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**HOUSE BILL 1111**

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**State of Washington**

**67th Legislature**

**2021 Regular Session**

**By** Representatives Cody and Macri

Prefiled 01/07/21.

1 AN ACT Relating to investment income tax deductions; amending RCW  
2 82.04.4281; creating a new section; and providing an effective date.

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

4 NEW SECTION. **Sec. 1.** The legislature finds that Washington  
5 state has many competing and important public service needs,  
6 including additional funding for a more robust public health system,  
7 support for low-income families, and other support systems for the  
8 vulnerable in the state. With abundant wealth concentrated in  
9 specific sectors and among particular companies and individuals,  
10 there is a need to prioritize and direct financial resources to those  
11 in need. When companies and nonprofits have sufficient revenues to be  
12 able to make financial investments that generate additional profits,  
13 there is no need to give them tax breaks on those additional  
14 revenues. Nonprofit hospitals, in particular, often find themselves  
15 with large revenues and high investment prospects. Instead of giving  
16 these kind of entities a break on that investment income, the  
17 legislature finds that we should use that tax revenue on funding the  
18 basic needs of Washingtonians.

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

1       ~~((1))~~ In computing tax there may be deducted from the measure  
2 of tax ~~((~~

3       ~~(a) Amounts)~~ amounts derived by an individual from  
4 investments ~~((~~

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

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

11       ~~(2) The following are not deductible under subsection (1)(a) of~~  
12 ~~this section:~~

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

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

20       ~~(3) The definitions in this subsection apply only to this~~  
21 ~~section.~~

22       ~~(a) "Banking business" means a person engaging in business as a~~  
23 ~~national or state-chartered bank, a mutual savings bank, a savings~~  
24 ~~and loan association, a trust company, an alien bank, a foreign bank,~~  
25 ~~a credit union, a stock savings bank, or a similar entity that is~~  
26 ~~chartered under Title 30, 31, 32, or 33 RCW, or organized under Title~~  
27 ~~12 U.S.C.~~

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

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

36       ~~(d) "Security business" means a person, other than an issuer, who~~  
37 ~~is engaged in the business of effecting transactions in securities as~~  
38 ~~a broker, dealer, or broker-dealer, as those terms are defined in the~~  
39 ~~securities act of Washington, chapter 21.20 RCW, or the federal~~  
40 ~~securities act of 1933. "Security business" does not include any~~

1 ~~company excluded from the definition of broker or dealer under the~~  
2 ~~federal investment company act of 1940 or any entity that is not an~~  
3 ~~investment company by reason of sections 3(c)(1) and 3(c)(3) through~~  
4 ~~3(c)(14) thereof) .~~

5 NEW SECTION. **Sec. 3.** This act takes effect October 1, 2021.

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