
SENATE BILL 5233

State of Washington

69th Legislature

2025 Regular Session

By Senator Hasegawa

1 AN ACT Relating to the expansion and consolidation of public
2 health plans in Washington under a unified financing system in order
3 to universalize eligibility to all Washington residents, ensure
4 comprehensive medical coverage including primary care, dental,
5 vision, and prescription drug benefits, and achieve cost savings
6 through administrative efficiency, bulk pricing, and cost controls;
7 adding a new section to chapter 82.32 RCW; adding a new section to
8 chapter 82.04 RCW; adding a new chapter to Title 43 RCW; adding a new
9 chapter to Title 82 RCW; adding a new title to the Revised Code of
10 Washington to be codified as Title 50C RCW; prescribing penalties;
11 providing effective dates; providing a contingent effective date; and
12 providing contingent expiration dates.

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

14 **Part I**
15 **Universal Health Care for Washington State**

16 NEW SECTION. **Sec. 101.** WASHINGTON HEALTH TRUST PROTECTIONS.
17 Based on input from the department of health and the universal health
18 care commission, the legislature finds that healthy Washingtonians
19 contribute to the economic well-being of their families but suffer
20 from the greatest economic crisis since the great depression made

1 worse by a public health crisis. Skyrocketing unemployment rates have
2 exposed the inequalities of the current private employer-based health
3 care system while causing unsustainable strain to the state's
4 medicaid system. These disparities disproportionately affect already
5 marginalized communities. With the intent to provide stable coverage
6 from time of birth and maintained as a legal guarantee to all
7 residents, the Washington legislature shall create a single unified
8 nonprofit financing entity called the Washington health trust to
9 provide reimbursements for all medical expenditures covered under the
10 program. Multiple economic analyses find that removing means testing
11 in favor of universal eligibility under a single comprehensive
12 coverage package and standardizing reimbursement rates will simplify
13 health financing, eliminate administrative waste, create more
14 equitable outcomes across the state, and guarantee all residents
15 coverage across a comprehensive set of essential health benefits
16 without the burden of premiums, deductibles, copayments, or medical
17 bills regardless of skin color, cultural identity, level of income,
18 or other socioeconomic status.

19 (1) All residents of the state of Washington are eligible for
20 coverage through this chapter.

21 (2) Individuals enrolled for essential health benefits under this
22 chapter may obtain health services from any participating
23 institution, agency, or individual qualified to provide the service
24 including participating providers outside the state.

25 (3) Residents may obtain coverage for health care benefits in
26 excess of those available under the trust, including additional
27 benefits that an employer may provide to employees and their
28 dependents and spouses or to former employees and their dependents
29 and spouses.

30 (4) No person shall, on the basis of race, color, national
31 origin, age, disability, immigration status, or sex, including sex
32 stereotyping, gender identity, sexual orientation, body size, and
33 pregnancy and related medical or preexisting conditions, be excluded
34 from participation in, be denied the benefits of, or be subjected to
35 discrimination by any participating provider or any entity
36 conducting, administering, or funding a health program or activity,
37 including contracts of insurance, under this chapter.

38 (5) Participating providers may not be denied reimbursement by
39 the Washington health trust for any essential health benefit that is

1 within the scope of their practice, consistent with the accepted
2 standard of care as described in RCW 7.70.040.

3 (6) A participating health care provider is not required to
4 furnish any health care service that is outside the scope of their
5 practice or, in the health care provider's reasonable clinical
6 judgment, not consistent with the accepted standard of care as
7 described in RCW 7.70.040.

8 (7) Participating providers may receive payments from sources
9 other than the trust. However, any provider who does accept payment
10 from the trust for a service must accept that payment, along with
11 applicable copayments, as payment in full.

12 (8) Any provider, institution, agency, or individual that is
13 qualified to provide a health care service covered under this chapter
14 is entitled to participate and receive reimbursement as described in
15 section 109 of this act.

16 (9) Nothing in this chapter is intended to interfere with tribal
17 sovereignty over any federal or state funding set aside for tribal
18 health or Indian health services, including those provided by chapter
19 43.71B RCW.

20 NEW SECTION. **Sec. 102.** DEFINITIONS. The definitions in this
21 section apply throughout this chapter unless the context clearly
22 requires otherwise.

23 (1) "Board" means the Washington health trust board of trustees
24 created in section 104 of this act.

25 (2) "Body size" means any measurement, ratio, proportions, or
26 composition of weight, height, length, width, circumference, or body
27 fat on any parts of the body and applies whether perceived as fat,
28 tall, thin, or short or measured numerically.

29 (3) "Chair" means the presiding officer of the board.

30 (4) "Community health access" means a reimbursement system
31 managed by the health care authority for eligible residents to
32 receive essential health services free to the individual at the point
33 of service through community health providers.

34 (5) "Community health provider" means a qualified provider
35 electing participation in the trust as a coordinating nonprofit
36 health care provider to negotiate reimbursements based on quality and
37 availability of services for residents in each regional health
38 district as described in section 109 of this act.

39 (6) "Department" means the Washington state department of health.

1 (7) "Eligible nonresident" shall be defined by the board of
2 trustees created in section 104 of this act, and includes nonresident
3 students attending college within the state, nonresidents employed
4 within the state, and the spouses or domestic partners and dependents
5 of eligible nonresidents.

6 (8) (a) "Employee" means an individual who is in the employment of
7 an employer.

8 (b) "Employee" does not include employees of the federal
9 government.

10 (9) "Employer" has the meaning provided in section 201 of this
11 act.

12 (10) "Employment investment" means a cost paid by or on behalf of
13 employed individuals for enrollment in the Washington health trust.

14 (11) "Essential benefits package" means a single comprehensive
15 health insurance that covers essential health benefits.

16 (12) "Essential health benefits" means any of the following items
17 and services provided on an inpatient or outpatient basis when
18 medically necessary or appropriate for the maintenance of health or
19 for the diagnosis, treatment, or rehabilitation of a health
20 condition:

21 (a) Hospital services, including inpatient and hospital-based
22 outpatient care and 24-hour emergency services;

23 (b) Ambulatory primary and specialty services, including
24 preventative care and chronic disease management;

25 (c) Prescription drugs, medical devices, and biological products;

26 (d) Mental health and substance use disorder treatment services;

27 (e) Laboratory and other diagnostic services, including
28 diagnostic imaging services;

29 (f) Reproductive, maternity, and newborn care;

30 (g) Pediatric primary and specialty care;

31 (h) Palliative care and end-of-life care services;

32 (i) Oral health, audiology, and vision services;

33 (j) Short-term rehabilitative and habilitative services and
34 devices; and

35 (k) Licensed naturopathic, acupuncture, and massage therapies.

36 (13) "Essential health benefits-benchmark plan" means the set of
37 benefits that an issuer must include in nongrandfathered plans
38 offered in the individual or small group market in Washington state,
39 as defined in section 1302 of the affordable care act, 124 Stat. 119,
40 P.L. 111-148 (2010), and 45 C.F.R. 156.100.

1 (14) "Federal poverty level" means the federal poverty guidelines
2 determined annually by the United States department of health and
3 human services or its successor agency.

4 (15) "Global annual budget" means the specific amount of money
5 required for health care facilities participating for reimbursement
6 as a community health provider to operate as negotiated by the board.

7 (16) "Health care facility" or "facility" includes any of the
8 following appropriately accredited entities: Hospices and home health
9 agencies licensed pursuant to chapter 70.127 RCW; hospitals licensed
10 pursuant to chapter 70.41 RCW; rural health care facilities as
11 defined in RCW 70.175.020; psychiatric hospitals licensed pursuant to
12 chapter 71.12 RCW; nursing homes licensed pursuant to chapter 18.51
13 RCW; community mental health centers licensed pursuant to chapter
14 71.05 or 71.24 RCW; kidney disease treatment centers; ambulatory
15 surgical facilities licensed under chapter 70.230 RCW; approved drug
16 and alcohol treatment facilities certified by the department of
17 social and health services; such other facilities owned and operated
18 by a political subdivision or instrumentality of the state; a
19 tribally operated facility as defined in RCW 43.71B.010; and such
20 other facilities as required by federal law and implementing
21 regulations.

22 (17) "Income" means the adjusted gross household income for
23 federal income tax purposes.

24 (18) "Long-term care" means institutional, residential,
25 outpatient, or community-based services that meet the individual
26 needs of persons of all ages who are limited in their functional
27 capacities or have disabilities and require assistance with
28 performing two or more activities of daily living for an extended or
29 indefinite period of time. These services include case management,
30 protective supervision, in-home care, nursing services, convalescent,
31 custodial, chronic, and terminally ill care.

32 (19) "Native American" means an American Indian or Alaska Native
33 as defined under 25 U.S.C. Sec. 1603.

34 (20) "Participating provider" means a person, health care
35 provider, practitioner, health care facility, or entity acting within
36 their scope of practice that has negotiated a written contract to
37 participate and receive reimbursement as described in section 109 of
38 this act.

39 (21) "Qualified provider" means a person, health care provider,
40 practitioner, health care facility, or entity acting within their

1 scope of practice who is licensed or certified and meets: (a) All the
2 requirements of state law to provide such services in the state where
3 the services are provided; and (b) applicable requirements of federal
4 law to provide such services. "Qualified provider" includes a
5 licensed or certified hospital, clinic, health maintenance
6 organization, or nursing home or an officer, director, employee, or
7 agent thereof acting in the course and scope of their employment.

8 (22) "Reimbursement accounts" means health care accounts with
9 funds that can be used for essential health benefits incurred by
10 residents and eligible nonresidents with health insurance coverage
11 other than the trust for copayments and out-of-pocket costs.

12 (23) "Resident" means an individual who presents evidence of
13 established permanent residency in the state of Washington and meets
14 residency requirements consistent with RCW 46.16A.140. "Resident"
15 also includes people and their accompanying family members who are
16 residing in the state for the purpose of engaging in employment for
17 at least one month. The confinement of a person in a nursing home,
18 hospital, or other medical institution in the state may not by itself
19 be sufficient to qualify such person as a resident.

20 (24) "Revocable expenditure" means a health care expenditure that
21 an employer allocated for use by a covered employee but not actually
22 paid to the employee, or any amount actually paid to a third-party
23 administrator that could revert to the employer at any point. Funds
24 do not have to revert to the employer for the health care expenditure
25 to be revocable. Rather, the entire expenditure is considered
26 revocable if there is the possibility that any or all of it could be
27 returned to the employer, such as flexible spending accounts.

28 (25) "Trust" means the Washington health trust created in section
29 103 of this act.

30 NEW SECTION. **Sec. 103.** WASHINGTON HEALTH TRUST. The Washington
31 health trust is created within the department. The purpose of the
32 trust is to provide coverage for a set of essential health benefits
33 to all Washington residents. Each person and entity charged under
34 this act with any responsibility to establish, implement, guide, or
35 in any other way to promote the creation of the Washington health
36 trust shall exercise due diligence and good faith in ensuring that
37 the Washington health trust is established as quickly and securely as
38 reasonably possible.

