the installing, or attaching of any article of tangible personal
35 property therein or thereto, whether or not such personal property
36 becomes a part of the realty by virtue of installation. Nor does the
37 term include the sale of services or charges made for the clearing of
38 land and the moving of earth of or for the United States, any
39 instrumentality thereof, or a county or city housing authority. Nor
40 does the term include the sale of services or charges made for

1 cleaning up for the United States, or its instrumentalities,
2 radioactive waste and other by-products of weapons production and
3 nuclear research and development.

4 (13) The term does not include the sale of or charge made for
5 labor, services, or tangible personal property pursuant to agreements
6 providing maintenance services for bus, rail, or rail fixed guideway
7 equipment when a regional transit authority is the recipient of the
8 labor, services, or tangible personal property, and a transit agency,
9 as defined in RCW 81.104.015, performs the labor or services.

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

13 (15)(a) The term "sale at retail" or "retail sale" includes
14 amounts charged, however labeled, to consumers to engage in any of
15 the activities listed in this subsection (15)(a), including the
16 furnishing of any associated equipment or, except as otherwise
17 provided in this subsection, providing instruction in such
18 activities, where such charges are not otherwise defined as a "sale
19 at retail" or "retail sale" in this section:

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

30 (B) Notwithstanding (a)(i)(A) of this subsection (15) and except
31 as otherwise provided in this subsection (15)(a)(i)(B), the term
32 "sale at retail" or "retail sale" does not include amounts charged to
33 participate in, or conduct, a golf tournament or other competitive
34 event. However, amounts paid by event participants to the golf
35 facility operator are retail sales under this subsection (15)(a)(i).
36 Likewise, amounts paid by the event organizer to the golf facility
37 are retail sales under this subsection (15)(a)(i), if such amounts
38 vary based on the number of event participants;

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

- 1 (iii) Air hockey, billiards, pool, foosball, darts, shuffleboard,
2 ping pong, and similar games;
- 3 (iv) Access to amusement park, theme park, and water park
4 facilities, including but not limited to charges for admission and
5 locker or cabana rentals. Discrete charges for rides or other
6 attractions or entertainment that are in addition to the charge for
7 admission are not a retail sale under this subsection (15)(a)(iv).
8 For the purposes of this subsection, an amusement park or theme park
9 is a location that provides permanently affixed amusement rides,
10 games, and other entertainment, but does not include parks or zoos
11 for which the primary purpose is the exhibition of wildlife, or
12 fairs, carnivals, and festivals as defined in (b)(i) of this
13 subsection;
- 14 (v) Batting cage activities;
- 15 (vi) Bowling, but not including competitive events, except that
16 amounts paid by the event participants to the bowling alley operator
17 are retail sales under this subsection (15)(a)(vi). Likewise, amounts
18 paid by the event organizer to the operator of the bowling alley are
19 retail sales under this subsection (15)(a)(vi), if such amounts vary
20 based on the number of event participants;
- 21 (vii) Climbing on artificial climbing structures, whether indoors
22 or outdoors;
- 23 (viii) Day trips for sightseeing purposes;
- 24 (ix) Bungee jumping, zip lining, and riding inside a ball,
25 whether inflatable or otherwise;
- 26 (x) Horseback riding offered to the public, where the seller
27 furnishes the horse to the buyer and providing instruction is not the
28 primary focus of the activity, including guided rides, but not
29 including therapeutic horseback riding provided by an instructor
30 certified by a nonprofit organization that offers national or
31 international certification for therapeutic riding instructors;
- 32 (xi) Fishing, including providing access to private fishing areas
33 and charter or guided fishing, except that fishing contests and
34 license fees imposed by a government entity are not a retail sale
35 under this subsection;
- 36 (xii) Guided hunting and hunting at game farms and shooting
37 preserves, except that hunting contests and license fees imposed by a
38 government entity are not a retail sale under this subsection;
- 39 (xiii) Swimming, but only in respect to (A) recreational or
40 fitness swimming that is open to the public, such as open swim, lap

1 swimming, and special events like kids night out and pool parties
2 during open swim time, and (B) pool parties for private events, such
3 as birthdays, family gatherings, and employee outings. Fees for
4 swimming lessons, to participate in swim meets and other
5 competitions, or to join a swim team, club, or aquatic facility are
6 not retail sales under this subsection (15) (a) (xiii);

7 (xiv) Go-karting, bumper cars, and other motorized activities
8 where the seller provides the vehicle and the premises where the
9 buyer will operate the vehicle;

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

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

24 (xvii) Paintball and airsoft activities;

25 (xviii) Skating, including ice skating, roller skating, and
26 inline skating, but only in respect to discrete charges to members of
27 the public to engage in skating activities, but not including skating
28 lessons, competitive events, team activities, or fees to join or
29 renew a membership at a skating facility, club, or other
30 organization;

