
SENATE BILL 6111

State of Washington

64th Legislature

2015 Regular Session

By Senator Chase

Read first time 04/20/15. Referred to Committee on Ways & Means.

1 AN ACT Relating to property tax and business and occupation tax
2 exemptions on intangible property; amending RCW 82.04.4281; creating
3 a new section; repealing RCW 84.36.070; and providing an effective
4 date.

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

6 NEW SECTION. **Sec. 1.** (1) The legislature finds that we have the
7 most regressive tax structure in America due to excessive reliance on
8 sales taxes. This tax structure places an unfair state tax burden on
9 our poor and our middle class, with these groups paying more than ten
10 percent of their net income in state taxes, while the wealthy in our
11 state pay less than three percent of their income in state taxes.
12 Those who are most able to pay are paying the least, while those
13 least able to pay are paying the most.

14 (2) The legislature finds that this great disparity in taxes is
15 contrary to Article VII, section 1 of the state Constitution, which
16 requires a uniform system of taxation. Our state supreme court has
17 consistently recognized that tax uniformity is a central component of
18 Washington's tax system. In 1984, our state supreme court declared:
19 "One fundamental premise pervades the constitutional limitations on
20 the exercise by the legislature of the power of taxation. This

1 premise is that the distribution of the burdens of taxation should be
2 uniform."

3 (3) This act makes the distribution of state taxes more uniform
4 by eliminating the intangible property exemption for both the
5 property tax and the business and occupation tax that
6 disproportionately benefits the wealthiest one percent of our
7 citizens at the expense of our middle class, our poor, and our school
8 children.

9 (4) The legislature finds that intangible wealth, such as stocks
10 and bonds, now represents over half of all property wealth with a
11 taxable location in this state. The legislature further finds that
12 the present system of taxing only tangible property and of exempting
13 all intangible property from taxation is regressive, in that such a
14 system benefits the richest residents and businesses in Washington
15 who have sufficient wealth to own substantial intangible property.

16 **Sec. 2.** RCW 82.04.4281 and 2007 c 54 s 9 are each amended to
17 read as follows:

18 (1) ~~((In computing tax there may be deducted from the measure of~~
19 ~~tax:~~

20 ~~(a) Amounts derived from investments;~~

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

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

27 ~~(2))~~ The following are not deductible under ~~((subsection (1)(a)~~
28 ~~of this section))~~ this chapter:

29 (a) Amounts received from loans ~~((, except as provided in~~
30 ~~subsection (1)(c) of this section,))~~ or the extension of credit to
31 another, revolving credit arrangements, installment sales, the
32 acceptance of payment over time for goods or services, or any of the
33 foregoing that have been transferred by the originator of the same to
34 an affiliate of the transferor; or

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

36 ~~((3))~~ (2) The definitions in this subsection apply only to this
37 section.

38 (a) "Banking business" means a person engaging in business as a
39 national or state-chartered bank, a mutual savings bank, a savings

1 and loan association, a trust company, an alien bank, a foreign bank,
2 a credit union, a stock savings bank, or a similar entity that is
3 chartered under Title 30, 31, 32, or 33 RCW, or organized under Title
4 12 U.S.C.

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

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

13 (d) "Security business" means a person, other than an issuer, who
14 is engaged in the business of effecting transactions in securities as
15 a broker, dealer, or broker-dealer, as those terms are defined in the
16 securities act of Washington, chapter 21.20 RCW, or the federal
17 securities act of 1933. "Security business" does not include any
18 company excluded from the definition of broker or dealer under the
19 federal investment company act of 1940 or any entity that is not an
20 investment company by reason of sections 3(c)(1) and 3(c)(3) through
21 3(c)(14) thereof.

22 NEW SECTION. **Sec. 3.** RCW 84.36.070 (Intangible personal
23 property—Appraisal) and 1997 c 181 s 1, 1974 ex.s. c 118 s 1, & 1961
24 c 15 s 84.36.070 are each repealed.

25 NEW SECTION. **Sec. 4.** This act takes effect August 1, 2015.

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