1 NEW SECTION. **Sec. 104.** THE BOARD OF TRUSTEES. (1) The trust
2 must be governed by a board of trustees consisting of 17 members with
3 expertise in health care financing and delivery and representing
4 Washington citizens, business, labor, and health professions and
5 fully established no later than May 15, 2026. Trustees must include
6 individuals with knowledge of the health care needs of diverse
7 populations, including low-income, Native American, undocumented,
8 non-English speaking, disabled, rural, incarcerated, other minority
9 populations, and populations with body size issues. Members of the
10 board must have no pecuniary interest in any business subject to
11 regulation by the board.

12 (2) The board shall be comprised of the following trustees:

13 (a) The secretary of the department of health, or the secretary's
14 designee;

15 (b) The director of the health care authority, or the director's
16 designee;

17 (c) The insurance commissioner, or the commissioner's designee;

18 (d) The director of the office of equity, or the director's
19 designee;

20 (e) The governor shall appoint:

21 (i) For trustees, one each selected from a list of five nominees
22 who are not legislators submitted by the two largest caucuses of the
23 house of representatives and senate;

24 (ii) Nine trustees selected using an equity lens, with knowledge
25 and experience regarding health care coverage, access, and financing,
26 or other relevant expertise, including at least one consumer
27 representative, at least one invitation to an individual representing
28 organized labor, and at least one invitation to an individual
29 representing tribal governments with knowledge of the Indian health
30 care delivery in the state.

31 (3) The governor shall appoint the chair of the board from any of
32 the trustees identified in subsection (2) of this section. The board
33 shall elect its own chair from its members upon the expiration of the
34 term of the initial chair or his or her departure from the board. The
35 term of a chair elected by the board expires upon the expiration of
36 his or her term on the board.

37 (4) A trustee whose term has expired or who otherwise leaves the
38 board must be replaced by gubernatorial appointment under the same
39 framework of their original nomination, designation, or appointment
40 process outlined in subsection (2) of this section. When the person

1 leaving was nominated by one of the caucuses of the house of
2 representatives or the senate, their replacement must be appointed
3 from a list of five nominees submitted by that caucus within 30 days
4 after the vacancy occurs. If the caucus fails to submit the list of
5 nominees or if the nominees do not meet the qualifications specified
6 in subsection (1) of this section, the governor shall appoint a
7 trustee meeting the qualifications specified in subsection (1) of
8 this section at the governor's discretion. A person appointed to
9 replace a trustee who leaves the board before the expiration of their
10 term shall serve only the duration of the unexpired term.

11 (5) If convinced by a preponderance of the evidence in a due
12 process hearing that a trustee has failed to perform required duties
13 or has a conflict with the public interest, the governor may remove
14 that trustee and appoint another to serve the unexpired term.

15 (6) Members of the board are subject to chapter 42.52 RCW.

16 (7) The trustees occupy their positions according to the bylaws,
17 rules, and relevant governing documents of the board and are exempt
18 from chapter 41.06 RCW. The board and its professional staff are
19 subject to the public disclosure provisions of chapter 42.17A RCW.
20 Trustees shall be paid a salary to be fixed by the governor in
21 accordance with RCW 43.03.040. A majority of the board constitutes a
22 quorum for the conduct of business.

23 NEW SECTION. **Sec. 105.** ADVISORY COMMITTEES. (1) Subject to the
24 approval of the board, the chair shall appoint three standing
25 advisory committees:

26 (a) A finance committee consisting of financial experts from the
27 office of financial management, the office of the state treasurer,
28 the employment security department, and the office of the insurance
29 commissioner. The finance committee shall recommend specific details
30 for major budget decisions and for appropriations, taxes, and other
31 funding legislation necessary to conduct the operations of the trust;

32 (b) A citizen committee consisting of balanced representation
33 from people with relevant knowledge in health, business, labor,
34 tribal governments, disability needs, body size, and consumers,
35 specifically including representation from populations where health
36 care disparities are known to exist as described in section 107 of
37 this act. The citizen committee shall hold public hearings on
38 priorities for inclusion in the set of health services to be offered
39 through the trust, survey public satisfaction, investigate

1 complaints, and identify and report on health care access and other
2 priority issues for residents; and

3 (c) A provider committee consisting of members with broad
4 experience in and knowledge of health care delivery, research, and
5 policy, as well as public and private funding of health care
6 services. The provider committee shall make recommendations to the
7 board on issues related to scope of covered benefits, quality
8 improvement, continuity of care, resource utilization, and other
9 issues as requested by the board.

10 (2) The board shall consult with the citizen committee at least
11 quarterly, receive its reports and recommendations, and then report
12 to the governor and legislature at least annually regarding board
13 actions in response to citizen committee recommendations. The board
14 shall regularly seek financial recommendations from the finance
15 committee to establish and maintain the trust solvency. The board
16 shall consult with the provider committee to promote development of
17 policy and procedures for administration of reimbursements,
18 negotiations for reimbursements, and related documentation.

19 (3) Subject to approval of the board, the chair may appoint other
20 committees and task forces as needed.

21 (4) Members of committees shall receive compensation for their
22 services and shall be reimbursed for their expenses while attending
23 meetings on behalf of the board in accordance with RCW 43.03.250.

24 NEW SECTION. **Sec. 106.** AUTHORITIES OF THE BOARD CHAIR. The
25 chair is the presiding officer of the board and has the following
26 powers and duties:

27 (1) Appoint an executive director with the approval of the board;

28 (2) Enter into contracts on behalf of the board. All contracts
29 are subject to review and binding legal opinions by the attorney
30 general's office if disputed in a due process hearing by a party to
31 such a contract;

32 (3) Subject to explicit approval of a majority of the board,
33 accept and expend gifts, donations, grants, and other funds received
34 by the board; and

35 (4) Delegate administrative functions of the board to the
36 executive director and trust staff as necessary to ensure efficient
37 administration.

1 NEW SECTION. **Sec. 107.** RESPONSIBILITIES OF THE BOARD. (1) With
2 advice from the citizen committee and the provider committee, the
3 board shall:

4 (a) Establish a single comprehensive benefits package covering
5 essential health benefits to be financed by the trust, as provided in
6 section 108 of this act;

7 (b) Subject to the funding mechanisms established under this
8 chapter, seek all applicable waivers, state plan amendments, or
9 demonstration project approvals, so that current federal and state
10 payments for health services to residents will be paid directly or
11 are made otherwise available to the trust;

12 (c) Prior to full integration of federally qualified trust funds
13 into the trust, establish at their discretion any premiums necessary
14 to operate the trust and make rules, policies, guidelines, and
15 timetables needed for the trust to finance the essential benefits
16 package for residents starting November 1, 2026;

17 (d) Develop or contract for development of a statewide, anonymous
18 health care data system;

19 (e) Develop health care practice guidelines and quality standards
20 for the trust;

21 (f) Develop policies to protect confidentiality of patient's
22 records throughout the health care delivery system and the claims
23 payment system;

24 (g) Make rules for eligible nonresidents;

25 (h) Develop or contract for development of an efficient
26 enrollment mechanism for all who are eligible;

27 (i) Develop or contract for development of a streamlined uniform
28 claims processing system that must pay providers in a timely manner
29 for covered health services;

30 (j) Develop appeals procedures for residents and providers;

31 (k) Integrate functions with other state agencies;

32 (l) Work to balance benefits and provider payments with revenues,
33 and develop effective measures to control excessive and unnecessary
34 health care costs;

35 (m) Implement policies to ensure that all Washingtonians receive
36 culturally, linguistically, and structurally competent care and
37 address nonfinancial barriers to health care access including
38 developing specific goals and plans and identifying and addressing
39 the needs of vulnerable populations that are most susceptible to
40 health care disparities, particularly targeting disease prevention

1 and health promotion and medical, mental/behavioral health, and
2 public health issues that disproportionately affect the diverse
3 populations where disparities are known to exist, in order to ensure
4 equitable, appropriate, effective, safe, and high quality care for
5 all, with no gaps in services based on any medically irrelevant
6 factor;

7 (n) Develop an annual trust budget; and

8 (o) Research and recommend the possible benefits of administering
9 the trust through a public nonprofit corporation that would be
10 authorized by the trust board to perform all the administrative and
11 implementation duties of the health care trust.

12 (2) To the extent that the exercise of any of the powers and
13 duties specified in this section may be inconsistent with the powers
14 and duties of other state agencies, offices, or commissions, the
15 authority of the board supersedes that of such other state agency,
16 office, or commission.

17 NEW SECTION. **Sec. 108.** COMPREHENSIVE ESSENTIAL HEALTH BENEFITS
18 PACKAGE. (1) The board shall establish a single comprehensive
19 essential benefits package covering essential health benefits that
20 are effective and necessary for the good health of residents and that
21 emphasize preventive, primary, and integrated health care. The board
22 shall ensure that the essential benefits package constitutes coverage
23 at least as comprehensive as the minimum essential coverage for
24 purposes of the federal patient protection and affordable care act.

25 (2) The board and the department shall, on an ongoing and regular
26 basis, evaluate whether the essential health benefits should be
27 improved or adjusted to promote the health of beneficiaries, account
28 for changes in medical practice or new information from medical
29 research, or respond to other relevant developments in health
30 science, and shall make recommendations to the legislature regarding
31 any such improvements or adjustments.

32 (3) Subject to a financial analysis demonstrating ongoing
33 sufficient funds in the trust, long-term care shall be a covered
34 benefit on January 1, 2029. Long-term care coverage shall include a
35 uniform initial assessment and coordination between home health,
36 adult day care, and nursing home services, and other treatment
37 alternatives. The board may establish a copayment for long-term
38 nursing home care, to cover some costs of room and board, for

1 residents with household incomes above 150 percent of the federal
2 poverty level.

3 (4) Nothing in this act shall be deemed to permit exclusion or
4 limitation of services to any person on the basis that the service is
5 sought to address a preexisting medical condition.

6 (5) The board must establish:

7 (a) A long-term care benefits package; and

8 (b) Eligibility requirements at least as inclusive as the
9 medicaid standards for Washington on the effective date of this
10 section.

11 (6) When the board establishes a long-term care benefits package
12 beyond what is described in subsection (5) of this section, the
13 board, in coordination with the office of the insurance commissioner,
14 shall examine possible remedies for residents who have made previous
15 payments for long-term care insurance.

16 (7) The board shall submit to the governor and legislature by
17 December 1, 2026, and by December 1st of the following years:

18 (a) The essential benefits package; and

19 (b) An actuarial analysis of the cost of the package.

