

SSB 5096 - S AMD 363

By Senator Robinson

ADOPTED 03/06/2021

1 Strike everything after the enacting clause and insert the
2 following:

3 **"Part I**

4 **Capital Gains Tax**

5 NEW SECTION. **Sec. 101.** (1) The legislature recognizes that a
6 tax system that is fair, balanced, and works for everyone is
7 essential to help all Washingtonians grow and thrive. But
8 Washington's tax system today is the most regressive in the nation
9 because it asks those making the least to pay the most as a
10 percentage of their income. Middle-income families in Washington pay
11 two to four times more in taxes, as a percentage of household income,
12 as compared to top earners in the state. Low-income Washingtonians
13 pay at least six times more than do our wealthiest residents. To
14 begin to rebalance the tax code, the legislature intends to enact an
15 excise tax on the sale of certain capital assets.

16 (2) The excise tax on capital gains is a tax on the one-time,
17 voluntary sale or exchange of a capital asset, not a tax on ownership
18 of the asset itself. This excise tax is paid only by those
19 individuals who engage in voluntary sales or exchanges of Washington
20 capital assets, either directly or indirectly through their ownership
21 interest in an entity that engages in voluntary sales or exchanges of
22 Washington capital assets, and is measured by the realization of
23 significant net gain on the aggregate of such transactions during the
24 taxable year. In order to protect against further regressive impacts
25 of the tax system, encourage the everyday investments that
26 Washingtonians of all income levels strive for, and support our
27 economy, this excise tax will not apply to capital gains realized by
28 certain sales and transfers. The legislature specifically finds and
29 declares that the excise tax on the voluntary sale or exchange of
30 capital assets is necessary for the support of state government and
31 its existing institutions.

1 (3) To help meet the state's obligations to its people, the
2 legislature dedicates the first \$350,000,000 in revenue collected
3 from this excise tax to the state's education legacy trust account.
4 This funding is critically needed to provide support for education,
5 especially early learning and child care, and to provide for the
6 economic security of low-income households who are struggling to
7 afford quality child care and preschool. Furthermore, the legislature
8 finds that increasing taxes on the wealthiest residents is only one-
9 half of the effort to rebalance the tax code. In an effort to both
10 reduce the tax burden on those earning the least and to account for
11 anticipated volatility in revenue collections from the capital gains
12 excise tax, revenue received above base levels will be deposited into
13 the taxpayer fairness account. Revenues deposited in this account
14 will be used to offset existing tax burdens via policies such as
15 funding of the working families' tax exemption.

16 NEW SECTION. **Sec. 102.** The definitions in this section apply
17 throughout this chapter unless the context clearly requires
18 otherwise.

19 (1) "Adjusted capital gain" means federal net long-term capital
20 gain:

21 (a) Plus any amount of long-term capital loss from a sale or
22 exchange that is exempt from the tax imposed in this chapter, to the
23 extent such loss was included in calculating federal net long-term
24 capital gain;

25 (b) Plus any amount of long-term capital loss from a sale or
26 exchange that is not allocated to Washington under section 108 of
27 this act, to the extent such loss was included in calculating federal
28 net long-term capital gain;

29 (c) Plus any amount of loss carryforward from a sale or exchange
30 that is not allocated to Washington under section 108 of this act, to
31 the extent such loss was included in calculating federal net long-
32 term capital gain;

33 (d) Less any amount of long-term capital gain from a sale or
34 exchange that is not allocated to Washington under section 108 of
35 this act, to the extent such gain was included in calculating federal
36 net long-term capital gain; and

37 (e) Less any amount of long-term capital gain from a sale or
38 exchange that is exempt from the tax imposed in this chapter, to the

1 extent such gain was included in calculating federal net long-term
2 capital gain.

3 (2) "Capital asset" has the same meaning as provided by Title 26
4 U.S.C. Sec. 1221 of the internal revenue code and also includes any
5 other property if the sale or exchange of the property results in a
6 gain that is treated as a long-term capital gain under Title 26
7 U.S.C. Sec. 1231 or any other provision of the internal revenue code.

8 (3) "Federal net long-term capital gain" means the net long-term
9 capital gain reportable for federal income tax purposes determined as
10 if Title 26 U.S.C. Secs. 55 through 59, 1400Z-1, and 1400Z-2 of the
11 internal revenue code did not exist.

