
SENATE BILL 6875

State of Washington 61st Legislature 2010 Regular Session

By Senators Prentice, Kline, and Kohl-Welles

Read first time 02/24/10. Referred to Committee on Ways & Means.

1 AN ACT Relating to providing funding for levy equalization, state
2 need grants, kindergarten programs, and working families' tax
3 exemptions by increasing revenues and facilitating the funding within
4 the state expenditure limit; amending RCW 82.08.020, 82.08.020,
5 82.08.0206, and 43.135.035; reenacting and amending RCW 82.08.064;
6 creating a new section; making an appropriation; providing effective
7 dates; providing an expiration date; and declaring an emergency.

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

9 NEW SECTION. **Sec. 1.** The legislature finds that the economic
10 crisis has impacted the many Washington families which do not earn
11 enough annually to keep pace with increasing health care, child care,
12 and work-related expenses. The legislature further finds that revenues
13 are insufficient to maintain necessary funding for education, public
14 safety, health care, and safety net services for elderly, disabled, and
15 vulnerable people during the unprecedented economic crisis in the 2009-
16 2011 fiscal biennium. Therefore, it is the intent of the legislature
17 to provide a means to stabilize revenue collections by imposing a
18 temporary sales and use tax. It is also the legislature's intent to

1 provide relief to lower-income working families in Washington in the
2 form of a sales and use tax exemption.

3 **Sec. 2.** RCW 82.08.020 and 2009 c 469 s 802 are each amended to
4 read as follows:

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

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

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

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

25 (5) From June 1, 2010, until June 30, 2013, in addition to the tax
26 imposed upon each retail sale in this state set forth in subsection (1)
27 of this section, there is imposed a tax in an amount equal to three-
28 tenths of one percent of the selling price.

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

35 (~~(+6)~~) (7) The taxes imposed under this chapter (~~shall~~) apply to
36 successive retail sales of the same property.

1 (~~(7)~~) (8)(a) Until January 1, 2011, the tax imposed in subsection
2 (3) of this section and the dedication of revenue provided for in
3 subsection (~~(5)~~) (6) of this section(~~(7)~~) do not apply with respect
4 to the sales of new passenger cars, light duty trucks, and medium duty
5 passenger vehicles, which utilize hybrid technology and have a United
6 States environmental protection agency estimated highway gasoline
7 mileage rating of at least forty miles per gallon.

8 (b) As used in this subsection, "hybrid technology" means
9 propulsion units powered by both electricity and gasoline.

10 (~~(8)~~) (9) The rates provided in this section apply to taxes
11 imposed under chapter 82.12 RCW as provided in RCW 82.12.020.

12 **Sec. 3.** RCW 82.08.020 and 2006 c 1 s 3 are each amended to read as
13 follows:

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

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

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

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

34 (5) From June 1, 2010, until June 30, 2013, in addition to the tax
35 imposed upon each retail sale in this state set forth in subsection (1)
36 of this section, there is imposed a tax in an amount equal to three-
37 tenths of one percent of the selling price.

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

7 (~~(6)~~) (7) The taxes imposed under this chapter (~~shall~~) apply to
8 successive retail sales of the same property.

9 (~~(7)~~) (8) The rates provided in this section apply to taxes
10 imposed under chapter 82.12 RCW as provided in RCW 82.12.020.

11 NEW SECTION. **Sec. 4.** The sum of three hundred thirteen million
12 three hundred seven thousand dollars, which reflects the increased
13 revenue receipts from additional taxes imposed in sections 2 and 3 of
14 this act, is appropriated for fiscal year ending June 30, 2011, from
15 the state general fund for deposit to the education legacy trust
16 account. The resources provided in this act will maintain support for
17 property-poor school districts through the state's levy equalization
18 program, provide funding for approximately sixteen thousand students to
19 continue to receive state-funded all-day kindergarten, and allow
20 approximately thirty-four thousand students to attend institutions of
21 higher education with the assistance of the state need grant.

22 **Sec. 5.** RCW 82.08.0206 and 2008 c 325 s 2 are each amended to read
23 as follows:

24 (1) A working families' tax exemption, in the form of a remittance
25 tax due under this chapter and chapter 82.12 RCW, is provided to
26 eligible low-income persons for sales taxes paid under this chapter
27 after (~~January 1, 2008~~) June 1, 2010.

28 (2) For purposes of the exemption in this section, an eligible low-
29 income person is:

30 (a) An individual, or an individual and that individual's spouse if
31 they file a federal joint income tax return;

32 (b) (~~{An individual who}~~) An individual who is eligible for, and
33 is granted, the credit provided in (~~{Title}~~) 26 U.S.C. Sec. 32 of the
34 federal internal revenue code; and

35 (c) (~~{An individual who}~~) An individual who properly files a

1 federal income tax return as a Washington resident, and has been a
2 resident of the state of Washington more than one hundred eighty days
3 of the year for which the exemption is claimed.