20 NEW SECTION. **Sec. 109.** PARTICIPATING PROVIDERS. (1) The board,
21 in coordination with the health care authority, shall adopt rules and
22 mechanisms permitting qualified providers to collectively negotiate
23 budgets, payment schedules, and other terms and conditions of trust
24 participation.

25 (2) The board, in coordination with the health care authority and
26 on an annual basis, shall collectively negotiate reimbursement rates
27 with qualified providers not participating as community health
28 providers on a fee-for-service basis.

29 (3) Any qualified provider operating as a public hospital or
30 health care facility or public or private nonprofit 501(c)
31 organization with three or more individual practitioners coordinating
32 to deliver essential health benefits shall participate as a community
33 health provider and will negotiate their reimbursement through the
34 global budgeting process. Any funds from the operating budget not
35 spent at the end of a fiscal year shall be applied to the next year's
36 budget. Retained earnings year-to-year shall be prohibited.

37 (4) The board, in coordination with the health care authority,
38 shall annually negotiate with each community health provider a
39 prospective global budget for operational and other costs to be

1 covered by the trust. Hospitals and other health care facilities
2 shall be paid on a fee-for-service basis, within the limits of their
3 prospective global annual budget. Individual practitioners who are
4 employed by a community health provider may be paid by salary.

5 (5) The board shall make appropriate considerations and
6 recommendations during biannual negotiations with community health
7 providers including:

8 (a) Health needs of residents in each regional health district in
9 the state;

10 (b) The scope of services offered by the provider;

11 (c) Quality and effectiveness of care standards and safety
12 policies utilized by the provider;

13 (d) Quality of employment for those employed by the provider; and

14 (e) Provider coordination with the department of social and
15 health services on delivery of needs-based assistance for which
16 residents in the regional health district are eligible.

17 (6) The board shall adopt rules ensuring that payment schedules
18 and procedures for mental health services are comparable to other
19 health care services included in the essential benefits package.

20 (7) The board shall adopt rules ensuring that payment schedules
21 for care provided via telemedicine, as defined in RCW 70.41.020, are
22 at parity levels with equivalent care provided in person.

23 (8) The board shall study and develop provider payment methods
24 that:

25 (a) Encourage an integrated multispecialty approach to disease
26 management and prevention to support care of patients needing
27 specialized care within primary care practices. Payment of
28 independent licensed professionals on the basis of capitation shall
29 not be allowed;

30 (b) Reward education time spent with patients; and

31 (c) Include all categories of providers pursuant to rule and RCW
32 48.43.715.

33 NEW SECTION. **Sec. 110.** PHARMACEUTICALS, MEDICAL EQUIPMENT, AND
34 BIOLOGICALS. (1) When consistent with federal law, the prices to be
35 paid for covered pharmaceuticals, medical supplies including
36 biological products, and medically necessary assistive equipment
37 shall be negotiated annually by the board for all residents and
38 eligible nonresidents enrolled in the trust.

1 (2) (a) The board shall establish a prescription drug formulary
2 system, which:

3 (i) Encourages best practices in prescribing;

4 (ii) Discourages the use of ineffective, dangerous, or
5 excessively costly medications when better alternatives are
6 available;

7 (iii) Promotes the use of generic medications to the greatest
8 extent possible; and

9 (iv) Does not interfere with treatments necessary for appropriate
10 standards of care.

11 (b) The formulary shall be updated frequently, with advice from
12 clinicians and patients, to add new pharmaceuticals or remove
13 ineffective or dangerous medications from the formulary.

14 (3) The board shall develop rules for off-formulary medications
15 which allow for patient access without compromising the formulary.

16 (4) The board may seek other means of financing drugs and durable
17 medical equipment at the lowest possible cost, including bulk
18 purchasing agreements with Washington state tribes.

19 (5) The board may set a cost-sharing schedule for prescription
20 drugs and biological products for enrolled individuals that: (a) Is
21 evidence-based and encourages the use of generic drugs; (b) does not
22 apply to preventive drugs; and (c) does not exceed \$250 annually,
23 adjusted annually for inflation.

24 NEW SECTION. **Sec. 111.** ENROLLMENT ELIGIBILITY. (1) Residents:

25 (a) Under the age of 19; or

26 (b) With dual eligibility for medicare and medicaid;

27 are exempt from the employment investment established under
28 subsection (2) of this section for enrollment in the Washington
29 health trust and the self-employment investment for enrollment in the
30 trust.

31 (2) When a resident is employed, an employment investment must be
32 paid by the resident or their employer for enrollment in the trust
33 except as provided in subsection (1) of this section. The employment
34 investment is equal to total required health care expenditures
35 employers must pay to or on behalf of the employee as established in
36 section 202 of this act.

37 (3) Until full integration of federally qualified trust funds is
38 accomplished, residents, including but not limited to Native American
39 residents, who are covered under federal health programs shall

1 continue to use that coverage, and additional benefits provided by
2 the trust shall extend only to costs not covered by the federal
3 health programs when, subject to subsection (1) of this section:

4 (a) The resident voluntarily elects to enroll in the trust; and

5 (b) The resident's wages and net earnings are considered in
6 calculating either the employment or self-employment investment
7 established under this section.

8 (4) Pending full integration of federally qualified funds into
9 the trust, residents who are retirees are eligible for coverage
10 through the trust when they elect the trust coverage as their
11 medicare supplemental or part C plan. The board shall make rules and
12 adopt mechanisms to reimburse residents with household incomes below
13 300 percent of the federal poverty level for all medicare eligible
14 residents who elect to enroll in the trust for medicare premiums the
15 individual pays while enrolled in the trust until a federal waiver or
16 demonstration project approval as applicable is granted integrating
17 the federally qualified trust funds into the trust.

18 NEW SECTION. **Sec. 112.** COVERAGE USE AND AVAILABILITY. (1) If an
19 enrolled individual has other health insurance coverage for any
20 essential health benefits provided in the state, the trust benefits
21 provided in this chapter are secondary to that insurance coverage.
22 Nonresidents are covered for emergency services and emergency
23 transportation only, except when the individual is an eligible
24 nonresident and enrolled in the trust for coverage as provided in
25 section 102(7) of this act.

26 (2) The board shall make provisions for determining
27 reimbursements for covered medical expenses for residents while they
28 are out of the state.

29 (3) No cost sharing, including deductibles, coinsurance,
30 copayments, or similar charges, may be imposed on an enrolled
31 individual for any benefits provided under this chapter, except:

32 (a) Cost sharing may be contingent on the inclusion of long-term
33 care coverage beyond what is provided under medicaid; and

34 (b) As provided in section 110 of this act.

35 (4) No cost sharing, including deductibles, coinsurance,
36 copayments, or similar charges, may be imposed on enrolled:

37 (a) Persons under the age of 19;

38 (b) Residents who are dual eligible medicare and medicaid
39 beneficiaries; or

1 (c) Adults whose household income is under 300 percent of the
2 federal poverty level.

3 (5) By October 1, 2026, the board must take all steps necessary,
4 including seeking appropriate approvals from federal entities, to
5 ensure the essential benefits package qualifies as an essential
6 health benefits-benchmark plan for the purposes of contracting to
7 administer all essential health benefits with the following entities
8 as a managed health care system:

9 (a) The health care authority;

10 (b) The public employees' benefits board;

11 (c) Indian health services;

12 (d) Center for medicare and medicaid services;

13 (e) The department of social and health services; and

14 (f) Any other director, entity, or agency with authority to
15 contract administration of essential health benefits to a managed
16 health care system operating in Washington state.

17 (6) By October 1, 2026, the board shall establish necessary
18 premiums and cost-sharing requirements for eligible individuals
19 enrolled in the program through the Washington health benefits
20 exchange, collect premium and assessment payments from all enrolled
21 eligible individuals, and deposit premium payments in the benefits
22 account created in section 122 of this act. If the eligible
23 individual qualifies for premium subsidies or cost-sharing reductions
24 under the patient protection and affordable care act, the premium or
25 cost-sharing amounts established under this subsection may not exceed
26 the amounts the eligible individual would have paid if they had
27 enrolled in a silver level qualified health plan through the
28 Washington health benefit exchange. The portion of premiums, copays,
29 and out-of-pocket costs enrollees are responsible for after eligible
30 premium subsidies or cost-sharing reductions are applied must be
31 consistent with this section.

32 (7) On or before November 1, 2027, the board shall:

33 (a) Begin offering coverage to all residents and eligible
34 nonresidents;

35 (b) Contract with all entities in subsection (5) of this section
36 for enrollment of residents who are eligible for essential health
37 benefits coverage through a federal or federally funded state health
38 program, except when contingent on approval for full integration of
39 federally qualified trust funds into the trust;

1 (c) Ensure the operation of the trust is consistent with this
2 chapter; and

3 (d) Enable the state to provide equitable coverage for all
4 enrolled, including those covered through medicaid and medicare, and
5 maximize the use of appropriate federal funding in the trust.

6 (8) The board shall not contract the administration of covered
7 benefits for an individual enrolled in the trust to a managed health
8 care system operating for-profit except when the enrolled individual:

9 (a) Is enrolled in supplemental health insurance coverage through
10 the managed health care system; and

11 (b) Has elected the benefits administration through the managed
12 health care system.

13 NEW SECTION. **Sec. 113.** INTEGRATION OF FEDERAL HEALTH COVERAGE
14 PROGRAMS. (1) The health care authority shall determine which state
15 and federal laws affect full integration of federally qualified trust
16 funds into the trust, and report its recommendations for
17 accomplishing such full integration, with any proposed revisions to
18 the Revised Code of Washington, to the governor and the appropriate
19 committees of the legislature by the first date following the
20 effective date of this section.

21 (2) The governor, in consultation with the board and the health
22 care authority, shall take the following steps in an effort to
23 receive applicable waivers, state plan amendments, exemptions, or
24 approval for demonstration projects from federal agencies in order to
25 fully integrate coverage and funding available through federally
26 qualified trust funds into the trust under this chapter:

27 (a) Negotiate with the federal department of health and human
28 services' health care financing administration to obtain a statutory
29 or regulatory waiver of provisions of the medical assistance statute,
30 Title XIX of the federal social security act and the children's
31 health insurance program including, but not limited to, application
32 for an applicable demonstration project;

33 (b) Negotiate with the federal department of health and human
34 services to obtain a statutory or regulatory waiver of provisions of
35 the medicare statute, Title XVIII of the federal social security act,
36 that currently constitute barriers to full integration of this
37 chapter or to obtain approval for the trust to operate as a medicare
38 part C plan or other demonstration project allowing relevant federal
39 funds to flow into the trust;

1 (c) Negotiate with the federal department of health and human
2 services to obtain any statutory or regulatory waivers of provisions
3 of the United States public health services act, or applicable
4 demonstration project, necessary to ensure integration of federally
5 funded community and migrant health clinics and other health services
6 funded through the public health services act into the trust system
7 under this chapter;

8 (d) Negotiate with the federal office of personnel management for
9 the inclusion of federal employee health benefits in the trust under
10 this chapter;

11 (e) Negotiate with the federal department of defense and other
12 federal agencies for the inclusion of the civilian health and medical
13 program of the uniformed services in the trust under this chapter;
14 and

15 (f) Request that the United States congress amend the internal
16 revenue code to treat the assessments and any premiums established
17 under this chapter as fully deductible from adjusted gross income.