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

13 (5) "Internal revenue code" means the United States internal
14 revenue code of 1986, as amended, as of the effective date of this
15 section, or such subsequent date as the department may provide by
16 rule consistent with the purpose of this chapter.

17 (6) "Long-term capital asset" means a capital asset that is held
18 for more than one year.

19 (7) "Long-term capital gain" means gain from the sale or exchange
20 of a long-term capital asset.

21 (8) "Long-term capital loss" means a loss from the sale or
22 exchange of a long-term capital asset.

23 (9) "Real estate" has the same meaning as in RCW 82.45.032,
24 except that real estate does not include an individual's ownership
25 interest or beneficial interest in an entity which itself owns an
26 interest in real property located in this state for the purposes of
27 this chapter.

28 (10)(a) "Resident" means an individual:

29 (i) Who is domiciled in this state during the taxable year,
30 unless the individual (A) maintained no permanent place of abode in
31 this state during the entire taxable year, (B) maintained a permanent
32 place of abode outside of this state during the entire taxable year,
33 and (C) spent in the aggregate not more than 30 days of the taxable
34 year in this state; or

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

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

1 (c) An individual who is a resident under (a) of this subsection
2 is a resident for that portion of a taxable year in which the
3 individual was domiciled in this state or maintained a place of abode
4 in this state.

5 (11) "Taxable year" means the taxpayer's taxable year as
6 determined under the internal revenue code.

7 (12) "Taxpayer" means an individual subject to tax under this
8 chapter.

9 (13) "Washington capital gains" means an individual's adjusted
10 capital gain less \$250,000, as adjusted annually under section 115 of
11 this act, for each return filed under this chapter.

12 NEW SECTION. **Sec. 103.** (1) Beginning January 1, 2022, an excise
13 tax is imposed on the sale or exchange of long-term capital assets.
14 Only individuals are subject to payment of the tax, which equals
15 seven percent multiplied by an individual's Washington capital gains.

16 (2) If an individual's Washington capital gains are less than
17 zero for a taxable year, no tax is due under this section and no such
18 amount is allowed as a carryover for use in the calculation of that
19 individual's adjusted capital gain, as defined in section 102(1) of
20 this act, for any taxable year. To the extent that a loss
21 carryforward is included in the calculation of an individual's
22 federal net long-term capital gain and that loss carryforward is
23 directly attributable to losses from sales or exchanges allocated to
24 this state under section 108 of this act, the loss carryforward is
25 included in the calculation of that individual's adjusted capital
26 gain for the purposes of this chapter. An individual may not include
27 any losses carried back for federal income tax purposes in the
28 calculation of that individual's adjusted capital gain for any
29 taxable year.

30 (3)(a) The tax imposed in this section applies to the sale or
31 exchange of long-term capital assets owned by the taxpayer, whether
32 the taxpayer was the legal or beneficial owner of such assets at the
33 time of the sale or exchange. The tax applies when the Washington
34 capital gains are recognized by the taxpayer in accordance with this
35 chapter.

36 (b) For purposes of this chapter:

37 (i) An individual is considered to be a beneficial owner of long-
38 term capital assets held by an entity that is a pass-through or
39 disregarded entity for federal tax purposes, such as a partnership,

1 limited liability company, S corporation, or grantor trust, to the
2 extent of the individual's ownership interest in the entity as
3 reported for federal income tax purposes.

4 (ii) A nongrantor trust is deemed to be a grantor trust if the
5 trust does not qualify as a grantor trust for federal tax purposes,
6 and the grantor's transfer of assets to the trust is treated as an
7 incomplete gift under Title 26 U.S.C. Sec. 2511 of the internal
8 revenue code and its accompanying regulations. A grantor of such
9 trust is considered the beneficial owner of the capital assets of the
10 trust for purposes of the tax imposed in this section and must
11 include any long-term capital gain or loss from the sale or exchange
12 of a capital asset by the trust in the calculation of that
13 individual's adjusted capital gain, if such gain or loss is allocated
14 to this state under section 108 of this act.

