
HOUSE BILL 1319

State of Washington

69th Legislature

2025 Regular Session

By Representative Street; by request of Office of Financial Management

1 AN ACT Relating to enacting a wealth tax on the ownership of
2 stocks, bonds, and other financial intangible property to fund
3 programs and services to benefit Washingtonians; amending RCW
4 82.32.160, 43.135.034, and 82.32.655; adding a new Title to the
5 Revised Code of Washington to be codified as Title 84A RCW; creating
6 new sections; and prescribing penalties.

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

8 NEW SECTION. **Sec. 1.** INTENT. The legislature finds that the
9 state's general fund is used to provide essential services that touch
10 every facet of Washington residents' lives. The state's general fund
11 dollars support investments in K-12 education for over 1,100,000
12 students, early learning and child care, and postsecondary education,
13 training, and financial aid. It supports the health and well-being of
14 our state's residents through services for individuals with
15 developmental disabilities and long-term care for elderly residents,
16 low-income health care, and behavioral health services for those
17 living with mental illness or substance use disorder. The state's
18 general fund pays for salmon recovery, recreational opportunities on
19 Washington's diverse and treasured public lands, and to prevent and
20 fight wildfires threatening our forests, communities, and neighbors.
21 It funds services for our most vulnerable residents and improving

1 public safety in our communities, large and small. Therefore, the
2 intent of this act is to maintain and preserve essential services for
3 Washingtonians into the future through dedicating revenues from this
4 act to the state's general fund.

5 The legislature further recognizes that Washington's tax system
6 remains one of the most regressive systems in the nation, where
7 middle-income families and those making the least contribute
8 disproportionately more as a percentage of their income than top
9 earners in the state. Washington has taken steps to improve the
10 fairness of our tax system by enacting a capital gains excise tax and
11 by funding the working families' tax credit program; however,
12 Washington's tax system was still ranked the second most regressive
13 in a 2024 distributional analysis of state and local tax systems by
14 the institute on taxation and economic policy in spite of these
15 improvements. More progress is needed for the state to have a fair
16 and balanced tax system that works for all residents.

17 An October 2024 report by the congressional budget office found
18 that nationally between 1989 and 2022 the uneven distribution of
19 family wealth increased, with families in the top 10 percent of the
20 distribution holding 60 percent of all wealth and those in the top
21 one percent of the distribution holding 27 percent of all wealth. The
22 legislature further acknowledges that, while many Washington
23 residents pay property tax on their most significant financial asset
24 through their home, our state's tax system does not similarly tax the
25 financial intangible assets of our state's wealthiest residents.

26 Therefore, the legislature intends to create the Washington state
27 wealth tax in the form of a one percent property tax on financial
28 intangible assets, such as stocks and bonds, publicly traded options,
29 and futures contracts in excess of \$100,000,000. The Washington state
30 wealth tax is estimated to impact only 3,400 of the wealthiest
31 Washington residents and will support preserving and maintaining the
32 essential services provided through the state's general fund while
33 further reducing the regressivity of our state's tax system.

34 NEW SECTION. **Sec. 2.** DEFINITIONS. The definitions in this
35 section apply throughout this chapter unless the context clearly
36 requires otherwise.

37 (1) "Artificial person" means a corporation; limited liability
38 company; limited liability partnership, limited partnership, joint
39 venture, or any other kind of partnership; association; business

1 trust or any other trust; estate; association; or any other
2 organization.

3 (2) "Cash and cash equivalents" means currency and short-term,
4 highly liquid investments that are readily convertible to known
5 amounts of cash. "Cash and cash equivalents" includes money on hand,
6 certificates of deposit, checking account deposits, savings account
7 deposits, money market funds, cryptocurrency, and similar assets.

8 (3) "Day" means a calendar day or any portion of a calendar day.

9 (4) "Department" means the department of revenue.

10 (5) "Domicile" means:

11 (a) The same as in RCW 72.36.035, for purposes of a natural
12 person; and

13 (b) For purposes of an artificial person:

14 (i) For a business, the principal place from which the business
15 is directed or managed; and

16 (ii) For artificial persons other than businesses, the place
17 where the entity was organized.