18 (3) Beginning November 15, 2026, the health care authority shall
19 submit annual progress reports to the appropriate legislative
20 committees regarding the development of the waiver or demonstration
21 project applications, or other integration measures, and on
22 enrollment of residents into health coverage managed by the health
23 care authority, an entity within the health care authority, or the
24 trust. The report submitted on November 15, 2027, must include a list
25 of any statutory changes necessary to implement full integration of
26 federally qualified trust funds into the trust.

27 (4) Upon receipt of any waiver or approval for other integration
28 measures under this chapter, the health care authority shall promptly
29 notify in writing the office of the code reviser, the governor, and
30 the appropriate committees of the legislature.

31 (5) Beginning no later than four years after the effective date
32 of this section, the health care authority, including entities or
33 agencies within the health care authority, shall not contract
34 administration of essential health benefits available through the
35 trust to a managed health care system operating for-profit except
36 when the enrolled individual:

37 (a) Is also enrolled only in supplemental health insurance
38 coverage through the managed health care system; and

39 (b) Has elected the benefits administration through the managed
40 health care system.

1 (6) The health care authority, in coordination with the board and
2 all other agencies within the state, shall take all steps necessary
3 to align reimbursement rates for essential health benefits provided
4 through a program managed by the health care authority or an agency
5 within the state.

6 NEW SECTION. **Sec. 114.** TRANSITIONAL EMPLOYMENT PROVISIONS. (1)
7 Employers with employees represented by a union and with established
8 health benefit plans negotiated before the effective date of this
9 section:

10 (a) Shall maintain health benefits at least as comprehensive and
11 affordable to covered employees and retired employees after the
12 effective date of this section; and

13 (b) Are exempt from owing the required health care expenditures
14 established in section 202 of this act, including the employee share,
15 for each employee offered affordable minimum essential coverage,
16 defined by the patient protection and affordable care act, through
17 the existing employee health benefit plan until a supplemental health
18 benefit plan is negotiated and becomes effective.

19 (2) Resident employees of Washington employers and enrolled in a
20 health benefit plan described in subsection (1) of this section may:

21 (a) Participate in the Washington health trust by paying the
22 employment investment, subject to the exclusions in section 111 of
23 this act, to enroll in the trust's essential benefits package as a
24 primary health insurance. Any amount paid to the employment security
25 department on behalf of an employee and not used to reimburse medical
26 expenses for the employee may be applied to the employment investment
27 for enrollment in the Washington health trust at the time the
28 resident employee elects enrollment; or

29 (b) Participate in the health options program defined in section
30 127 of this act.

31 (3) All sole proprietors operating in the state may apply for an
32 exemption from the self-employment contribution established in
33 section 203 of this act if the individual is enrolled in minimal
34 essential coverage, as defined by the patient protection and
35 affordable care act.

36 (4) This section is subject to section 126 of this act and
37 expires on the first January 1st following the effective date of
38 section 115 of this act.

1 NEW SECTION. **Sec. 115.** ENROLLMENT CONDITIONAL PROVISIONS.

2 Within one year of the effective date of this section:

3 (1) Subject to ongoing sufficient funding, the board shall work
4 to reduce deductibles and out-of-pocket costs for all enrolled adults
5 to the fullest extent possible; and

6 (2) The Washington state health care authority shall apply for a
7 waiver from the provisions of the federal patient protection and
8 affordable care act, P.L. 111-148, as amended by the federal health
9 care and education reconciliation act, P.L. 111-152, to:

10 (a) Consolidate all state and federal funding of plans on the
11 Washington health benefit exchange established in chapter 43.71 RCW
12 into the Washington health trust; and

13 (b) Enable the state to receive appropriate federal funding in
14 lieu of the federal premium tax credits, federal cost-sharing
15 subsidies, and other federal payments and tax credits that will no
16 longer subsidize private plans sold on the Washington health benefit
17 exchange. The health care authority may use existing health benefit
18 exchange resources to facilitate residents' ability to compare and
19 purchase supplemental health insurance.

20 NEW SECTION. **Sec. 116.** ADMINISTRATIVE COST CONTROLS. (1)

21 Administrative expenses to operate and maintain the trust shall not
22 exceed seven percent of the trust's annual budget. The board shall
23 not shift administrative costs or duties of the trust to providers or
24 to resident beneficiaries.

25 (2) The board shall work with providers to develop and apply
26 scientifically based utilization standards, to use encounter and
27 prescribing data to detect excessive utilization.

28 (3) The department shall develop due processes for enforcing
29 appropriate utilization standards, and to identify and prosecute
30 fraud that includes:

31 (a) Anonymous reporting of any suspected waste, fraud, and abuse;
32 and

33 (b) An appeals process.

34 (4) The board may institute other cost-containment measures in
35 order to maintain a balanced budget. The board shall pursue due
36 diligence to ensure that cost-containment measures neither limit
37 access to clinically necessary care or infringe upon legitimate
38 clinical decision making by practitioners or the legitimate decisions
39 of an enrolled individual to receive prescribed essential health

1 benefits. Cost-containment measures may not be achieved through
2 discrimination, including denial, delay, or limitation of services
3 based on any category protected under federal or Washington state law
4 to persons covered under the trust.

5 (5) Administrative expenses must include reasonable funding for
6 the employment security department to carry out its obligations
7 regarding enforcement of required health care expenditures and
8 collection of the employment contributions established in section 202
9 of this act, the contribution paid by sole proprietors established in
10 section 203 of this act, and the capital gains tax established in
11 section 302 of this act that are among the trust's funding sources.

12 NEW SECTION. **Sec. 117.** ACTUARIAL ANALYSIS AND REPORTING.

13 Beginning December 15, 2026, the board shall contract annually for an
14 actuarial analysis of the trust's funding needs. The board shall
15 report annually on all the funding mechanisms to the appropriate
16 standing committees of the house of representatives, the senate, and
17 the governor, starting May 15, 2027. The funding mechanisms must
18 contain the following elements:

19 (1) The employment investment to be paid by or on behalf of
20 employed residents and eligible nonresidents, established in section
21 111 of this act and under the exemption provided in section 114 of
22 this act;

23 (2) The long-term capital gains tax established in section 302 of
24 this act;

25 (3) The self-employment excise tax established in section 203 of
26 this act and under the exemption provided in section 114 of this act;

27 (4) Any premiums necessary, as established in section 107 of this
28 act and pursuant to sections 111 and 112 of this act, to be paid by
29 enrolled adults, their spouse, or an employer prior to full
30 integration of federally qualified trusts;

31 (5) A cost-sharing schedule, established in section 110 of this
32 act and pursuant to section 112 of this act, paid by enrolled adults
33 with household incomes exceeding 299 percent of the federal poverty
34 level, their spouse, or an employer; and

35 (6) Available federal health program funding either pursuant to
36 waivers or other integration measures taken as described in sections
37 113 and 115 of this act, or by contracting for administration of
38 those benefits as described in section 112 of this act.

1 NEW SECTION. **Sec. 118.** ALLOCATION OF NEW REVENUES. Revenue
2 derived from the contributions established in sections 202, 203, and
3 302 of this act and any premiums established under section 107 of
4 this act shall be deposited to the reserve account created in section
5 120 of this act and the benefits account created in section 122 of
6 this act, and may not be used to pay for medical assistance currently
7 provided under chapter 74.09 RCW or other existing federal and state
8 health care programs. If existing federal and state sources of
9 payment for health services are reduced or terminated after the
10 effective date of this section, the legislature shall replace these
11 appropriations from the general fund.

12 NEW SECTION. **Sec. 119.** START-UP APPROPRIATIONS. An
13 appropriation by separate act of the legislature may be necessary for
14 the fiscal year ending June 30, 2026, from the general fund to the
15 benefits account for start-up moneys for purposes of this chapter
16 during the period of July 1, 2026, through the second June 30th
17 following the effective date of section 115 of this act. Those
18 appropriations should be sufficient to cover the anticipated costs of
19 the first year of the Washington health trust and may include excess
20 reserves currently held by current health insurance companies doing
21 business within Washington state.

22 NEW SECTION. **Sec. 120.** RESERVE ACCOUNT. (1) The reserve account
23 is created in the custody of the state treasurer. The reserve account
24 will accumulate moneys until its value equals 10 percent of the total
25 annual budgeted trust expenditures and then will be considered fully
26 funded, unless the legislature determines that a different level of
27 reserve is necessary and prudent. Whenever the reserve account is
28 fully funded, additional moneys shall be transferred to the benefits
29 account created in section 122 of this act.

30 (2) Expenditures from the reserve account may be used only for
31 the purposes of health care services and maintenance of the trust.
32 Only the board or the board's designee may authorize expenditures
33 from the account. The account is subject to allotment procedures
34 under chapter 43.88 RCW, but an appropriation is not required for
35 expenditures.

36 NEW SECTION. **Sec. 121.** DISPLACED WORKER TRAINING ACCOUNT. (1)
37 The displaced worker training account is created in the custody of

1 the state treasurer. Expenditures from the account may be used only
2 for retraining and job placement of workers displaced by the
3 transition to the trust. Only the board or the board's designee may
4 authorize expenditures from the account. The account is subject to
5 allotment procedures under chapter 43.88 RCW, but an appropriation is
6 not required for expenditures.

7 (2) Any funds remaining in the account on the second December
8 31st following the effective date of section 115 of this act must be
9 deposited into the benefits account created in section 122 of this
10 act.

11 (3) This section expires the third January 1st following the
12 effective date of section 115 of this act.

13 NEW SECTION. **Sec. 122.** BENEFITS ACCOUNT. The benefits account
14 is created in the custody of the state treasurer. Expenditures from
15 the account may be used only for health care services and maintenance
16 of the trust. Only the board or the board's designee may authorize
17 expenditures from the account. The account is subject to allotment
18 procedures under chapter 43.88 RCW, but an appropriation is not
19 required for expenditures.

20 NEW SECTION. **Sec. 123.** CAPITAL IMPROVEMENTS ACCOUNT. (1) The
21 capital improvements account is created in the custody of the state
22 treasurer. Expenditures from the account may be used only for capital
23 improvements and new facilities. Only the board or the board's
24 designee may authorize expenditures from the account. The account is
25 subject to allotment procedures under chapter 43.88 RCW, but an
26 appropriation is not required for expenditures.

