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SENATE BILL 5042

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State of Washington

63rd Legislature

2013 Regular Session

By Senator Hasegawa

Read first time 01/15/13. Referred to Committee on Ways & Means.

1 AN ACT Relating to narrowing the business and occupation tax  
2 deduction for investment and related income; and amending RCW  
3 82.04.4281.

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

5 **Sec. 1.** RCW 82.04.4281 and 2007 c 54 s 9 are each amended to read  
6 as follows:

7 (1) In computing tax there may be deducted from the measure of tax:

8 (a) Amounts derived from investments;

9 (b) Amounts derived as dividends or distributions from the capital  
10 account by a parent from its subsidiary entities; and

11 (c) Amounts derived from interest on loans between subsidiary  
12 entities and a parent entity or between subsidiaries of a common parent  
13 entity, but only if the total investment and loan income is less than  
14 five percent of gross receipts of the business annually.

15 (2) The following are not deductible under subsection (1)(a) of  
16 this section:

17 (a) Amounts received from loans, except as provided in subsection  
18 (1)(c) of this section, or the extension of credit to another,  
19 revolving credit arrangements, installment sales, the acceptance of

1 payment over time for goods or services, or any of the foregoing that  
2 have been transferred by the originator of the same to an affiliate of  
3 the transferor; or

4 (b) Amounts received by a banking, lending, or security business.

5 (3) Beginning with calendar year 2013, a taxpayer may not claim a  
6 total deduction under this section of more than one million dollars in  
7 any calendar year.

8 (4) The definitions in this subsection apply only to this section.

9 (a) "Banking business" means a person engaging in business as a  
10 national or state-chartered bank, a mutual savings bank, a savings and  
11 loan association, a trust company, an alien bank, a foreign bank, a  
12 credit union, a stock savings bank, or a similar entity that is  
13 chartered under Title 30, 31, 32, or 33 RCW, or organized under Title  
14 12 U.S.C.

15 (b) "Lending business" means a person engaged in the business of  
16 making secured or unsecured loans of money, or extending credit, and  
17 (i) more than one-half of the person's gross income is earned from such  
18 activities and (ii) more than one-half of the person's total  
19 expenditures are incurred in support of such activities.

20 (c) The terms "loan" and "extension of credit" do not include  
21 ownership of or trading in publicly traded debt instruments, or  
22 substantially equivalent instruments offered in a private placement.

23 (d) "Security business" means a person, other than an issuer, who  
24 is engaged in the business of effecting transactions in securities as  
25 a broker, dealer, or broker-dealer, as those terms are defined in the  
26 securities act of Washington, chapter 21.20 RCW, or the federal  
27 securities act of 1933. "Security business" does not include any  
28 company excluded from the definition of broker or dealer under the  
29 federal investment company act of 1940 or any entity that is not an  
30 investment company by reason of sections 3(c)(1) and 3(c)(3) through  
31 3(c)(14) thereof.

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