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**SENATE BILL 6492**

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**State of Washington**

**66th Legislature**

**2020 Regular Session**

**By** Senators Pedersen, Rolfes, and Wilson, C.

Read first time 01/20/20. Referred to Committee on Ways & Means.

1 AN ACT Relating to addressing workforce education investment  
2 funding through business and occupation tax reform; amending RCW  
3 28C.18.200, 43.79.195, 82.04.290, and 82.04.4451; reenacting and  
4 amending RCW 82.32.045; creating new sections; repealing RCW  
5 82.04.299; providing effective dates; and declaring an emergency.

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

7 **Sec. 1.** RCW 28C.18.200 and 2019 c 406 s 3 are each amended to  
8 read as follows:

9 (1) The workforce education investment accountability and  
10 oversight board is established. The board consists of seventeen  
11 members, as provided in this subsection:

12 (a) Four members of the legislature consisting of the chairs and  
13 ranking minority members of the respective higher education and  
14 workforce development committees of the senate and house of  
15 representatives, ex officio; and

16 (b) The following members appointed by the governor with the  
17 consent of the senate:

18 (i) Five members representing the businesses (~~described in RCW~~  
19 ~~82.04.299~~) that are subject to the tax rate under RCW  
20 82.04.290(2)(a)(i);

1 (ii) Two members representing labor organizations, one of which  
2 must have expertise in registered apprenticeships and training a  
3 high-demand workforce and one of which must represent faculty at the  
4 four-year institutions of higher education;

5 (iii) Two members representing the institutions of higher  
6 education, as defined in RCW 28B.10.016, one of which must be from  
7 the four-year sector and one of which must be from the community and  
8 technical college sector;

9 (iv) Two members representing students, one of which must be a  
10 community and technical college student;

11 (v) One member representing the independent, not-for-profit  
12 higher education institutions; and

13 (vi) One member representing the student achievement council,  
14 established under chapter 28B.77 RCW.

15 (2) Except for ex officio and student members, board members  
16 shall hold their offices for a term of three years until their  
17 successors are appointed. Student board members shall hold one-year  
18 terms.

19 (3) The board shall have two cochairs. One cochair shall be one  
20 of the chairs of the respective higher education and workforce  
21 development committees of the legislature and the other cochair shall  
22 be one of the board members representing the businesses (~~described~~  
23 ~~in RCW 82.04.299~~) that are subject to the tax rate under RCW  
24 82.04.290(2)(a)(i). The cochairs shall hold the position for a one-  
25 year term. The board members shall elect the cochairs annually.

26 (4) Nine voting members of the board constitute a quorum for the  
27 transaction of business. The board shall meet four times a year.

28 (5) Staff support for the board shall be provided by the  
29 workforce training and education coordinating board established in  
30 this chapter (~~28C.18 RCW~~).

31 (6) The purposes of the board are to:

32 (a) Provide guidance and recommendations to the legislature on  
33 what workforce education priorities should be funded with the  
34 workforce education investment account; and

35 (b) Ensure accountability that the workforce education  
36 investments funded with the workforce education investment account  
37 are producing the intended results and are effectively increasing  
38 student success and career readiness, such as by increasing  
39 retention, completion, and job placement rates.

1 (7) The board shall consult data from the education data center  
2 established under RCW 43.41.400 and the workforce training and  
3 education coordinating board established under this chapter (~~28C.18~~  
4 ~~RCW~~) when reviewing and determining whether workforce education  
5 investments funded from the workforce education investment account  
6 are effectively increasing student success and career readiness.

7 (8) The board shall report its recommendations to the appropriate  
8 committees of the legislature by August 1st of each year.

9 (9) For the purposes of this section, "board" means the workforce  
10 education investment accountability and oversight board established  
11 in this section.

12 **Sec. 2.** RCW 43.79.195 and 2019 c 406 s 2 are each amended to  
13 read as follows:

14 (1) The workforce education investment account is created in the  
15 state treasury. All revenues (~~(from the workforce investment~~  
16 ~~surcharges created in RCW 82.04.299)~~) as specified under RCW  
17 82.04.290(2)(c) must be deposited directly into the account. Moneys  
18 in the account may be spent only after appropriation. Expenditures  
19 from the account may be used only for higher education programs,  
20 higher education operations, higher education compensation, and  
21 state-funded student aid programs. For the 2019-2021 biennium,  
22 expenditures from the account may be used for kindergarten through  
23 twelfth grade if used for career connected learning as provided for  
24 in chapter 406, Laws of 2019.