18 (6) "Fair market value" means the amount of money that a willing
19 buyer would pay to a willing seller for property in an arms-length
20 transaction if both parties were fully informed about all advantages
21 and disadvantages of the property and neither party is acting under a
22 compulsion to enter into the transaction.

23 (7) "Financial intangible assets" means the following assets:

24 (a) Cash and cash equivalents;

25 (b) Financial investments such as annuities, bonds, treasury
26 bills, mutual funds or index funds, stocks, publicly traded options,
27 futures contracts, commodities contracts, put and call options,
28 certificates of interest in gold and other precious metals or gems,
29 and other similar investments;

30 (c) Units of ownership in a subchapter K entity;

31 (d) Units of ownership and stock in a subchapter S entity; and

32 (e) Similar intangible assets.

33 (8) "Intangible assets" means both financial intangible assets
34 and nonfinancial intangible assets.

35 (9) "Nonfinancial intangible assets" means all intangible
36 property other than financial intangible assets, such as trademarks,
37 trade names, brand names, patents, copyrights, trade secrets,
38 licenses, permits, core deposits of financial institutions,
39 noncompete agreements, customer lists, patient lists, favorable
40 contracts, favorable financing agreements, reputation, exceptional

1 management, prestige, good name, integrity of a business, private
2 nongovernmental personal service contracts, and private
3 nongovernmental athletic or sports franchises or agreements.

4 (10) "Person" means any natural person or artificial person.

5 (11) "Subchapter K entity" means a partnership, including a
6 limited partnership, limited liability partnership, limited liability
7 limited partnership, limited liability company, joint venture, or any
8 other entity subject to subchapter K of the internal revenue code, 26
9 U.S.C. Secs. 701 through 761, including a single member limited
10 liability company.

11 (12) "Subchapter S entity" means any entity subject to the
12 internal revenue code, 26 U.S.C. Secs. 1361 through 1379.

13 (13) "Tax year" means the calendar year immediately preceding the
14 year in which the tax under this chapter is due and payable to the
15 department.

16 (14) "Taxable worldwide wealth" means a person's worldwide
17 wealth, excluding the fair market value of any intangible property
18 exempt from the tax imposed under this chapter.

19 (15) "Washington resident" or "resident" means any artificial
20 person or natural person who is domiciled in this state at any time
21 during the tax year.

22 (16)(a) "Worldwide wealth" means the fair market value of all
23 intangible assets, or portion thereof, owned or controlled by a
24 resident.

25 (b) For purposes of this subsection:

26 (i) "Control" means a person possesses, directly or indirectly,
27 alone or with one or more close associates, more than 50 percent of
28 the power to sell or otherwise dispose of intangible assets.

29 (ii) "Close associates" means natural persons who are in close
30 association with another natural person by reason of a family,
31 marital, personal, or business relationship.

32 (iii) "Own" includes both legal and beneficial ownership.

33 NEW SECTION. **Sec. 3.** TAX IMPOSED. (1) Beginning January 1,
34 2026, for taxes due in 2027, a wealth tax is imposed on each
35 Washington resident. The wealth tax equals one percent multiplied by
36 a resident's taxable worldwide wealth.

37 (2) Except as provided in subsection (3) of this section, the tax
38 imposed under this section applies to a resident's taxable worldwide
39 wealth as of December 31st of the tax year.

1 (3) In the case of any individual who dies during a tax year and
2 who is not married or in a state registered domestic partnership on
3 the date of such individual's death:

4 (a) The tax imposed under this section applies to the
5 individual's taxable worldwide wealth as of the date of the
6 individual's death; and

7 (b) The amount of the tax otherwise due under this section must
8 be reduced by an amount determined by:

9 (i) Dividing the amount of tax otherwise due for the entire tax
10 year by the total number of days in the tax year; and

11 (ii) Multiplying the amount determined in (b)(i) of this
12 subsection (3) by the number of days remaining in the tax year after
13 the date of the individual's death.