31 (xix) Nonmotorized snow sports and activities, such as downhill
32 and cross-country skiing, snowboarding, ski jumping, sledding, snow
33 tubing, snowshoeing, and similar snow sports and activities, whether
34 engaged in outdoors or in an indoor facility with or without snow,
35 but only in respect to discrete charges to the public for the use of
36 land or facilities to engage in nonmotorized snow sports and
37 activities, such as fees, however labeled, for the use of ski lifts
38 and tows and daily or season passes for access to trails or other
39 areas where nonmotorized snow sports and activities are conducted.
40 However, fees for the following are not retail sales under this

1 subsection (15)(a)(xix): (A) Instructional lessons; (B) permits
2 issued by a governmental entity to park a vehicle on or access public
3 lands; and (C) permits or leases granted by an owner of private
4 timberland for recreational access to areas used primarily for
5 growing and harvesting timber; and

6 (xx) Scuba diving; snorkeling; river rafting; surfing;
7 kiteboarding; flyboarding; water slides; inflatables, such as water
8 pillows, water trampolines, and water rollers; and similar water
9 sports and activities.

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

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

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

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

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

33 (16)(a) The term "sale at retail" or "retail sale" includes the
34 purchase or acquisition of tangible personal property and specified
35 services by a person who receives either a qualifying grant exempt
36 from tax under RCW 82.04.767 or 82.16.320 or a grant deductible under
37 RCW 82.04.4339, except for transactions excluded from the definition
38 of "sale at retail" or "retail sale" by any other provision of this
39 section. Nothing in this subsection (16) may be construed to limit
40 the application of any other provision of this section to purchases

1 by a recipient of either a qualifying grant exempt from tax under RCW
2 82.04.767 or a grant deductible under RCW 82.04.4339, or by any other
3 person.

4 (b) For purposes of this subsection (16), "specified services"
5 means:

6 (i) The constructing, repairing, decorating, or improving of new
7 or existing buildings or other structures under, upon, or above real
8 property, including the installing or attaching of any article of
9 tangible personal property therein or thereto, whether or not such
10 personal property becomes a part of the realty by virtue of
11 installation;

12 (ii) The clearing of land or the moving of earth, whether or not
13 associated with activities described in (b)(i) of this subsection
14 (16);

15 (iii) The razing or moving of existing buildings or structures;
16 and

17 (iv) Landscape maintenance and horticultural services.

18 NEW SECTION. **Sec. 1102.** A new section is added to chapter 82.08
19 RCW to read as follows:

20 (1) The tax levied by RCW 82.08.020 does not apply to sales of
21 the following services subject to the tax imposed in RCW 82.04.050 to
22 public libraries, library districts, library service centers, K-12
23 schools, school districts, and educational service districts:

24 (a) Information technology services;

25 (b) Custom website development;

26 (c) Live presentations;

27 (d) Investigation, security, and armored car services;

28 (e) Temporary staffing; and

29 (f) Custom software and customization of prewritten software.

30 (2) Sellers making tax-exempt sales under this section must
31 obtain an exemption certificate from the purchaser in a form and
32 manner prescribed by the department. The seller must retain a copy of
33 the exemption certificate for the seller's files.

34 NEW SECTION. **Sec. 1103.** A new section is added to chapter 82.12
35 RCW to read as follows:

36 (1) This chapter does not apply in respect to the use of the
37 following services subject to the tax imposed in RCW 82.12.020 by

1 public libraries, library districts, library service centers, K-12
2 schools, school districts, and educational service districts:

- 3 (a) Information technology services;
- 4 (b) Custom website development;
- 5 (c) Investigation, security, and armored car services;
- 6 (d) Temporary staffing; and
- 7 (e) Custom software and customization of prewritten software.

8 (2) Sellers making tax-exempt sales under this section must
9 obtain an exemption certificate from the purchaser in a form and
10 manner prescribed by the department. The seller must retain a copy of
11 the exemption certificate for the seller's files.

12 **Sec. 1104.** RCW 82.04.288 and 2025 c 420 s 201 are each amended
13 to read as follows:

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

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

19 (3)(a) Any Washington taxable income subject to the tax in RCW
20 82.04.29004 is exempt from the surcharge imposed in this section.

21 (b)(i) Any Washington taxable income subject to the manufacturing
22 tax rates in RCW 82.04.240, 82.04.2404, 82.04.241, 82.04.260,
23 82.04.2602, 82.04.287, 82.04.2909, or 82.04.294(1) is exempt from the
24 surcharge imposed in this section.