15 NEW SECTION. **Sec. 104.** This chapter does not apply to the sale
16 or exchange of:

17 (1) All real estate;

18 (2) Assets held under a retirement savings account under Title 26
19 U.S.C. Sec. 401(k) of the internal revenue code, a tax-sheltered
20 annuity or custodial account described in Title 26 U.S.C. Sec. 403(b)
21 of the internal revenue code, a deferred compensation plan under
22 Title 26 U.S.C. Sec. 457(b) of the internal revenue code, an
23 individual retirement account or individual retirement annuity
24 described in Title 26 U.S.C. Sec. 408 of the internal revenue code, a
25 Roth individual retirement account described in Title 26 U.S.C. Sec.
26 408A of the internal revenue code, an employee defined contribution
27 program, an employee defined benefit plan, or a similar retirement
28 savings vehicle;

29 (3) Assets pursuant to, or under imminent threat of, condemnation
30 proceedings by the United States, the state or any of its political
31 subdivisions, or a municipal corporation;

32 (4) Cattle, horses, or breeding livestock if for the taxable year
33 of the sale or exchange, more than 50 percent of the taxpayer's gross
34 income for the taxable year, including from the sale or exchange of
35 capital assets, is from farming or ranching;

36 (5) Property depreciable under Title 26 U.S.C. Sec. 167(a)(1) of
37 the internal revenue code, or that qualifies for expensing under
38 Title 26 U.S.C. Sec. 179 of the internal revenue code;

1 (6) Timber, timberland, or the receipt of Washington capital
2 gains as dividends and distributions from real estate investment
3 trusts derived from gains from the sale or exchange of timber and
4 timberland. "Timber" means forest trees, standing or down, on
5 privately or publicly owned land, and includes Christmas trees and
6 short-rotation hardwoods. The sale or exchange of timber includes the
7 cutting or disposal of timber qualifying for capital gains treatment
8 under Title 26 U.S.C. Sec. 631(a) or (b) of the internal revenue
9 code; and

10 (7) Goodwill received from the sale of an auto dealership
11 licensed under chapter 46.70 RCW whose activities are subject to
12 chapter 46.96 RCW.

13 NEW SECTION. **Sec. 105.** The tax imposed under this chapter is in
14 addition to any other taxes imposed by the state or any of its
15 political subdivisions, or a municipal corporation, with respect to
16 the same sale or exchange, including the taxes imposed in, or under
17 the authority of, chapter 82.04, 82.08, 82.12, 82.14, 82.45, or 82.46
18 RCW.

19 NEW SECTION. **Sec. 106.** In computing tax, there may be deducted
20 from the measure of tax amounts that the state is prohibited from
21 taxing under the Constitution of this state or the Constitution or
22 laws of the United States.

23 NEW SECTION. **Sec. 107.** (1) In computing tax under this chapter
24 for a taxable year, a taxpayer may deduct from the measure of tax the
25 amount of adjusted capital gain derived in the taxable year from the
26 sale of substantially all of the fair market value of the assets of,
27 or the transfer of substantially all of the taxpayer's interest in, a
28 qualified family-owned small business, to the extent that such
29 adjusted capital gain would otherwise be included in the taxpayer's
30 Washington capital gains.

31 (2) For purposes of this section, the following definitions
32 apply:

33 (a) "Assets" means real property and personal property, including
34 tangible personal property and intangible property.

35 (b) "Family" means the same as "member of the family" in RCW
36 83.100.046.

1 (c) (i) "Materially participated" means an individual was involved
2 in the operation of a business on a basis that is regular,
3 continuous, and substantial.

4 (ii) The term "materially participated" must be interpreted
5 consistently with the applicable treasury regulations for Title 26
6 U.S.C. Sec. 469 of the internal revenue code, to the extent that such
7 interpretation does not conflict with any provision of this section.

8 (d) "Qualified family-owned small business" means a business:

9 (i) In which the taxpayer held a qualifying interest for at least
10 eight years immediately preceding the sale or transfer described in
11 subsection (1) of this section;

12 (ii) In which either the taxpayer or members of the taxpayer's
13 family, or both, materially participated in operating the business
14 for at least five of the eight years immediately preceding the sale
15 or transfer described in subsection (1) of this section, unless such
16 sale or transfer was to a qualified heir; and

17 (iii) That had worldwide gross revenue of \$10,000,000 or less in
18 the 12-month period immediately preceding the sale or transfer
19 described in subsection (1) of this section. The worldwide gross
20 revenue amount under this subsection (2)(d)(iii) shall be adjusted
21 annually as provided in section 115 of this act.