27 (2) The health care authority shall conduct community needs
28 assessments at least once every five years, in consultation with
29 community providers and the department of health, to assess capital
30 needs and apply for federal, public, and private funding to support
31 those improvements, which shall be deposited into the capital
32 improvements account.

33 NEW SECTION. **Sec. 124.** ANNUAL BUDGET. (1) Beginning May 15,
34 2027, the board shall adopt, in consultation with the office of
35 financial management, an annual Washington health trust budget. If
36 operation expenses exceed revenues generated in two consecutive

1 years, the board shall recommend adjustments in revenues to the
2 legislature.

3 (2) The recommended adjustments must also include recommended
4 additional funding sources including, but not limited to, revenues
5 collected under RCW 41.05.120, 41.05.130, 66.24.290, 82.24.020,
6 82.26.020, 82.08.150, 43.79.480, and 41.05.220.

7 (3) The recommendations shall specify the amounts that must be
8 deposited in the reserve account created in section 120 of this act,
9 the displaced worker training account created in section 121 of this
10 act, and the benefits account created in section 122 of this act.

11 (4) Prior to making its recommendations, the board shall conduct
12 at least six public hearings in different geographic regions of the
13 state seeking public input or comment on the recommended funding
14 mechanism.

15 (5) The legislature shall enact legislation implementing the
16 recommendations of the board during the regular legislative session
17 following the recommendations.

18 NEW SECTION. **Sec. 125.** COST REPORTING. The board shall:

19 (1) Report annual changes in total Washington health care costs,
20 along with the financial position and the status of the trust, to the
21 governor, the legislature, and the employment security department at
22 least once a year;

23 (2) Seek audits annually from the state auditor;

24 (3) Contract with the state auditor for a performance audit every
25 two years;

26 (4) Adopt bylaws, rules, and other appropriate governance
27 documents to assure accountability, as well as the open, fair, and
28 effective operation of the trust, including criteria under which
29 reserve funds may be prudently invested subject to advice from the
30 state treasurer and the director of the department of financial
31 management;

32 (5) Submit any internal rules or policies it adopts to the
33 secretary of state. Internal rules or policies must be made available
34 by the secretary of state for public inspection; and

35 (6) Collaborate with the health care authority to recommend
36 adjustments to the percent of an employee's wages an employer must
37 pay to or on behalf of an employee for required health care
38 expenditures established in section 202 of this act to the employment
39 security department, including the self-employment contribution and

1 employee deduction. Recommendations must ensure the employment-based
2 contribution percentage rates:

3 (a) Do not exceed 10.5 percent of an employee's aggregate
4 adjusted quarterly payroll;

5 (b) Are not higher than is necessary to provide adequate funding
6 for the trust and the health options program as described in section
7 127 of this act;

8 (c) Are equal for the self-employment contribution and the
9 employee deduction; and

10 (d) Do not reduce any individual's access to health care services
11 or enrollment in the trust.

12 NEW SECTION. **Sec. 126.** CONFORMING EMPLOYER BENEFITS PLANS. (1)

13 Employers may maintain employee benefits plans under the federal
14 employee retirement income security act of 1974.

15 (2) Irrevocable expenditures.

16 (a) At least 50 percent of each required health care expenditure
17 for calendar year 2026 must consist of irrevocable expenditures.
18 Revocable expenditures that exceed 40 percent of required health care
19 expenditures shall not be counted toward the employer spending
20 requirement.

21 (b) At least 80 percent of each required health care expenditure
22 for calendar year 2027 must consist of irrevocable expenditures.
23 Revocable expenditures that exceed 20 percent of required health care
24 expenditures shall not be counted toward the employer spending
25 requirement.

26 (c) On and after January 1, 2028, only irrevocable health care
27 expenditures shall be counted toward the employer spending
28 requirement.

29 (d) Health care expenditures paid to the employment security
30 department or the trust on behalf of an employee are not revocable.

31 (3) Revocable expenditures. Subject to the limitations in
32 subsection (2) of this section, revocable health care expenditures
33 shall be counted toward the employer spending requirement, provided
34 that:

35 (a) The expenditure is reasonably calculated to benefit the
36 employee;

37 (b) No portion of the expenditure is revoked prior to the
38 earliest of: (i) Twenty-four months from the date of the expenditure;
39 (ii) ninety days after separation from employment; or (iii) for

1 revocable expenditures made prior to January 1, 2028, the date that
2 the employee knowingly, voluntarily, and permanently waives in
3 writing the unused portion of such expenditure;

4 (c) The employee receives from the employer or its agent a
5 written summary within 15 calendar days of the date of the
6 expenditure that includes: (i) The name, address, email address, and
7 telephone number of any third party to whom the expenditure was made;
8 (ii) the date and amount of the expenditure; (iii) a summary of how
9 the benefit may be used, including types of health care services
10 available; (iv) restrictions on the use of this benefit, including
11 maximum dollar value of benefits or account balances; and (v) the
12 date on which any portion of this benefit will be revoked; and

13 (d) An employee who separates from employment with any amount of
14 unused revocable expenditures receives, within three business days
15 following the separation: (i) A written notice with a summary of how
16 the benefit may be used, including types of health care services
17 available; (ii) restrictions on the use of this benefit, including
18 maximum dollar value of benefits or account balances; and (iii) the
19 date on which the benefit will be revoked.

20 (4) Effect of court order. If the attorney general certifies to
21 the governor and the legislature that a court of competent
22 jurisdiction has struck down any provision of subsection (3) of this
23 section, or permanently enjoined its enforcement, then only
24 irrevocable expenditures shall count toward the employer spending
25 requirement as of the first day of the next calendar quarter
26 following the attorney general's certification.

27 (5) All employers operating in the state may pay the employment
28 contribution for an employee directly to the trust for the purpose of
29 establishing the employee's eligibility to enroll in the trust.

30 (6) Residents employed in the state and enrolled in minimum
31 essential coverage, as defined by the patient protection and
32 affordable care act, may:

33 (a) Participate in the medical reimbursement accounts as
34 described in section 127 of this act; or

35 (b) Elect to apply any unused required health care expenditures
36 an employer paid to the employment security department towards any
37 employment investment required for enrollment in the trust
38 established in section 103 of this act, subject to exclusions defined
39 in section 111 of this act, to enroll in the trust as a primary
40 health insurance.

1 NEW SECTION. **Sec. 127.** HEALTH OPTIONS PROGRAM. (1) The health
2 care authority shall administer the health options program for
3 residents not enrolled in the trust, which comprises community health
4 access and medical reimbursement accounts. The health care authority
5 shall determine eligibility and benefits under the program component
6 to maximize participants' overall access to health care services.

7 (2) Under community health access, eligible uninsured Washington
8 residents may obtain essential health benefits from any providers
9 participating in the trust as community health providers. Community
10 health access is not an insurance plan.

11 (3) Health options program access shall be open to eligible,
12 uninsured Washington residents except when they are eligible to
13 receive benefits under medicare or medicaid. Additional eligibility
14 criteria shall be established by the health care authority, but no
15 person may be excluded from community health access based on
16 employment or immigration status or a preexisting condition.

17 (4) The health options program may be funded from a variety of
18 sources, including required health care expenditures paid by
19 employers and sole proprietors pursuant to section 202 of this act
20 and from the trust.

21 (5) Community health access shall use the rates established
22 through annual negotiations by community health providers under the
23 trust as described in section 109 of this act.

24 (6) Community health access shall provide payment for essential
25 health benefits as defined in section 102 of this act to providers
26 participating in the trust as community health providers as described
27 in section 109 of this act.

28 (7) The employment security department shall be authorized to
29 transfer payments made by employers to satisfy their health care
30 expenditure requirements as set forth in section 202 of this act to
31 the health care authority. The health care authority shall establish
32 and maintain the medical reimbursement accounts from which employees
33 may obtain reimbursement of health care expenditures in the amount of
34 and under the terms set by the board in annual negotiations with
35 community health providers as established in section 109 of this act.

36 (8) The health care authority may coordinate with a nonprofit
37 third-party vendor to administer program operations, including
38 enrollment, tracking service utilization, billing, and communication
39 with the participants.

1 (9) The health care authority shall develop a plan to more
2 directly integrate employer coverage for essential health benefits
3 and to ensure that employer health care expenditures made to the
4 employment security department pursuant to section 202 of this act
5 can be used to maximize enrollment in health insurance through the
6 trust or medicaid. This plan may include possible options for
7 incenting employers to provide quality, affordable health insurance
8 directly to employees. This plan shall be presented to the
9 legislature annually beginning no later than December 1, 2029, so
10 that it may be considered and approved for full implementation to
11 begin during a marketplace open enrollment period no more than 20
12 months following approval. Until a plan to integrate employer
13 essential health coverage directly into the trust is approved by the
14 legislature, the health care authority shall continue to administer
15 the health options program, which includes community health access
16 and medical reimbursement accounts, in a manner that is consistent
17 with section 101 of this act.

18 NEW SECTION. **Sec. 128.** CONFORMING FEDERALLY QUALIFIED TRUST
19 FUNDS. By January 1, 2029, the board shall submit to the legislature
20 a proposal to integrate those current and future federally qualified
21 trust funds that choose to participate in the trust.

22 NEW SECTION. **Sec. 129.** CONFORMING LABOR AND INDUSTRIES. By
23 January 1, 2029, the board, in coordination with the department of
24 labor and industries, shall study and make a report to the governor
25 and appropriate committees of the legislature on the coordination of
26 essential health benefits for injured workers under the trust.

27 **Part II**

28 **Employment-Based Contributions**

29 NEW SECTION. **Sec. 201.** DEFINITIONS. The definitions in this
30 section apply throughout this chapter unless the context clearly
31 requires otherwise.

32 (1) "Adjusted net earnings from self-employment of sole
33 proprietors" means "net earnings from self-employment of sole
34 proprietors" as defined in section 1402 of the internal revenue code
35 less a number equal to 15,000 total net earnings from self-employment

1 of sole proprietors and allocated to the state as provided in section
2 203 of this act. All numbers less than zero equal zero.

3 (2) "Adjusted quarterly payroll" means aggregate gross payroll
4 paid to a Washington state resident less the healthy Washington
5 payroll exemption.

6 (3) "Commissioner" means the commissioner of the department or
7 the commissioner's designee.

8 (4) "Department" means the employment security department.

9 (5) "Employee deduction" means the portion of the employer
10 contribution that can be deducted from an employee's paycheck.

11 (6) "Employer" has the meaning provided in RCW 50A.05.010.

12 (7) "Employer contribution" means the assessment required by
13 section 202 of this act.

14 (8) "Employer spending requirement" means the sum total of
15 required health care expenditures that an employer must make for all
16 of its employees.

17 (9) "Employment" has the meaning provided in RCW 50A.05.010.