25 (2) Expenditures from the workforce education investment account  
26 must be used to supplement, not supplant, other federal, state, and  
27 local funding for higher education.

28 **Sec. 3.** RCW 82.04.290 and 2019 c 426 s 2 are each amended to  
29 read as follows:

30 (1) Upon every person engaging within this state in the business  
31 of providing qualifying international investment management services,  
32 as to such persons, the amount of tax with respect to such business  
33 is equal to the gross income or gross proceeds of sales of the  
34 business multiplied by a rate of 0.275 percent.

35 (2)(a) Upon every person engaging within this state in any  
36 business activity other than or in addition to an activity taxed  
37 explicitly under another section in this chapter or subsection (1) or  
38 (3) of this section; as to such persons the amount of tax on account

1 of such activities is equal to the gross income of the business  
2 multiplied by the rate of:

3 (i) 1.8 percent; or

4 (ii) 1.5 percent for:

5 (A) Any person whose gross income of the business subject to the  
6 tax imposed under this subsection (2), for the immediately preceding  
7 calendar year, was less than one million dollars, unless (I) the  
8 person is affiliated with one or more other persons, and (II) the  
9 aggregate gross income of the business subject to the tax imposed  
10 under this subsection (2) for all affiliated persons was greater than  
11 or equal to one million dollars for the immediately preceding  
12 calendar year; and

13 (B) Hospitals as defined in RCW 70.41.020, including any hospital  
14 that comes within the scope of chapter 71.12 RCW if the hospital is  
15 also licensed under chapter 70.41 RCW. This subsection (2) (a) (ii) (B)  
16 must not be construed as modifying RCW 82.04.260(10).

17 (b) This subsection (2) includes, among others, and without  
18 limiting the scope hereof (whether or not title to materials used in  
19 the performance of such business passes to another by accession,  
20 confusion or other than by outright sale), persons engaged in the  
21 business of rendering any type of service which does not constitute a  
22 "sale at retail" or a "sale at wholesale." The value of advertising,  
23 demonstration, and promotional supplies and materials furnished to an  
24 agent by his or her principal or supplier to be used for  
25 informational, educational, and promotional purposes is not  
26 considered a part of the agent's remuneration or commission and is  
27 not subject to taxation under this section.

28 (c) Sixteen and seven-tenths percent of the revenues collected  
29 under (a)(i) of this subsection (2) must be deposited into the  
30 workforce education investment account created in RCW 43.79.195.

31 (d)(i) To aid in the effective administration of this subsection  
32 (2), the department may require a person claiming to be subject to  
33 the 1.5 percent tax rate under (a)(ii) of this subsection (2) to  
34 identify all of the person's affiliates, including their department  
35 tax registration number or unified business identifier number, as may  
36 be applicable, or to certify that the person is not affiliated with  
37 any other person. Requests under this subsection (2)(d)(i) must be in  
38 writing and may be made electronically.

39 (ii) If the department determines that a person failed to provide  
40 the department with complete and accurate information in response to

1 a written request under (d)(i) of this subsection (2) within thirty  
2 days of such request, the person is ineligible for the 1.5 percent  
3 tax rate in (a)(ii) of this subsection (2) for the entire current  
4 calendar year and the preceding four calendar years, except for any  
5 calendar year prior to 2020, and except for reporting periods prior  
6 to April 1, 2020. However, the department must waive the provisions  
7 of this subsection (2)(d)(ii) for any tax reporting period that the  
8 person is otherwise eligible for the 1.5 percent tax rate in (a)(ii)  
9 of this subsection (2) if (A) the department has not previously  
10 determined that the person failed to fully comply with (d)(i) of this  
11 subsection (2), and (B) within thirty days of the notice of  
12 additional tax due as a result of the person's failure to fully  
13 comply with (d)(i) of this subsection (2) the department determines  
14 that the person has come into full compliance with (d)(i) of this  
15 subsection (2).

16 (e) For purposes of this subsection (2), the definitions in this  
17 subsection (2)(e) apply:

18 (i) "Affiliate" means a person that directly or indirectly,  
19 through one or more intermediaries, controls, is controlled by, or is  
20 under common control with another person; and

21 (ii) "Control" means the possession, directly or indirectly, of  
22 more than eighty percent of the power to direct or cause the  
23 direction of the management and policies of a person, whether through  
24 the ownership of voting shares, by contract, or otherwise.

25 (3)(a) Until July 1, 2040, upon every person engaging within this  
26 state in the business of performing aerospace product development for  
27 others, as to such persons, the amount of tax with respect to such  
28 business is equal to the gross income of the business multiplied by a  
29 rate of 0.9 percent.