22 (e) "Qualified heir" means a member of the taxpayer's family.

23 (f) "Qualifying interest" means:

24 (i) An interest as a proprietor in a business carried on as a
25 sole proprietorship; or

26 (ii) An interest in a business if at least:

27 (A) Fifty percent of the business is owned, directly or
28 indirectly, by any combination of the taxpayer or members of the
29 taxpayer's family, or both;

30 (B) Thirty percent of the business is owned, directly or
31 indirectly, by any combination of the taxpayer or members of the
32 taxpayer's family, or both, and at least:

33 (I) Seventy percent of the business is owned, directly or
34 indirectly, by members of two families; or

35 (II) Ninety percent of the business is owned, directly or
36 indirectly, by members of three families.

37 (g) "Substantially all" means at least 90 percent.

1 NEW SECTION. **Sec. 108.** (1) For purposes of the tax imposed
2 under this chapter, long-term capital gains and losses are allocated
3 to Washington as follows:

4 (a) Long-term capital gains or losses from the sale or exchange
5 of tangible personal property are allocated to this state if the
6 property was located in this state at the time of the sale or
7 exchange. Long-term capital gains or losses from the sale or exchange
8 of tangible personal property are also allocated to this state even
9 though the property was not located in this state at the time of the
10 sale or exchange if:

11 (i) The property was located in the state at any time during the
12 taxable year in which the sale or exchange occurred or the
13 immediately preceding taxable year;

14 (ii) The taxpayer was a resident at the time the sale or exchange
15 occurred; and

16 (iii) The taxpayer is not subject to the payment of an income or
17 excise tax legally imposed on the long-term capital gains or losses
18 by another taxing jurisdiction.

19 (b) Long-term capital gains or losses derived from intangible
20 personal property are allocated to this state if the taxpayer was
21 domiciled in this state at the time the sale or exchange occurred.

22 (2) (a) A credit is allowed against the tax imposed in section 103
23 of this act equal to the amount of any legally imposed income or
24 excise tax paid by the taxpayer to another taxing jurisdiction on
25 capital gains derived from capital assets within the other taxing
26 jurisdiction to the extent such capital gains are included in the
27 taxpayer's Washington capital gains. The amount of credit under this
28 subsection may not exceed the total amount of tax due under this
29 chapter, and there is no carryback or carryforward of any unused
30 credits.

31 (b) As used in this section, "taxing jurisdiction" means a state
32 of the United States other than the state of Washington, the District
33 of Columbia, the Commonwealth of Puerto Rico, any territory or
34 possession of the United States, or any foreign country or political
35 subdivision of a foreign country.

36 NEW SECTION. **Sec. 109.** (1) (a) Except as otherwise provided in
37 this section or RCW 82.32.080, taxpayers owing tax under this chapter
38 must file, on forms prescribed by the department, a return with the

1 department on or before the date the taxpayer's federal income tax
2 return for the taxable year is required to be filed.

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

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

9 (2) In addition to the Washington return required to be filed
10 under subsection (1) of this section, taxpayers owing tax under this
11 chapter must file with the department on or before the date the
12 federal return is required to be filed a copy of the federal income
13 tax return along with all schedules and supporting documentation.

14 (3) Each taxpayer required to file a return under this section
15 must, without assessment, notice, or demand, pay any tax due thereon
16 to the department on or before the date fixed for the filing of the
17 return, regardless of any filing extension. The tax must be paid by
18 electronic funds transfer as defined in RCW 82.32.085 or by other
19 forms of electronic payment as may be authorized by the department.
20 The department may waive the electronic payment requirement for good
21 cause as provided in RCW 82.32.080. If any tax due under this chapter
22 is not paid by the due date, interest and penalties as provided in
23 chapter 82.32 RCW apply to the deficiency.

24 (4) The department may by rule require that certain individuals
25 and other persons file, at times and on forms prescribed by the
26 department, informational returns for any period.

27 (5) If a taxpayer has obtained an extension of time for filing
28 the federal income tax return for the taxable year, the taxpayer is
29 entitled to the same extension of time for filing the return required
30 under this section if the taxpayer provides the department, before
31 the due date provided in subsection (1) of this section, the
32 extension confirmation number or other evidence satisfactory to the
33 department confirming the federal extension. An extension under this
34 subsection for the filing of a return under this chapter is not an
35 extension of time to pay the tax due under this chapter.