18 (10) "Health care expenditure" means an amount paid by an
19 employer to an employee or a trustee or a third party on behalf of
20 the employee for the purpose of providing or reimbursing the cost of
21 health care services for employees, their spouses, or both, domestic
22 partners, children, or other dependents. "Health care expenditure"
23 also means an amount paid by an employer to the Washington health
24 trust on behalf of the employee to establish their enrollment in the
25 Washington health trust in the manner and according to the terms set
26 by the health care authority. "Health care expenditure" does not
27 include any amount otherwise required to be paid by federal, state,
28 or local law.

29 (11) "Health care services" means medical care, services, or
30 goods that may qualify as tax deductible medical care expenses under
31 section 213 of the internal revenue code, or medical care, services,
32 or goods having substantially the same purpose or effect as such
33 deductible expenses.

34 (12) "Healthy Washington payroll exemption" means a number equal
35 to 3,750 paid to the employee allocated to the state as provided in
36 section 202 of this act. However, a number less than zero equals
37 zero.

38 (13) "Individual" means a natural person.

39 (14) "Internal revenue code" means the United States internal
40 revenue code of 1986, as amended, as of the effective date of this

1 section, or such subsequent date as the department of revenue may
2 provide by rule consistent with the purpose of this chapter.

3 (15) "Microbusiness" means any business entity, corporation,
4 partnership, or other legal entity, that: (a) Is owned and operated
5 independently from all other businesses; and (b) has a gross profit
6 of less than \$1,000,000 annually as reported on its federal tax
7 return or on its return filed with the department of revenue.

8 (16) "Minibusiness" means any business entity, corporation,
9 partnership, or other legal entity, that: (a) Is owned and operated
10 independently from all other businesses; and (b) has a gross profit
11 of less than \$3,000,000, but at least \$1,000,000 annually as reported
12 on its federal tax return or on its return filed with the department
13 of revenue.

14 (17) "Partnership" means an association of two or more persons to
15 carry on as co-owners a business for profit formed under RCW
16 25.05.055, predecessor law, or comparable law of another
17 jurisdiction.

18 (18) "Payroll" means any amount paid to Washington state
19 residents and defined as "wages" under section 3121 of the internal
20 revenue code, and does not include voluntary gratuities from service
21 industries where voluntary gratuities are a historical norm.

22 (19) "Remuneration" has the meaning provided in RCW 50A.05.010.

23 (20) "Required health care expenditure" means the health care
24 expenditure that an employer is required to make to, or on behalf of,
25 an employee.

26 (21) "Resident" means an individual who meets residency
27 requirements consistent with RCW 46.16A.140. "Resident" also includes
28 an individual and the individual's accompanying family members who
29 are residing in the state for the purpose of engaging in employment
30 for at least one month. The confinement of a person in a nursing
31 home, hospital, or other medical institution in the state may not by
32 itself be sufficient to qualify such person as a resident.

33 (22) "Service is localized in this state" has the meaning
34 described in RCW 50.04.120.

35 (23) "Sole proprietor" means:

36 (a) Any self-employed person, including a sole proprietor or
37 independent contractor; or

38 (b) A qualified joint venturer as described in Title 26 U.S.C.
39 Sec. 761 of the internal revenue code.

1 (24) "Taxable year" means the taxpayer's taxable year as
2 determined under the internal revenue code.

3 (25) "Taxpayer" means an individual subject to tax under this
4 chapter.

5 (26) "Wage" or "wages" means:

6 (a) For the purpose of the employer contributions, the
7 remuneration paid by an employer to an employee. The maximum wages
8 subject to an assessment are those wages as set by the commissioner
9 under section 202 of this act;

10 (b) For the purpose of payment of benefits, the remuneration paid
11 by one or more employers to an employee for employment during the
12 employee's qualifying period. At the request of an employee, wages
13 may be calculated on the basis of remuneration payable. The
14 department shall notify each employee that wages are calculated on
15 the basis of remuneration paid, but at the employee's request a
16 redetermination may be performed and based on remuneration payable;

17 (c) Adjusted net earnings from self-employment of sole
18 proprietors.

19 NEW SECTION. **Sec. 202.** EMPLOYER REQUIRED HEALTH CARE
20 EXPENDITURE AND EMPLOYER CONTRIBUTION PROCEDURE. (1)(a) Beginning
21 January 1, 2029, employers shall make required health care
22 expenditures to or on behalf of each employee each quarter. The
23 department shall assess for each individual in employment with an
24 employer and for each sole proprietor an employment contribution
25 based on the amount of the individual's wages subject to section 203
26 of this act.

27 (b) The standard assessment rate shall be equal to 10.5 percent
28 of an employee's quarterly payroll or wages and less the employer's
29 health care expenditures for that employee during the same reporting
30 period.

31 (c) A minibusiness operating within the state of Washington shall
32 pay an assessment rate of 6.5 percent of an employee's aggregate
33 adjusted quarterly payroll or wages, less the employer's health care
34 expenditures for that employee during the same reporting period.

35 (d) A microbusiness operating within the state of Washington
36 shall pay an assessment rate of 4.5 percent of an employee's
37 aggregate adjusted quarterly payroll or wages, less the employer's
38 health care expenditures for that employee during the same reporting
39 period.

1 (e) An employer may deduct up to two percent of the required
2 health care expenditure from an employee's wages.

3 (f) An employer may elect to pay all or any portion of the
4 employee deduction.

5 (2) The employer must collect from the employees the required
6 health care expenditure provided under this section through payroll
7 deductions and remit the amounts collected to the department or make
8 a health care expenditure to or on behalf of the employee.

9 (3) Contributions from employers and sole proprietors shall be
10 collected in the manner and at such intervals as provided in this
11 title and directed by the department.

12 (4) Health care expenditures paid to or on behalf of an employee
13 exceeding the required health care expenditure for the employee must
14 not be counted toward the employer spending requirement except as
15 expressly permitted by the department.

16 (5) When an employer pays the entire required health care
17 expenditure for an employee to the department the employee is
18 eligible for enrollment in the Washington health trust and the
19 employment contribution required must be deposited in the benefits
20 account created in section 122 of this act.

21 (6) Employers with fewer than 50 employees and that face
22 financial hardship in paying the required health care expenditure
23 may, upon application to the department, be eligible for waivers or
24 reductions in the assessment. The department shall establish rules
25 and procedures governing all aspects of the business assistance
26 program, including application procedures, eligibility criteria,
27 wages, profits, age of firm, and duration of assistance.

28 (7) Pending integration of any federally qualified trust funds,
29 such as medicare or medicaid, the payroll of employees covered under
30 these trust funds is exempt from the employer contribution, although
31 the employer may pay health care expenditures to the department on
32 behalf of the employee voluntarily.

33 (8) Unless repeal, amendment, waiver, or other integration
34 measure for applicable state and federal laws described in section
35 111 of this act, payroll of Native American residents who do not
36 elect to enroll in the Washington health trust is exempt from the
37 employer contribution.

38 (9) The department must deposit revenue collected under this
39 section into the medical reimbursement accounts created in section

1 127 of this act or the Washington health trust benefits account
2 created in section 122 of this act.

3 (10) To the extent feasible and not inconsistent with the
4 provisions in this chapter, the department shall use the premium
5 assessment, collection, and reporting procedures in Title 50A RCW for
6 the employment contribution assessment, collection, and reporting.

7 (11) Beginning January 2030 and on a biennial basis, the
8 department shall adjust the required health care expenditures and the
9 employer contribution assessment rate for the following year based on
10 recommendations from the health care authority and the board of the
11 Washington health trust.

12 NEW SECTION. **Sec. 203.** EMPLOYEE HEALTH EXPENDITURES AND
13 EMPLOYEE DEDUCTION—APPLICABILITY. (1) Beginning January 1, 2029, an
14 employee deduction is imposed on the receipt of wages by residents
15 employed in Washington state, not to include voluntary gratuities
16 from service industries where voluntary gratuities are considered a
17 historical norm. All employers in Washington state must collect the
18 employee deduction on aggregate gross payroll paid to Washington
19 state residents from employee wages and make required health care
20 expenditures, pay the employee deduction to the department in
21 quarterly installments, or pay the employee deduction on behalf of an
22 employee. Except as provided in sections 114 and 202(11) of this act,
23 the employee deduction shall be two percent of the employee's
24 aggregate adjusted quarterly payroll.

25 (2) The pay or wages from employees who are exempt from the
26 required health care expenditure established in section 202 of this
27 act are exempt from owing the employee deduction on those wages.

28 (3) Beginning January 1, 2028, residents operating as sole
29 proprietors must pay a self-employment contribution in annual
30 installments to the department of two percent on adjusted net
31 earnings from self-employment.

32 (4) Partnerships are subject to the employment contribution
33 established in section 202 of this act and are responsible for
34 collecting the employee deduction on behalf of employees as provided
35 in this section.

36 (5) S corporations are not subject to the employment contribution
37 under this chapter.

1 NEW SECTION. **Sec. 204.** EMPLOYER WITHHOLDING ESTIMATED EMPLOYEE
2 DEDUCTION. Every employer making a payment of wages or salaries
3 earned in this state by Washington residents, regardless of the place
4 where the payment is made, and who is required by the internal
5 revenue code to withhold taxes, must deduct and withhold an employee
6 deduction as prescribed by the department by rule. The rules
7 prescribed must reasonably reflect the quarterly tax liability of the
8 employee under this chapter. Every employer making such a deduction
9 and withholding must furnish to the employee a record of the amount
10 of tax deducted and withheld from the employee on forms provided by
11 the department.

12 NEW SECTION. **Sec. 205.** EMPLOYER IS LIABLE FOR TAX WITHHELD. Any
13 employer required to deduct and withhold the employee deduction
14 imposed by this chapter is liable under section 204 of this act to
15 the department for the payment of the amount deducted and withheld,
16 and is not liable to any other person for the amount of tax deducted
17 and withheld under this chapter or for the act of withholding.

18 NEW SECTION. **Sec. 206.** CREDITS FOR WITHHELD EMPLOYEE HEALTH
19 CONTRIBUTIONS. The amount deducted and withheld as tax under sections
20 204 through 221 of this act during any taxable year is allowed as a
21 credit against the employer contribution imposed for the taxable year
22 by this chapter. If the liability of any individual for taxes,
23 interest, penalties, or other amounts due the state of Washington is
24 less than the total amount of the credit which the individual is
25 entitled to claim under this section, the individual is entitled to a
26 refund from the department in the amount of the excess of the credit
27 over the tax otherwise due. If any individual entitled to claim a
28 credit under this section is not otherwise required by this chapter
29 to file a return with the department, a refund may be obtained in the
30 amount of the credit by filing a return with the department, with
31 applicable sections completed, to claim the refund. No credit or
32 refund is allowed under this section unless the credit or refund is
33 claimed on a return filed for the taxable year for which the amount
34 was deducted and withheld.