14 (4) The tax imposed in this section does not apply to a resident
15 based on that person's status as a trustee of a trust, unless that
16 person is also a beneficiary of the trust or holds a general power of
17 appointment over the assets of the trust.

18 (5) (a) If an individual is treated as the owner of any portion of
19 a trust that qualifies as a grantor trust for federal income tax
20 purposes, that individual must be treated as the owner of that
21 property for purposes of the tax imposed in this section to the
22 extent such property includes intangible assets.

23 (b) A grantor of a trust that does not qualify as a grantor trust
24 for federal income tax purposes must nevertheless be treated as the
25 owner of the intangible assets of the trust for purposes of the tax
26 imposed in this section if the grantor's transfer of assets to the
27 trust is treated as an incomplete gift under Title 26 U.S.C. Sec.
28 2511 of the internal revenue code and its accompanying regulations.

29 (6) Intangible assets transferred after the effective date of
30 this section by a resident to an individual who is a member of the
31 family of the resident and has not attained the age of 18 must be
32 treated as property of the resident for any calendar year before the
33 year in which such individual attains the age of 18. For purposes of
34 this subsection, "member of the family" has the same meaning as in
35 RCW 83.100.046.

36 (7) All moneys collected from the wealth tax must be deposited
37 into the state general fund.

38 NEW SECTION. **Sec. 4.** WHEN TAXES AND TAX RETURNS ARE DUE. (1) (a)
39 Except as otherwise provided in this section or RCW 82.32.080, each

1 resident owing tax under this chapter must file, on forms prescribed
2 by the department, a return with the department on or before April
3 15th each year reporting that person's taxable worldwide wealth for
4 the immediate preceding calendar year, and such other information the
5 department determines necessary to administer the tax imposed under
6 this chapter.

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

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

13 (2) (a) Except as otherwise provided in this subsection (2),
14 spouses and state registered domestic partners must jointly file
15 returns required under this section.

16 (b) (i) A spouse or state registered domestic partner may petition
17 the department, on a form and in a format as required by the
18 department, for permission to file a separate return. The department
19 must grant the petition only if it finds that good cause exists for
20 allowing the petitioner to file a separate return.

21 (ii) For purposes of this subsection (2) (b), "good cause" means:

22 (A) The petitioner reasonably believes that the nonpetitioning
23 spouse or state registered domestic partner will not cooperate in the
24 filing of a complete and accurate joint return; or

25 (B) Any other circumstance that, in the department's judgment,
26 renders the filing of a joint return manifestly unreasonable.

27 (3) Each resident required to file a return under this section
28 must, without assessment, notice, or demand, pay any tax due under
29 this chapter to the department on or before the due date of the
30 return, regardless of any filing extension granted by the department.
31 The tax must be paid by electronic funds transfer as defined in RCW
32 82.32.085 or by other forms of electronic payment as may be
33 authorized by the department. The department may waive the electronic
34 payment requirement for good cause as provided in RCW 82.32.080. If
35 any tax due under this chapter is not paid by the due date, interest
36 and penalties as provided in chapter 82.32 RCW apply to the
37 deficiency.

38 (4) (a) If any return due under subsection (1) of this section is
39 not filed with the department by the due date or any extension
40 granted by the department, the department must assess a penalty in

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

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

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

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

15 NEW SECTION. **Sec. 5.** ADMINISTRATIVE PROVISIONS. (1) Except as
16 otherwise provided by law and to the extent not inconsistent with the
17 provisions of this chapter, chapter 82.32 RCW applies to the
18 administration of taxes imposed under this chapter.

19 (2) The department may adopt any rules it considers useful in
20 administering the tax under this chapter.