36 (6) (a) If any return due under subsection (1) of this section,
37 along with a copy of the federal income tax return, is not filed with
38 the department by the due date or any extension granted by the
39 department, the department must assess a penalty in the amount of
40 five percent of the tax due for the taxable year covered by the

1 return for each month or portion of a month that the return remains
2 unfiled. The total penalty assessed under this subsection may not
3 exceed 25 percent of the tax due for the taxable year covered by the
4 delinquent return. The penalty under this subsection is in addition
5 to any penalties assessed for the late payment of any tax due on the
6 return.

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

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

12 (ii) The taxpayer has not been delinquent in filing any return
13 due under this section during the preceding five calendar years.

14 NEW SECTION. **Sec. 110.** (1) If the federal income tax
15 liabilities of both spouses are determined on a joint federal return
16 for the taxable year, they must file a joint return under this
17 chapter.

18 (2) Except as otherwise provided in this subsection, if the
19 federal income tax liability of either spouse is determined on a
20 separate federal return for the taxable year, they must file separate
21 returns under this chapter. State registered domestic partners may
22 file a joint return under this chapter even if they filed separate
23 federal returns for the taxable year.

24 (3) In any case in which a joint return is filed under this
25 section, the liability of each spouse or state registered domestic
26 partner is joint and several, unless:

27 (a) The spouse is relieved of liability for federal tax purposes
28 as provided under Title 26 U.S.C. Sec. 6015 of the internal revenue
29 code; or

30 (b) The department determines that the domestic partner qualifies
31 for relief as provided by rule of the department. Such rule, to the
32 extent possible without being inconsistent with this chapter, must
33 follow Title 26 U.S.C. Sec. 6015.

34 NEW SECTION. **Sec. 111.** Except as otherwise provided by law and
35 to the extent not inconsistent with the provisions of this chapter,
36 chapter 82.32 RCW applies to the administration of taxes imposed
37 under this chapter.

1 NEW SECTION. **Sec. 112.** (1) Any taxpayer who knowingly attempts
2 to evade payment of the tax imposed under this chapter is guilty of a
3 class C felony as provided in chapter 9A.20 RCW.

4 (2) Any taxpayer who knowingly fails to pay tax, make returns,
5 keep records, or supply information, as required under this title, is
6 guilty of a gross misdemeanor as provided in chapter 9A.20 RCW.

7 NEW SECTION. **Sec. 113.** A new section is added to chapter 82.04
8 RCW to read as follows:

9 (1) To avoid taxing the same sale or exchange under both the
10 business and occupation tax and capital gains tax, a credit is
11 allowed against taxes due under this chapter on a sale or exchange
12 that is also subject to the tax imposed under section 103 of this
13 act. The credit is equal to the amount of tax imposed under this
14 chapter on such sale or exchange.

15 (2) The credit may be used against any tax due under this
16 chapter.

17 (3) The credit under this section is earned in regards to a sale
18 or exchange, and may be claimed against taxes due under this chapter,
19 for the tax reporting period in which the sale or exchange occurred.
20 The credit claimed for a tax reporting period may not exceed the tax
21 otherwise due under this chapter for that tax reporting period.
22 Unused credit may not be carried forward or backward to another tax
23 reporting period. No refunds may be granted for unused credit under
24 this section.

25 (4) The department must apply the credit first to taxes deposited
26 into the general fund. If any remaining credit reduces the amount of
27 taxes deposited into the workforce education investment account
28 established in RCW 43.79.195, the department must notify the state
29 treasurer of such amounts monthly, and the state treasurer must
30 transfer those amounts from the general fund to the workforce
31 education investment account.

32 NEW SECTION. **Sec. 114.** (1) All taxes, interest, and penalties
33 collected under this chapter shall be distributed as follows:

34 (a) The first \$350,000,000 collected each fiscal year shall be
35 deposited into the education legacy trust account created in RCW
36 83.100.230;

37 (b) The next \$100,000,000 collected each fiscal year shall be
38 deposited into the general fund; and

1 (c) Any remainder collected each fiscal year shall be deposited
2 into the taxpayer fairness account hereby created in the state
3 treasury.