35 NEW SECTION. **Sec. 207.** EMPLOYER RESPONSIBILITIES. (1) An
36 employer shall:

1 (a) Maintain accurate records of health care expenditures,
2 required health care expenditures, and proof of such expenditures
3 made each quarter and each year, and allow the department reasonable
4 access to such records, provided, however, that employers are not
5 required to maintain such records in any particular form; and

6 (b) Provide information to the department, or the department
7 designee, on an annual basis containing additional information as the
8 department requires, including information on the employer's
9 compliance with this chapter. The department may not require an
10 employer to provide information in violation of state or federal
11 privacy laws. In the event the information required by the department
12 is comingled with information protected by privacy laws, the employer
13 shall redact the private information. If an employer uses a revocable
14 expenditure to satisfy its obligation to make required health care
15 expenditures for any of its employees, the employer shall also report
16 to the department any conditions or restrictions on the employee's
17 use of the expenditure, and the condition or conditions that permit
18 any portion of the expenditure to be revoked by or returned to the
19 employer.

20 (2) Where an employer does not maintain or retain adequate
21 records documenting the health care expenditures made, or does not
22 allow the department reasonable access to such records, it shall be
23 presumed that the employer did not make the required health care
24 expenditures for the quarter for which records are lacking, absent
25 clear and convincing evidence otherwise. The department of revenue
26 and the health care authority have the authority to provide any and
27 all nonfinancial information to the department necessary to fulfill
28 the department responsibilities as the enforcing agency under this
29 chapter. With regard to all such information provided by the
30 department of revenue and the health care authority, the department
31 shall be subject to the confidentiality provisions in RCW 82.32.330.

32 NEW SECTION. **Sec. 208.** PENALTIES FOR FAILURE TO PAY OR COLLECT
33 WITHHOLDINGS. (1) The employee deduction required by this chapter to
34 be collected by the employer is deemed to be held in trust by the
35 employer until the required health care expenditure is made or the
36 assessment is paid to the department.

37 (2) In case any employer, or a responsible person within the
38 meaning of internal revenue code section 6672, collected the tax and
39 fails to pay it to the department, the employer or responsible person

1 is personally liable to the state for the amount collected. The
2 interest and penalty provisions of chapter 82.32 RCW apply to this
3 section. An employer or other responsible person who appropriates or
4 converts the employee health assessment is guilty of a gross
5 misdemeanor as provided in chapter 9A.20 RCW.

6 (3) In case any employer or responsible person within the meaning
7 of internal revenue code section 6672 fails to collect the employee
8 health assessment herein imposed, the employer is still liable to the
9 state for the amount owed.

10 NEW SECTION. **Sec. 209.** OUT-OF-STATE EMPLOYERS OF WASHINGTON
11 RESIDENTS. By January 1, 2029, the department shall develop policy,
12 procedures, and forms allowing out-of-state employers employing one
13 or more residents of Washington state to voluntarily pay the employer
14 contribution established in section 202 of this act.

15 NEW SECTION. **Sec. 210.** EMPLOYER REQUIREMENTS. To the extent not
16 inconsistent with the provisions of this chapter, RCW 50A.20.030
17 applies to the employer requirements imposed under this chapter.

18 NEW SECTION. **Sec. 211.** UNLAWFUL ACTS—EMPLOYERS. To the extent
19 not inconsistent with the provisions of this chapter, RCW 50A.40.010
20 applies to the unlawful acts of employers imposed under this chapter.

21 NEW SECTION. **Sec. 212.** EMPLOYER PENALTIES. To the extent not
22 inconsistent with the provisions of this chapter, RCW 50A.40.010
23 applies to the employer penalties imposed under this chapter.

24 NEW SECTION. **Sec. 213.** OUT-OF-STATE EMPLOYEES—CONTRIBUTION
25 WAIVER. An employer may file an application with the department for a
26 conditional waiver for the payment of the employer contribution under
27 section 202 of this act for out-of-state employees for any employees
28 granted a waiver for the family and medical leave premiums defined in
29 RCW 50A.10.040.

30 NEW SECTION. **Sec. 214.** TERMINATION OR DISPOSAL OF BUSINESS—
31 CONTRIBUTION PAYMENT—SUCCESSOR LIABILITY. Whenever any employer quits
32 business, or sells out, exchanges, or otherwise disposes of the
33 employer's business or stock of goods, any employer contributions

1 payable under this chapter shall become immediately due and payable.
2 The employer shall, within 10 days, make a return and pay the
3 employer contributions due; and any person who becomes a successor to
4 such business shall become liable for the full amount of the employer
5 contributions and withhold from the purchase price a sum sufficient
6 to pay any employer contributions due from the employer until such
7 time as the employer produces a receipt from the department showing
8 payment in full of any employer contributions due or a certificate
9 that no employer contribution is due and, if such employer
10 contribution is not paid by the employer within 10 days from the date
11 of such sale, exchange, or disposal, the successor shall become
12 liable for the payment of the full amount of employer contributions,
13 and the payment thereof by such successor shall, to the extent
14 thereof, be deemed a payment upon the purchase price, and if such
15 payment is greater in amount than the purchase price the amount of
16 the difference shall become a debt due such successor from the
17 employer. A successor may not be liable for any employer
18 contributions due from the person from whom the successor acquired a
19 business or stock of goods if that person gives written notice to the
20 department of such acquisition and no employer contribution is issued
21 by the department within 180 days of receipt of such notice against
22 the former operator of the business and a copy thereof mailed to such
23 successor.

24 NEW SECTION. **Sec. 215.** DELINQUENCY—ORDER AND NOTICE OF
25 ASSESSMENT. At any time after the commissioner shall find that any
26 employer contributions, interest, or penalties have become
27 delinquent, the commissioner may issue an order and notice of
28 assessment and enforce collection using a process consistent with
29 those provided for family and medical leave in RCW 50A.45.015 through
30 50A.45.070 except that:

31 (1) Interest collected under this section shall be paid into the
32 Washington health trust enforcement account; and

33 (2) Property acquired by the department may be sold by the
34 commissioner or their representative at public or private sale, and
35 the amount realized shall be placed in the Washington health trust
36 enforcement account.

37 NEW SECTION. **Sec. 216.** UNCOLLECTIBLE ACCOUNTS. The commissioner
38 may charge off as uncollectible and no longer an asset of the

1 Washington health trust enforcement account, any delinquent
2 assessments, interest, penalties, or credits if the commissioner is
3 satisfied that there are no cost-effective means of collecting the
4 assessments, interest, penalties, or credits.

5 NEW SECTION. **Sec. 217.** INSPECTION AND AUDIT. The department may
6 inspect and audit employer files and records relating to the
7 Washington health trust program.

8 NEW SECTION. **Sec. 218.** ENFORCEMENT ACCOUNT. The Washington
9 health trust enforcement account is created in the custody of the
10 state treasurer. Any penalties and interest collected under this
11 chapter must be deposited into the account and shall be used only for
12 the purposes of administering and enforcing this chapter. Only the
13 commissioner may authorize expenditures from the account. The account
14 is subject to allotment procedures under chapter 43.88 RCW, but an
15 appropriation is not required for expenditures.

16 NEW SECTION. **Sec. 219.** AGREEMENT TO WAIVE. (1) Any agreement to
17 waive, release, or commute an individual's right to benefits or any
18 other rights under this chapter is void.

19 (2) Any assignment, pledge, or encumbrance of any right to
20 benefits that are or may become due or payable under this chapter is
21 void. Such rights to benefits are exempt from levy, execution,
22 attachment, or any other remedy whatsoever provided for the
23 collection of debts. Any waiver of any exemption provided for in this
24 section is void.

25 NEW SECTION. **Sec. 220.** ALLOCATION OF REVENUES TO BENEFITS
26 ACCOUNT. All revenue from taxes collected by the department under
27 this chapter, including penalties and interest on such taxes, must be
28 deposited in the benefits account created in section 122 of this act.

29 NEW SECTION. **Sec. 221.** ADOPTION OF RULES. The commissioner
30 shall have the authority to adopt, amend, or rescind rules
31 interpreting and implementing the provisions of this chapter.

32 NEW SECTION. **Sec. 222.** CONFORMING RCW. To the extent not
33 inconsistent with the provisions of this chapter, chapter 82.32 RCW

1 applies to the administration of taxes imposed under section 203 of
2 this act.

3 **Part III**

4 **Capital Gains Investment in Health**

5 NEW SECTION. **Sec. 301.** DEFINITIONS. The definitions in this
6 section apply throughout this chapter unless the context clearly
7 requires otherwise.

8 (1) "Accessory dwelling unit" means a separate habitable living
9 area that is subordinate to the principal single-family dwelling
10 unit, which is either internal to, attached to, or located on the
11 same property tax parcel as, the principal single-family dwelling
12 unit.

13 (2) "Adjusted capital gain" has the meaning provided in RCW
14 82.87.020.

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

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

21 (5) "Federal net long-term capital gain" has the meaning provided
22 in RCW 82.87.020.

23 (6) "Individual" means a natural person.

24 (7) "Internal revenue code" means the United States internal
25 revenue code of 1986, as amended, as of the effective date of this
26 section, or such subsequent date as the department may provide by
27 rule consistent with the purpose of this chapter.

28 (8) "Long-term capital asset" means a capital asset that is held
29 for more than one year.

30 (9) "Resident" has the meaning provided in RCW 82.87.020.

31 (10) "Taxable year" means the taxpayer's taxable year as
32 determined under the internal revenue code.

33 (11) "Taxpayer" means an individual subject to tax under this
34 chapter.

35 (12) "Washington investment in health capital gains" means an
36 individual's annual adjusted capital gain under this chapter, for
37 each return filed under this chapter.

1 NEW SECTION. **Sec. 302.** LONG-TERM CAPITAL GAINS TAX. (1)

2 Beginning January 1, 2026, the excise tax on capital gains income
3 authorized in chapter 82.87 RCW shall be increased with all new
4 revenues funding the Washington health trust. The tax on net earnings
5 between \$200,000 and \$250,000 will equal five percent multiplied by
6 the individual's Washington capital gains. For net earnings in excess
7 of \$300,000, an additional two percent is levied in addition to
8 existing capital gains taxes.

9 (2) If an individual's Washington capital gains are less than
10 zero for a taxable year, no tax is due under this section. No such
11 losses may be carried back or carried forward to another taxable
12 year.

13 (3) The tax imposed in this section applies to:

14 (a) The sale or exchange of long-term capital assets owned by the
15 taxpayer, whether the taxpayer was the legal or a beneficial owner of
16 such assets at the time of the sale or exchange; or

17 (b) Washington capital gains otherwise realized by the taxpayer.