30 (b) A person reporting under the tax rate provided in this  
31 subsection (3) must file a complete annual report with the department  
32 under RCW 82.32.534.

33 (c) "Aerospace product development" has the meaning as provided  
34 in RCW 82.04.4461.

35 NEW SECTION. Sec. 4. RCW 82.04.299 (Workforce education  
36 investment surcharges) and 2019 c 406 s 74 are each repealed.

37 **Sec. 5.** RCW 82.04.4451 and 2010 1st sp.s. c 23 s 1102 are each  
38 amended to read as follows:

1 (1) In computing the tax imposed under this chapter, a credit is  
2 allowed against the amount of tax otherwise due under this chapter,  
3 as provided in this section. Except for taxpayers that report at  
4 least fifty percent of their taxable amount under RCW 82.04.255,  
5 82.04.290(2)(a), and 82.04.285, the maximum credit for a taxpayer for  
6 a reporting period is (~~(thirty-five)~~) sixty dollars multiplied by the  
7 number of months in the reporting period, as determined under RCW  
8 82.32.045. For a taxpayer that reports at least fifty percent of its  
9 taxable amount under RCW 82.04.255, 82.04.290(2)(a), and 82.04.285,  
10 the maximum credit for a reporting period is (~~(seventy)~~) one hundred  
11 twenty-five dollars multiplied by the number of months in the  
12 reporting period, as determined under RCW 82.32.045.

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

16 (3) When the amount of tax otherwise due under this chapter  
17 exceeds the maximum credit, a reduced credit is allowed equal to  
18 twice the maximum credit, minus the tax otherwise due under this  
19 chapter, but not less than zero.

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

29 **Sec. 6.** RCW 82.32.045 and 2019 c 63 s 2 and 2019 c 8 s 302 are  
30 each reenacted and amended to read as follows:

31 (1) Except as otherwise provided in this chapter and subsection  
32 (6) of this section, payments of the taxes imposed under chapters  
33 82.04, 82.08, 82.12, 82.14, and 82.16 RCW, along with reports and  
34 returns on forms prescribed by the department, are due monthly within  
35 twenty-five days after the end of the month in which the taxable  
36 activities occur.

37 (2) The department of revenue may relieve any taxpayer or class  
38 of taxpayers from the obligation of remitting monthly and may require  
39 the return to cover other longer reporting periods, but in no event

1 may returns be filed for a period greater than one year. Except as  
2 provided in subsection (3) of this section, for these taxpayers, tax  
3 payments are due on or before the last day of the month next  
4 succeeding the end of the period covered by the return.

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

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

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

15 (a) The person's value of products, gross proceeds of sales, or  
16 gross income of the business, from all business activities taxable  
17 under chapter 82.04 RCW, is less than:

18 (i) (~~Twenty-eight~~) Fifty thousand dollars per year; or

19 (ii) (~~Forty-six~~) One hundred thousand six hundred sixty-seven  
20 dollars per year for persons generating at least fifty percent of  
21 their taxable amount from activities taxable under RCW 82.04.255,  
22 82.04.290(2)(a), and 82.04.285;

23 (b) The person's gross income of the business from all activities  
24 taxable under chapter 82.16 RCW is less than twenty-four thousand  
25 dollars per year; and

26 (c) The person is not required to collect or pay to the  
27 department of revenue any other tax or fee which the department is  
28 authorized to collect.

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

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

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

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

1        NEW SECTION.    **Sec. 7.**    The provisions of RCW 82.32.805 and  
2    82.32.808 do not apply to this act.

3        NEW SECTION.    **Sec. 8.**    (1) Except as otherwise provided in this  
4    section, this act is necessary for the immediate preservation of the  
5    public peace, health, or safety, or support of the state government  
6    and its existing public institutions, and takes effect immediately.

7        (2) Sections 1 through 3 of this act are necessary for the  
8    immediate preservation of the public peace, health, or safety, or  
9    support of the state government and its existing public institutions,  
10   and take effect April 1, 2020.

11       (3) Sections 5 and 6 of this act take effect January 1, 2021.

12       NEW SECTION.    **Sec. 9.**    Section 4 of this act applies both  
13   prospectively and retroactively to January 1, 2020.

14       NEW SECTION.    **Sec. 10.**   Section 3 of this act applies beginning  
15   with gross income of the business, as defined in RCW 82.04.080,  
16   received or accrued by taxpayers, on or after April 1, 2020.

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