21 NEW SECTION. **Sec. 6.** EXEMPTIONS. Exemptions from the tax
22 imposed under section 3 of this act are provided for:

23 (1) Up to \$100,000,000 of a taxpayer's financial intangible
24 assets. For purposes of this exemption, both spouses or state
25 registered domestic partners are considered to be one taxpayer. If
26 the department authorizes the filing of separate returns for a tax
27 year, each spouse or state registered domestic partner is entitled to
28 claim one-half of the exemption provided under this subsection (1)
29 for that tax year;

30 (2) Nonfinancial intangible assets;

31 (3) Worldwide wealth of artificial persons. However, the
32 exemption provided in this subsection (3) does not affect the
33 computation of a natural person's worldwide wealth;

34 (4) Any obligations or evidences of debt of the United States and
35 obligations of United States government agencies and corporations
36 established by acts of the congress of the United States to the
37 extent required by federal law to be exempt from taxation by the
38 states;

1 (5) Any obligations or evidences of debt of the state of
2 Washington and its agencies, instrumentalities, political
3 subdivisions, and municipal corporations, which include municipal
4 bonds;

5 (6) Any stock of the federal reserve bank, the government
6 national mortgage association, the federal national mortgage
7 association, and other corporations and associations established by
8 acts of the congress of the United States; and

9 (7) Any property subject to ad valorem taxation under RCW
10 84.36.005.

11 NEW SECTION. **Sec. 7.** CREDIT FOR SIMILAR WEALTH TAX PAID TO
12 ANOTHER STATE. (1) Except as provided in subsection (2) of this
13 section, a person subject to tax under this chapter is allowed a
14 credit against the tax otherwise due under this chapter equal to the
15 amount of any similar wealth tax legally imposed on, and paid by, the
16 person to another state for the same tax year on financial intangible
17 assets subject to tax under this chapter. Credit under this section
18 may not exceed the tax otherwise due under this chapter and may not
19 be carried forward or backward to another tax year. Unused credit is
20 not refundable.

21 (2) No credit may be claimed under this section if:

22 (a) The other state does not provide a substantially similar
23 credit against its wealth tax; or

24 (b) The taxpayer was domiciled in Washington state for a greater
25 amount of time than in the other state during the tax year.

26 (3) For purposes of this section, a similar wealth tax does not
27 include an estate tax, inheritance tax, net income tax, gross
28 receipts tax, other business activity tax, or similar tax. A tax on
29 the value of property may be considered to be a similar wealth tax
30 even though taxpayers are allowed a deduction for their liabilities
31 in computing the tax.

32 (4) For purposes of this section, "state" has the same meaning as
33 in RCW 82.04.462.

34 NEW SECTION. **Sec. 8.** INNOCENT SPOUSE RELIEF. (1) An individual
35 who is required to jointly file a return under this chapter may
36 petition the department for relief from joint and several liability
37 for an assessment of taxes due under this chapter, including
38 penalties and interest. Relief under this section is available only

1 to the extent that the individual establishes by clear, cogent, and
2 convincing evidence that he or she is entitled to relief under this
3 section. The petition must be made on a form and in a format
4 prescribed by the department.

5 (2) An individual is entitled to relief from joint and several
6 liability under this section only if he or she establishes that all
7 of the following criteria have been met:

8 (a) The individual jointly filed a return under this chapter for
9 a taxable year;

10 (b) There is an understatement of tax due on the jointly filed
11 return that is attributable to erroneous reporting of assets by the
12 nonpetitioning current or former spouse or state registered domestic
13 partner;

14 (c) The individual seeking relief establishes that he or she did
15 not know, and had no reason to know, that there was such an
16 understatement; and

17 (d) Taking into account all the facts and circumstances, it is
18 manifestly inequitable to hold the individual seeking relief liable
19 for the deficiency in tax for such taxable year attributable to such
20 understatement.

21 (3) Any determination under this section must be made without
22 regard to community property laws.

23 (4) If an individual seeking relief under this section
24 establishes that he or she did not know, and had no reason to know,
25 the extent of such understatement, then such individual must be
26 relieved of liability for tax not properly paid, including penalties
27 and interest, for such taxable year to the extent that such liability
28 is attributable to the portion of such understatement of which such
29 individual did not know and had no reason to know.

30 (5) An individual seeking relief under this section has the
31 burden of proof with respect to establishing the portion of any
32 deficiency allocable to such individual and the portion solely
33 allocable to the individual's current or former spouse or state
34 registered domestic partner.