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

29 (iii) Any Washington taxable income attributable to retail sales
30 that are exempt from the imposition of sales tax in RCW 82.08.0293,
31 82.08.0297, and 82.08.0281 is exempt from the surcharge imposed in
32 this section.

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

36 (v) Any Washington taxable income attributable to wholesale sales
37 of food and food ingredients, as defined in RCW 82.08.0293, is exempt
38 from the surcharge imposed in this section provided that it is sold
39 by a wholesaler that is not affiliated with either the retailer or

1 manufacturer, or both, of such food and food ingredients. The
2 exemption in this subsection (3)(b)(v) does not apply to Washington
3 taxable income attributable to the wholesale sale of soft drinks,
4 bottled water, or dietary supplements, as they are defined in RCW
5 82.08.0293.

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

13 ~~(A) "Affiliated" means a person that directly or indirectly,~~
14 ~~through one or more intermediaries, controls, is controlled by, or is~~
15 ~~under common control with another person;~~

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

20 ~~(C) "Petroleum") "petroleum product" has the same meaning as in~~
21 ~~RCW 82.21.020.~~

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

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

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

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

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

35 (6) For the purposes of this section, the following definitions
36 apply:

37 (a) "Affiliated" means a person that directly or indirectly,
38 through one or more intermediaries, controls, is controlled by, or is
39 under common control with another person;

1 (b) "Control" means the possession, directly or indirectly, of
2 more than 50 percent of the power to direct or cause the direction of
3 the management and policies of a person, whether through the
4 ownership of voting shares, by contract, or otherwise.

5 (7) This section expires December 31, 2029.

6 NEW SECTION. Sec. 1105. RCW 82.32.805 and 82.32.808 do not
7 apply to sections 1101 through 1104 of this act.

8 NEW SECTION. Sec. 1106. Sections 1101 through 1104 of this act
9 take effect July 1, 2026.

10 NEW SECTION. Sec. 1107. If any provisions of sections 1 through
11 911 of this act or their application to any person or circumstances
12 is held invalid, sections 1101 through 1106 of this act or the
13 application of their provisions to other persons or circumstances is
14 not affected.

15 **PART XII**
16 **MISCELLANEOUS**

17 **Sec. 1201.** RCW 1.90.100 and 2024 c 5 s 1 (Initiative Measure No.
18 2111) are each amended to read as follows:

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

23 (2) Subsection (1) of this section does not apply to the tax
24 authorized in chapter 82A.--- RCW (the new chapter created in section
25 1203 of this act) so long as the standard deduction is at least
26 \$1,000,000 for a household.

27 NEW SECTION. Sec. 1202. NULL AND VOID. If a court of final
28 jurisdiction invalidates section 201 of this act, sections 1 through
29 1003 and 1201 through 1209 of this act are null and void in its
30 entirety.

31 NEW SECTION. Sec. 1203. CODIFICATION. Sections 101 through 704
32 and 708 through 710 and 712 of this act constitute a new chapter in a

1 new title in the Revised Code of Washington, to be codified as Title
2 82A RCW.

3 NEW SECTION. **Sec. 1204.** CONFORMING AMENDMENTS. If any
4 amendments in this act, or any sections enacted or affected by
5 chapter . . ., Laws of 2026 (this act), are enacted in a 2026
6 legislative session that do not take cognizance of chapter . . .,
7 Laws of 2026 (this act), the code reviser must prepare a bill for
8 introduction in the 2027 or 2028 legislative session that
9 incorporates any such amendments into the reorganization adopted by
10 chapter . . ., Laws of 2026 (this act) and corrects any incorrect
11 cross-references.

12 NEW SECTION. **Sec. 1205.** (1) Section 901 of this act takes
13 effect January 1, 2029.

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

16 NEW SECTION. **Sec. 1206.** Except as provided in section 902 of
17 this act, RCW 82.32.805 and 82.32.808 do not apply to this act.

18 NEW SECTION. **Sec. 1207.** RCW 82.32.805 does not apply to section
19 901 of this act.

20 NEW SECTION. **Sec. 1208.** The tax imposed in this act is
21 necessary for the support of the state government and its existing
22 public institutions.

23 NEW SECTION. **Sec. 1209.** It is the intent of the legislature for
24 the department of revenue to spend appropriated amounts to implement
25 this act regardless of litigation.

26 NEW SECTION. **Sec. 1210.** Beginning on January 1, 2028, the
27 department of revenue must report to the legislature annually on the
28 total cost of administration of this act, the number of full time
29 employees required to administer this act, and the ratio of cost of
30 implementation compared to revenue raised from the tax imposed in
31 this act.

Passed by the Senate March 11, 2026.
Passed by the House March 9, 2026.

Approved by the Governor March 30, 2026.
Filed in Office of Secretary of State March 31, 2026.

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