4 (3)(a) For remittances made in (~~(2009 and 2010)~~) 2011, the working
5 families' tax exemption for the prior year is a retail sales tax
6 exemption equal to the greater of twenty-five dollars or five percent
7 of the credit granted as a result of (~~(Title)~~) 26 U.S.C. Sec. 32 of the
8 federal internal revenue code in the most recent year for which data is
9 available (~~(or twenty-five dollars)~~), adjusted by a proportionate
10 amount reflecting the seven months of increased tax imposed in sections
11 2 and 3 of this act in calendar year 2010.

12 (b) For remittances made in 2012, the working families' tax
13 exemption for the prior year is a retail sales tax exemption equal to
14 the greater of five percent of the credit granted as a result of 26
15 U.S.C. Sec. 32 of the federal internal revenue code in the most recent
16 year for which data is available or twenty-five dollars.

17 (c) For (~~(2011)~~) 2013 and thereafter, the working families' tax
18 exemption for the prior year is equal to the greater of ten percent of
19 the credit granted as a result of (~~(Title)~~) 26 U.S.C. Sec. 32 of the
20 federal internal revenue code in the most recent year for which data is
21 available or fifty dollars.

22 (4) For any fiscal period, the working families' tax exemption
23 authorized under this section (~~(shall)~~) must be approved by the
24 legislature in the state omnibus appropriations act before persons may
25 claim the exemption during the fiscal period.

26 (5) The working families' tax exemption (~~(shall)~~) must be
27 administered as provided in this subsection.

28 (a) An eligible low-income person claiming an exemption under this
29 section must pay the tax imposed under chapters 82.08, 82.12, and 82.14
30 RCW in the year for which the exemption is claimed. The eligible low-
31 income person may then apply to the department for the remittance as
32 calculated under subsection (3) of this section.

33 (b) Application (~~(shall)~~) must be made to the department in a form
34 and manner determined by the department, (~~(but the)~~) except for the
35 following:

36 (i) The department must provide alternative filing methods for
37 applicants who do not have access to electronic filing; and

1 (ii) The department must allow joint filing for exemptions claimed
2 under this section in 2012 and thereafter with the federal joint income
3 tax return.

4 (c) Application for the exemption remittance under this section
5 must be made in the year following the year for which the federal
6 return was filed, but in no case may any remittance be provided for any
7 period before (~~January 1, 2008~~) June 1, 2010. The department may use
8 the best available data to process the exemption remittance. The
9 department (~~shall~~) must begin accepting applications (~~October 1,~~
10 ~~2009~~) January 1, 2011.

11 (d) The department (~~shall~~) must review the application and
12 determine eligibility for the working families' tax exemption based on
13 information provided by the applicant and through audit and other
14 administrative records, including, when it deems it necessary,
15 verification through internal revenue service data.

16 (e) The department (~~shall~~) must remit the exempted amounts to
17 eligible low-income persons who submitted applications. Remittances
18 may be made by electronic funds transfer or other means.

19 (f) The department may, in conjunction with other agencies or
20 organizations, design and implement a public information campaign to
21 inform potentially eligible persons of the existence of and
22 requirements for this exemption.

23 (g) The department may contact persons who appear to be eligible
24 low-income persons as a result of information received from the
25 internal revenue service under such conditions and requirements as the
26 internal revenue service may by law require.

27 (6) The provisions of chapter 82.32 RCW apply to the exemption in
28 this section.

29 (7) The department may adopt rules necessary to implement this
30 section.

31 (8) For the remittances provided in fiscal year 2015 and
32 thereafter, the department (~~shall~~) must limit its ongoing costs
33 (~~for~~) to administer the exemption program to (~~the initial start-up~~
34 costs to implement the program. The state omnibus appropriations act
35 shall specify funding to be used for the ongoing administrative costs
36 of the program. These ongoing administrative costs include, but are
37 not limited to, costs for: The processing of internet and mail
38 applications, verification of application claims, compliance and

1 ~~collections, additional full-time employees at the department's call~~
2 ~~center, processing warrants, updating printed materials and web~~
3 ~~information, media advertising, and support and maintenance of computer~~
4 ~~systems)) no more than five percent of the total exemptions provided~~
5 ~~each year.~~

6 **Sec. 6.** RCW 82.08.064 and 2003 c 361 s 304 and 2003 c 168 s 205
7 are each reenacted and amended to read as follows:

8 (1) A sales and use tax rate change under this chapter or chapter
9 82.12 RCW shall be imposed (a) no sooner than seventy-five days after
10 its enactment into law and (b) only on the first day of January, April,
11 July, or October.

12 (2) Subsection (1) of this section does not apply to the tax rate
13 change in section 301, chapter 361, Laws of 2003 or to the tax rate
14 changes in sections 2 and 3 of this act.

15 (3)(a) A sales and use tax rate increase under this chapter or
16 chapter 82.12 RCW imposed on services applies to the first billing
17 period starting on or after the effective date of the increase.