35 (6)(a) Notwithstanding any other provision of this section, an
36 individual seeking relief under this section may not seek relief for
37 taxes on wealth derived from disqualified assets. For the purposes of
38 this subsection, "disqualified asset" means any asset or right to an
39 asset transferred between spouses or state registered domestic

1 partners required to jointly file a return under this chapter if the
2 principal purpose of the transfer was the avoidance of tax.

3 (b) Except as provided in (c) of this subsection (6), any
4 transfer of assets between two spouses or state registered domestic
5 partners, required to jointly file a return under this chapter, that
6 is made within 12 months prior to December 31st of the tax year for
7 which an individual is seeking relief under this section is presumed
8 to be made with the principle purpose of avoidance of tax.

9 (c) The presumption under (b) of this subsection (6) does not
10 apply to any transfer pursuant to a decree of divorce, dissolution of
11 a domestic partnership, separate maintenance action, or a written
12 instrument incident to such action, or to any transfer that an
13 individual establishes did not have tax avoidance as its principal
14 purpose.

15 (7) If relief is granted under this section, any asset giving
16 rise to a deficiency on a jointly filed return shall be allocated to
17 the individuals filing the return in the same manner as it would have
18 been allocated if the individuals had filed separate returns for the
19 taxable year. No relief granted under this section may reduce the
20 combined tax liability of individuals required to jointly file a
21 return under this chapter in any given tax year.

22 (8) Any relief granted under this section may not result in an
23 increase in the exemption amount under section 6(1) of this act.
24 Nothing in this section shall be construed to permit individuals
25 required to jointly file a return under this chapter to claim a
26 combined exemption under section 6(1) of this act exceeding the limit
27 established in section 6(1) of this act.

28 (9) An individual seeking relief under this section must file a
29 petition with the department no later than two years after the date
30 of the department's notification of the deficiency that is the
31 subject of the petition.

32 (10) The department may by rule provide a method or methods for
33 allocating assets between individuals required to jointly file
34 returns under this chapter in cases where one of the individuals is
35 granted relief under this section. The department may also by rule
36 provide substantiation requirements for an individual to establish
37 his or her eligibility for relief under this section.

38 (11) An individual seeking relief under this section may petition
39 the department for a review of a denial of such relief pursuant to
40 RCW 82.32.160.

1 **Sec. 9.** RCW 82.32.160 and 2007 c 111 s 110 are each amended to
2 read as follows:

3 (1) Any person having been issued a notice of additional taxes,
4 delinquent taxes, interest, or penalties assessed by the department,
5 may within (~~(thirty)~~) 30 days after the issuance of the original
6 notice of the amount thereof or within the period covered by any
7 extension of the due date thereof granted by the department petition
8 the department in writing for a correction of the amount of the
9 assessment, and a conference for examination and review of the
10 assessment. The petition shall set forth the reasons why the
11 correction should be granted and the amount of the tax, interest, or
12 penalties, which the petitioner believes to be due. The department
13 shall promptly consider the petition and may grant or deny it. If
14 denied, the petitioner shall be notified by mail, or electronically
15 as provided in RCW 82.32.135, thereof forthwith. If a conference is
16 granted, the department shall fix the time and place therefor and
17 notify the petitioner thereof by mail or electronically as provided
18 in RCW 82.32.135. After the conference the department may make such
19 determination as may appear to it to be just and lawful and shall
20 mail a copy of its determination to the petitioner, or provide a copy
21 of its determination electronically as provided in RCW 82.32.135. If
22 no such petition is filed within the (~~(thirty)~~) 30-day period the
23 assessment covered by the notice shall become final.

24 (2) The procedures provided for herein shall apply also to a
25 notice denying, in whole or in part, an application for a pollution
26 control tax exemption and credit certificate, with such modifications
27 to such procedures established by departmental rules and regulations
28 as may be necessary to accommodate a claim for exemption or credit.