4 (2) The amounts specified under subsection (1)(a) and (b) of this
5 section shall be adjusted annually as provided under section 115 of
6 this act.

7 NEW SECTION. **Sec. 115.** (1) Beginning December 2023 and each
8 December thereafter, the department must adjust the applicable
9 amounts by multiplying the current applicable amounts by one plus the
10 percentage by which the most current consumer price index available
11 on December 1st of the current year exceeds the consumer price index
12 for the prior 12-month period, and rounding the result to the nearest
13 \$1,000. If an adjustment under this subsection (1) would reduce the
14 applicable amounts, the department must not adjust the applicable
15 amounts for use in the following year. The department must publish
16 the adjusted applicable amounts on its public website by December
17 31st. The adjusted applicable amounts calculated under this
18 subsection (1) take effect for taxes due and distributions made, as
19 the case may be, in the following calendar year.

20 (2) For purposes of this section, the following definitions
21 apply:

22 (a) "Applicable amounts" means:

23 (i) The threshold exclusion under section 102(13) of this act;

24 (ii) The worldwide gross revenue amount under section 107 of
25 this act; and

26 (iii) The distribution amounts provided in section 114 of this
27 act.

28 (b) "Consumer price index" means the consumer price index for all
29 urban consumers, all items, for the Seattle area as calculated by the
30 United States bureau of labor statistics or its successor agency.

31 (c) "Seattle area" means the geographic area sample that includes
32 Seattle and surrounding areas.

33 **Part II**

34 **Miscellaneous Provisions**

35 NEW SECTION. **Sec. 201.** The provisions of RCW 82.32.805 and
36 82.32.808 do not apply to this act.

1 NEW SECTION. **Sec. 202.** Sections 101 through 112, 114, and 115
2 of this act constitute a new chapter in Title 82 RCW.

3 NEW SECTION. **Sec. 203.** (1) If a court of competent
4 jurisdiction, in a final judgment not subject to appeal, adjudges
5 section 103 of this act unconstitutional, or otherwise invalid, in
6 its entirety, section 113 of this act is null and void in its
7 entirety. Any credits previously claimed under section 113 of this
8 act must be repaid within 30 days of the department of revenue's
9 notice to the taxpayer of the amount due.

10 (2) If the taxpayer fails to repay the credit by the due date,
11 interest and penalties as provided in chapter 82.32 RCW apply to the
12 deficiency.

13 NEW SECTION. **Sec. 204.** If any provision of this act or its
14 application to any person or circumstance is held invalid, the
15 remainder of the act or the application of the provision to other
16 persons or circumstances is not affected.

17 NEW SECTION. **Sec. 205.** Sections 101 through 115 of this act are
18 necessary for the immediate preservation of the public peace, health,
19 or safety, or support of the state government and its existing public
20 institutions, and take effect immediately."

SSB 5096 - S AMD 363
By Senator Robinson

ADOPTED 03/06/2021

21 On page 1, line 1 of the title, after "to" strike the remainder
22 of the title and insert "investing in Washington families and
23 creating a more progressive tax system in Washington by enacting an
24 excise tax on the sale or exchange of certain capital assets; adding
25 a new section to chapter 82.04 RCW; adding a new chapter to Title 82
26 RCW; creating new sections; prescribing penalties; and declaring an
27 emergency."

EFFECT: (1) Modifies the title;
(2) Adds intent language;
(3) Eliminates the maximum number of employees a business may
have for its sale to qualify for the small business deduction;

(4) Increases the qualifying gross income threshold for the small business deduction from \$6,000,000 to \$10,000,000;

(5) Removes the section of the bill that would require ambiguities to be construed in favor of the application of the tax;

(6) Removes the section of the bill that would authorize reciprocal tax collection agreements;

(7) Modifies the deposit and distribution of tax collections: Deposits the first \$350,000,000 collected each fiscal year into the Education Legacy Trust Account, deposits the next \$100,000,000 into the general fund, and deposits the remainder into a newly created taxpayer fairness account;

(8) Provides annual inflationary adjustments for the \$250,000 exclusion amount, \$10,000,000 gross income threshold for the small business deduction, and account distribution amounts; and

(9) Makes technical corrections and clarifications.

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