18 (b) A sales and use tax rate decrease under this chapter or chapter
19 82.12 RCW imposed on services applies to bills rendered on or after the
20 effective date of the decrease.

21 (c) For the purposes of this subsection (3), "services" means
22 retail services such as installing and constructing and retail services
23 such as telecommunications, but does not include services such as
24 tattooing.

25 **Sec. 7.** RCW 43.135.035 and 2010 c ... (ESSB 6130 as amended by the
26 House) s 2 are each amended to read as follows:

27 (1) After July 1, 2011, any action or combination of actions by the
28 legislature that raises taxes may be taken only if approved by a
29 two-thirds vote of each house of the legislature, and then only if
30 state expenditures in any fiscal year, including the new revenue, will
31 not exceed the state expenditure limits established under this chapter.
32 Pursuant to the referendum power set forth in Article II, section 1(b)
33 of the state Constitution, tax increases may be referred to the voters
34 for their approval or rejection at an election.

35 (2)(a) If the legislative action under subsection (1) of this
36 section will result in expenditures in excess of the state expenditure

1 limit, then the action of the legislature (~~shall~~) may not take effect
2 until approved by a vote of the people at a November general election.
3 The state expenditure limit committee (~~shall~~) must adjust the state
4 expenditure limit by the amount of additional revenue approved by the
5 voters under this section. This adjustment (~~shall~~) may not exceed
6 the amount of revenue generated by the legislative action during the
7 first full fiscal year in which it is in effect. The state expenditure
8 limit (~~shall~~) must be adjusted downward upon expiration or repeal of
9 the legislative action.

10 (b) The ballot title for any vote of the people required under this
11 section (~~shall~~) must be substantially as follows:

12 "Shall taxes be imposed on in order to allow a
13 spending increase above last year's authorized spending adjusted for
14 personal income growth?"

15 (3)(a) The state expenditure limit may be exceeded upon declaration
16 of an emergency for a period not to exceed twenty-four months by a law
17 approved by a two-thirds vote of each house of the legislature and
18 signed by the governor. The law (~~shall~~) must set forth the nature of
19 the emergency, which is limited to natural disasters that require
20 immediate government action to alleviate human suffering and provide
21 humanitarian assistance. The state expenditure limit may be exceeded
22 for no more than twenty-four months following the declaration of the
23 emergency and only for the purposes contained in the emergency
24 declaration.

25 (b) Additional taxes required for an emergency under this section
26 may be imposed only until thirty days following the next general
27 election, unless an extension is approved at that general election.
28 The additional taxes (~~shall~~) expire upon expiration of the
29 declaration of emergency. The legislature (~~shall~~) may not impose
30 additional taxes for emergency purposes under this subsection unless
31 funds in the education construction fund have been exhausted.

32 (c) The state or any political subdivision of the state (~~shall~~)
33 may not impose any tax on intangible property listed in RCW 84.36.070
34 as that statute exists on January 1, 1993.

35 (4) If the cost of any state program or function is shifted from
36 the state general fund to another source of funding, or if moneys are
37 transferred from the state general fund to another fund or account, the
38 state expenditure limit committee, acting pursuant to RCW

1 43.135.025(5), (~~shall~~) must lower the state expenditure limit to
2 reflect the shift. For the purposes of this section, a transfer of
3 money from the state general fund to another fund or account includes
4 any state legislative action taken that has the effect of reducing
5 revenues from a particular source, where such revenues would otherwise
6 be deposited into the state general fund, while increasing the revenues
7 from that particular source to another state or local government
8 account. This subsection does not apply to: (a) The dedication or use
9 of lottery revenues under RCW 67.70.240(3), in support of education or
10 education expenditures; (~~or~~) (b) a transfer of moneys to, or an
11 expenditure from, the budget stabilization account; or (c) the deposit
12 of funds to the education legacy trust account under section 4 of this
13 act or the appropriation of those funds.

14 (5) If the cost of any state program or function and the ongoing
15 revenue necessary to fund the program or function are shifted to the
16 state general fund on or after January 1, 2007, the state expenditure
17 limit committee, acting pursuant to RCW 43.135.025(5), (~~shall~~) must
18 increase the state expenditure limit to reflect the shift unless the
19 shifted revenue had previously been shifted from the general fund.

20 (6) For the purposes of chapter 1, Laws of 2008, "raises taxes"
21 means any action or combination of actions by the legislature that
22 increases state tax revenue deposited in any fund, budget, or account,
23 regardless of whether the revenues are deposited into the general fund.

24 NEW SECTION. Sec. 8. Section 2 of this act expires January 1,
25 2011.

26 NEW SECTION. Sec. 9. Section 3 of this act takes effect January
27 1, 2011.

28 NEW SECTION. Sec. 10. Except for section 3 of this act, this act
29 is necessary for the immediate preservation of the public peace,
30 health, or safety, or support of the state government and its existing
31 public institutions, and takes effect June 1, 2010.

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