29 (3) The procedures provided in subsection (1) of this section, as
30 modified in this subsection (3), also apply to a notice denying, in
31 whole or in part, a petition for relief from joint and several
32 liability under section 8 of this act. A petition under this
33 subsection (3) is due within 30 days after the date the department
34 issued its denial of relief under section 8 of this act. The petition
35 must set forth the reasons why the department should grant the
36 petitioner's request for relief from joint and several liability. The
37 petition must also set forth the portion of any deficiency allocable
38 to the petitioner and the portion solely allocable to the
39 petitioner's current or former spouse or state registered domestic
40 partner.

1 NEW SECTION. **Sec. 10.** SUBSTANTIAL WEALTH TAX VALUATION
2 UNDERSTATEMENT PENALTY IMPOSED. (1) Except as otherwise provided in
3 this section, if any portion of an underpayment of tax due under this
4 chapter is due to a substantial wealth tax valuation understatement,
5 there must be added to the tax an amount equal to:

6 (a) In the case of any substantial wealth tax valuation
7 understatement that is a gross wealth tax valuation misstatement, 50
8 percent of the portion of the underpayment due to the valuation
9 understatement; or

10 (b) In all other cases, 30 percent of the portion of the
11 underpayment due to the valuation understatement.

12 (2) The penalty imposed under subsection (1) of this section does
13 not apply unless the portion of the underpayment attributable to
14 substantial wealth tax valuation understatements for the calendar
15 year exceeds \$5,000.

16 (3) The penalty imposed in this section is in addition to any
17 other applicable penalties imposed under this chapter or chapter
18 82.32 RCW on the same tax due, except for the penalty imposed in RCW
19 82.32.090(7).

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

22 (a) "Gross wealth tax valuation misstatement" means the fair
23 market value of any financial intangible assets reported on a return
24 required by this chapter is 40 percent or less of the amount
25 determined to be the correct amount of such fair market value.

26 (b) "Substantial wealth tax valuation understatement" means the
27 fair market value of any financial intangible assets reported on a
28 return required by this chapter is 65 percent or less of the amount
29 determined to be the correct amount of such fair market value.

30 NEW SECTION. **Sec. 11.** ENFORCEMENT. Beginning in calendar year
31 2027, to the extent that sufficient funds are specifically
32 appropriated for this purpose, the department must initiate audits of
33 at least 10 percent of individuals who are registered with the
34 department to pay the tax imposed in this chapter, increasing to 15
35 percent in calendar year 2028, and 20 percent in calendar year 2029
36 and thereafter.

37 NEW SECTION. **Sec. 12.** RULE OF CONSTRUCTION. The legislature
38 intends that any provision of this chapter that is found to be

1 ambiguous by a court of competent jurisdiction or administrative
2 agency be construed in favor of application of the tax,
3 notwithstanding any contrary common law rule of statutory
4 construction.

5 NEW SECTION. **Sec. 13.** TITLE 84 RCW INAPPLICABLE TO WEALTH TAX.
6 Title 84 RCW does not apply to this chapter.

7 **Sec. 14.** RCW 43.135.034 and 2023 c 102 s 30 are each amended to
8 read as follows:

9 (1) For the purposes of this chapter, "raises taxes" means any
10 action or combination of actions by the state legislature that
11 increases state tax revenue deposited in any fund, budget, or
12 account, regardless of whether the revenues are deposited into the
13 general fund.

14 (2) (~~The state or any political~~) Political subdivisions of the
15 state may not impose any tax on intangible property listed in RCW
16 84.36.070 as that statute exists on January 1, 1993.

17 **Sec. 15.** RCW 82.32.655 and 2010 1st sp.s. c 23 s 201 are each
18 amended to read as follows:

19 (1) It is the legislature's intent to require all taxpayers to
20 pay their fair share of taxes. To accomplish this purpose, it is the
21 legislature's intent to stop transactions or arrangements that are
22 designed to unfairly avoid taxes.

