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**HOUSE BILL 1284**

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**State of Washington**

**69th Legislature**

**2025 Regular Session**

**By** Representatives Pollet and Berry

1 AN ACT Relating to eliminating the investment income business and  
2 occupation tax deduction for corporations and other business  
3 entities; amending RCW 82.04.4281; creating a new section; and  
4 providing an effective date.

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

6 NEW SECTION. **Sec. 1.** The legislature finds that Washington law  
7 provides a business and occupation tax deduction for investment  
8 income for corporations and other business entities. The legislature  
9 further finds that this deduction costs the state hundreds of  
10 millions of dollars over a biennium. The legislature further finds  
11 that the practical effect of this deduction is to discourage  
12 investment in the state because Washington companies that invest  
13 money and create jobs in Washington pay business and occupation taxes  
14 on revenues generated from their reinvestment, while Washington  
15 companies that invest money in out-of-state markets do not pay tax on  
16 revenues generated from these investments. The legislature further  
17 finds that increasing fairness in the state tax system by closing tax  
18 loopholes is essential to encouraging productive economic investment  
19 in the state. The legislature further finds that the lost revenue  
20 from this deduction is an expenditure that conflicts with, and harms,  
21 the state's constitutional obligation to significantly increase

1 funding for our public schools and our children's education. The  
2 legislature further finds that tax loopholes that incentivize  
3 companies to invest money out-of-state instead of reinvesting in  
4 Washington, create an inequitable tax burden on those companies that  
5 reinvest revenues into Washington. Therefore, it is the intent of the  
6 legislature to bring equity to the state tax system by closing a  
7 loophole that benefits companies that generate revenue from  
8 investments made outside of the state and to ensure they pay their  
9 fair share towards our paramount duty of providing education to every  
10 child in Washington, investing in building the education needed for  
11 the workforce that these businesses require to thrive, and for the  
12 services and infrastructure the state provides.

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

15 (1) In computing tax there may be deducted from the measure of  
16 tax:

17 (a) Amounts derived by individuals from investments;

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

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

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

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

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

33 ~~(3) The definitions in this subsection apply only to this  
34 section.~~

35 ~~(a) "Banking business" means a person engaging in business as a  
36 national or state-chartered bank, a mutual savings bank, a savings  
37 and loan association, a trust company, an alien bank, a foreign bank,  
38 a credit union, a stock savings bank, or a similar entity that is~~

1 chartered under Title 30, 31, 32, or 33 RCW, or organized under Title  
2 12 U.S.C.

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

8 ~~(c) The terms) For purposes of this section, "loan" ((and~~  
9 ~~"extension of credit" do)) does not include ownership of or trading~~  
10 ~~in publicly traded debt instruments, or substantially equivalent~~  
11 ~~instruments offered in a private placement.~~

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

21 NEW SECTION. **Sec. 3.** This act takes effect August 1, 2025.

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