23 (2) The department must disregard, for tax purposes, the tax
24 avoidance transactions or arrangements that are described in
25 subsection (3) of this section. The department must deny the tax
26 benefit that would otherwise result from the tax avoidance
27 transaction or arrangement. In determining whether the department
28 must disregard a transaction or arrangement described under
29 subsection (3) of this section, the department may consider:

30 (a) Whether an arrangement or transaction changes in a meaningful
31 way, apart from its tax effects, the economic positions of the
32 participants in the arrangement when considered as a whole;

33 (b) Whether substantial nontax reasons exist for entering into an
34 arrangement or transaction;

35 (c) Whether an arrangement or transaction is a reasonable means
36 of accomplishing a substantial nontax purpose;

1 (d) An entities' relative contributions to the work that
2 generates income;

3 (e) The location where work is performed; and

4 (f) Other relevant factors.

5 (3) This section applies only to the following transactions or
6 arrangements:

7 (a) Arrangements that are, in form, a joint venture or similar
8 arrangement between a construction contractor and the owner or
9 developer of a construction project but that are, in substance,
10 substantially guaranteed payments for the purchase of construction
11 services characterized by a failure of the parties' agreement to
12 provide for the contractor to share substantial profits and bear
13 significant risk of loss in the venture;

14 (b) Arrangements through which a taxpayer attempts to avoid tax
15 under chapter 82.04 RCW by disguising income received, or otherwise
16 avoiding tax on income, from a person that is not affiliated with the
17 taxpayer from business activities that would be taxable in Washington
18 by moving that income to another entity that would not be taxable in
19 Washington; (~~and~~)

20 (c) Arrangements through which a taxpayer attempts to avoid tax
21 under chapter 82.08 or 82.12 RCW by engaging in a transaction to
22 disguise its purchase or use of tangible personal property by vesting
23 legal title or other ownership interest in another entity over which
24 the taxpayer exercises control in such a manner as to effectively
25 retain control of the tangible personal property; and

26 (d) Arrangements through which a taxpayer attempts to avoid tax
27 under chapter 84A.--- RCW (the new chapter created in section 18 of
28 this act) through intentional deception, such as by concealing assets
29 or evidence of the location of the taxpayer's domicile in this state,
30 by transferring assets prior to December 31st when the taxpayer
31 effectively retained control of the assets, or by effectively
32 converting taxable assets into nontaxable assets prior to December
33 31st when the taxpayer engages in a substantially offsetting
34 transaction. This subsection (3)(d) does not apply to substantial
35 wealth tax valuation understatements subject to the penalty in
36 section 10 of this act.

37 (4) In determining whether a transaction or arrangement comes
38 within the scope of subsection (3) of this section, the department is
39 not required to prove a taxpayer's subjective intent in engaging in
40 the transaction or arrangement.

1 (5) The department must adopt rules to assist in determining
2 whether a transaction or arrangement is within the scope of
3 subsection (3) of this section. The adoption of a rule as required
4 under this subsection is not a condition precedent for the
5 department's exercise of the authority provided in this section. Any
6 rules adopted under this section must include examples of
7 transactions that the department will disregard for tax purposes.

8 (6) This section does not affect the department's authority to
9 apply any other remedies available under statutory or common law.

10 (7) For purposes of this section, "affiliated" means under common
11 control. "Control" means the possession, directly or indirectly, of
12 more than (~~fifty~~) 50 percent of the power to direct or cause the
13 direction of the management and policies of a person, whether through
14 the ownership of voting shares, by contract, or otherwise.

15 NEW SECTION. **Sec. 16.** EXEMPTION FROM CERTAIN LAWS APPLICABLE TO
16 NEW TAX PREFERENCES. RCW 82.32.805 and 82.32.808 do not apply to this
17 act.

18 NEW SECTION. **Sec. 17.** SEVERABILITY CLAUSE. If any provision of
19 this act or its application to any person or circumstance is held
20 invalid, the remainder of the act or the application of the provision
21 to other persons or circumstances is not affected.

22 NEW SECTION. **Sec. 18.** CODIFICATION DIRECTION. Sections 1
23 through 8 and 10 through 13 of this act constitute a new chapter in a
24 new title to be codified as Title 84A RCW.

25 NEW SECTION. **Sec. 19.** This act is necessary for the support of
26 the state government and its existing public institutions.

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