18 (4) For purposes of this chapter, an individual is a beneficial
19 owner of long-term capital assets held by an entity that is a pass-
20 through or disregarded entity for federal tax purposes, such as a
21 partnership, limited liability company, S corporation, or trust, to
22 the extent of the individual's ownership interest in the entity as
23 reported for federal income tax purposes.

24 NEW SECTION. **Sec. 303.** EXEMPTS CERTAIN GAINS AND LOSSES. This

25 chapter does not apply to the sale or exchange of:

26 (1) Any residential dwelling, along with the land upon which the
27 dwelling is located. For the purposes of this subsection,
28 "residential dwelling" means property consisting solely of:

29 (a) A single-family residence, a residential condominium unit, or
30 a residential cooperative unit, including any accessory dwelling unit
31 associated with such residence or residential unit;

32 (b) A multifamily residential building consisting of one or more
33 common walls and fewer than four units; or

34 (c) A floating home as defined in RCW 82.45.032;

35 (2) Assets held under a retirement savings account under Title 26
36 U.S.C. Sec. 401(k) of the internal revenue code, a tax-sheltered
37 annuity or a custodial account described in Title 26 U.S.C. Sec.
38 403(b) of the internal revenue code, a deferred compensation plan
39 under Title 26 U.S.C. Sec. 457(b) of the internal revenue code, an

1 individual retirement account or an individual retirement annuity
2 described in Title 26 U.S.C. Sec. 408 of the internal revenue code, a
3 roth individual retirement account described in Title 26 U.S.C. Sec.
4 408A of the internal revenue code, an employee defined contribution
5 program, an employee defined benefit plan, or a similar retirement
6 savings vehicle;

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

10 (4) Cattle, horses, or breeding livestock held for more than 12
11 months if, for the taxable year of the sale or exchange, more than 50
12 percent of the taxpayer's gross income for the taxable year,
13 including from the sale or exchange of capital assets, is from
14 farming or ranching;

15 (5) Agricultural land by an individual who has regular,
16 continuous, and substantial involvement in the operation of the
17 agricultural land that meets the criteria for material participation
18 in an activity under Title 26 U.S.C. Sec. 469(h) of the internal
19 revenue code for the 10 years prior to the date of the sale or
20 exchange of the agricultural land;

21 (6) Property used in a trade or business if the property
22 qualifies for an income tax deduction under Title 26 U.S.C. Sec. 167
23 or 179 of the internal revenue code;

24 (7) Timber, timberland, or the receipt of Washington capital
25 gains as dividends and distributions from real estate investment
26 trusts derived from gains from the sale or exchange of timber.
27 "Timber" means forest trees, standing or down, on privately or
28 publicly owned land, and includes Christmas trees and short-rotation
29 hardwoods. The sale or exchange of timber includes the cutting or
30 disposal of timber qualifying for capital gains treatment under Title
31 26 U.S.C. Sec. 631(a) or (b) of the internal revenue code;

32 (8) Long-term capital assets owned by the taxpayer used towards
33 the purchase of a primary residence located in Washington state; and

34 (9) Long-term capital assets owned by the taxpayer used to
35 purchase a residence in a retirement living community or pay for
36 long-term care, assisted living or home health care not covered by
37 any long-term care benefits available to the taxpayer for themselves,
38 a family member, or their domestic partner.

1 NEW SECTION. **Sec. 304.** COMPUTATION OF TAX—DEDUCTION OF
2 PROHIBITED AMOUNTS. In computing tax, there may be deducted from the
3 measure of tax amounts that the state is prohibited from taxing under
4 the state or federal Constitutions.

5 NEW SECTION. **Sec. 305.** QUALIFIED FAMILY-OWNED SMALL BUSINESS
6 DEDUCTION. (1) In computing tax under this chapter for a taxable
7 year, a taxpayer may deduct adjusted capital gains, to the extent
8 they are included in Washington capital gains, derived in the taxable
9 year from the sale of substantially all of the fair market value of
10 the assets of, or the transfer of substantially all of the taxpayer's
11 interest in, a qualified family-owned small business.

12 (2) For purposes of this section, the following definitions
13 apply:

14 (a) "Assets" means real property and personal property, including
15 tangible personal property and intangible property.

16 (b) "Family" has the same meaning as "member of the family" in
17 RCW 83.100.046.

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

21 (ii) The term "materially participated" must be interpreted
22 consistently with the applicable treasury regulations for section 469
23 of the internal revenue code, to the extent that such interpretation
24 does not conflict with any provision of this section.

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

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

29 (ii) In which the taxpayer or their family member materially
30 participated in operating the business for at least five of the eight
31 years immediately preceding the sale or transfer described in
32 subsection (1) of this section, unless such sale or transfer was to a
33 qualified heir;

34 (iii) (A) That had no more than 50 full-time employees at any time
35 during the 12-month period immediately preceding the sale or transfer
36 described in subsection (1) of this section.

37 (B) For purposes of this subsection (2) (d) (iii), "full-time
38 employee" means an employee who is, or any combination of employees
39 who are, paid by the business for at least 1,820 hours of employment,

1 including paid leave, for the 12-month period described in
2 (d)(iii)(A) of this subsection (2); and

3 (iv) That had worldwide gross revenue of \$7,000,000 or less in
4 the 12-month period immediately preceding the sale or transfer
5 described in subsection (1) of this section.

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

7 (f) "Qualifying interest" means:

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

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

11 (A) Fifty percent of the business is owned, directly or
12 indirectly, by the taxpayer and members of the taxpayer's family;

13 (B) Thirty percent of the business is owned, directly or
14 indirectly, by the taxpayer and members of the taxpayer's family, and
15 at least:

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

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

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

21 NEW SECTION. **Sec. 306.** ADJUSTED CAPITAL GAINS. For purposes of
22 the tax imposed under this chapter, adjusted capital gains are
23 allocated as follows:

24 (1) Adjusted capital gains from the sale or exchange of real
25 property are allocated to this state if the real property is located
26 in this state or a majority of the fair market value of the real
27 property is located in this state;

28 (2) Adjusted capital gains from the sale or exchange of tangible
29 personal property are allocated to this state if the property was
30 located in this state at the time of the sale or exchange. Adjusted
31 capital gains from the sale or exchange of tangible personal property
32 are also allocated to this state even though the property was not
33 located in this state at the time of the sale or exchange if:

34 (a) The property was located in the state at any time during the
35 taxable year in which the sale or exchange occurred or the
36 immediately preceding taxable year;

37 (b) The taxpayer was a resident at the time the sale or exchange
38 occurred; and

1 (c) The taxpayer is not subject to the payment of an income or
2 excise tax legally imposed on the adjusted capital gain by another
3 taxing jurisdiction; and

4 (3) Adjusted capital gains derived from intangible personal
5 property are allocated to this state if the taxpayer was domiciled in
6 this state at the time the sale or exchange occurred.

7 NEW SECTION. **Sec. 307.** DUAL RESIDENCE. (1) If an individual is
8 regarded as a resident both of this state and another jurisdiction
9 for state tax purposes, the department must reduce the tax on that
10 portion of the taxpayer's income which is subjected to tax in both
11 jurisdictions solely by virtue of dual residence, if the other taxing
12 jurisdiction allows a similar reduction.

13 (2) As used in this section, "taxing jurisdiction" means a state
14 of the United States other than the state of Washington, the District
15 of Columbia, the Commonwealth of Puerto Rico, any territory or
16 possession of the United States, or any foreign country or political
17 subdivision of a foreign country.

18 NEW SECTION. **Sec. 308.** TREATMENT OF PARTNERSHIPS AND S
19 CORPORATION INCOME. (1) Partnerships are not subject to the long-term
20 capital gains tax under this chapter. Partners are subject to the
21 long-term capital gains tax under this chapter in their separate or
22 individual capacities.

23 (2) S corporations are not subject to the long-term capital gains
24 tax under this chapter. Shareholders of S corporations are subject to
25 the long-term capital gains tax under this chapter in their separate
26 or individual capacities.

27 NEW SECTION. **Sec. 309.** PERSONS REQUIRED TO FILE A STATE RETURN.
28 (1) Only individual and joint taxpayers with federal net long-term
29 capital gains or net earnings from self-employment of sole
30 proprietors in excess of \$200,000 on their federal tax return are
31 required to file a capital gains tax return with the department. Each
32 person required to file a return under this chapter must, without
33 assessment, notice, or demand, pay any tax due thereon to the
34 department on or before the date fixed for the filing of the return.

35 (2) Except as otherwise provided in this chapter or RCW
36 82.32.080, taxpayers owing tax under this chapter must file, on forms
37 prescribed by the department, a return with the department on or

1 before the date the taxpayer's federal income tax return for the
2 taxable year is required to be filed along with all schedules and
3 supporting documentation.

4 (3) If an adjustment to a taxpayer's federal return is made by
5 the taxpayer or the internal revenue service, the taxpayer must,
6 within 90 days of the final determination of the adjustment by the
7 internal revenue service or within 30 days of the filing of a federal
8 return adjusted by the taxpayer, file with the department on forms
9 prescribed by the department a corrected return reflecting the
10 adjustments as finally determined; however, such an amendment of the
11 state return may take place only when the original filing was made in
12 error. The taxpayer must pay any additional tax due resulting from
13 the finally determined internal revenue service adjustment or a
14 taxpayer adjustment without notice and assessment. Notwithstanding
15 any provision of this chapter or any other title to the contrary, the
16 period of limitation for the collection of the additional tax,
17 interest, and penalty due as a result of such an adjustment by the
18 taxpayer or a finally determined internal revenue service adjustment
19 must begin at the later of 30 days following the final determination
20 of the adjustment or the date of the filing of the corrected return.

21 (4) If a taxpayer required to file a return under this section
22 has obtained an extension of time for filing the federal tax return
23 for the taxable year, the taxpayer is entitled to the same extension
24 of time for filing the return required under this section if the
25 taxpayer provides the department, before the due date provided in
26 subsection (1) of this section, the extension confirmation number or
27 other evidence satisfactory to the department confirming the federal
28 extension. An extension under this subsection for the filing of a
29 return under this chapter is not an extension of time to pay the tax
30 due under this chapter.

31 (5) If any return due on long-term capital gains under subsection
32 (1) of this section, along with a copy of the federal tax return, is
33 not filed with the department by the due date or any extension
34 granted by the department, the department must assess a penalty in
35 the amount of five percent of the tax due for the taxable year
36 covered by the return for each month or portion of a month that the
37 return remains unfiled. The total penalty assessed under this
38 subsection may not exceed 25 percent of the tax due for the taxable
39 year covered by the delinquent return.

1 (a) The penalty under this subsection is in addition to any
2 penalties assessed for the late payment of any tax due on the return.

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

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

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

10 NEW SECTION. **Sec. 310.** PENALTIES. (1) Any taxpayer who
11 knowingly attempts to evade payment of the tax imposed under this
12 chapter is guilty of a class C felony as provided in chapter 9A.20
13 RCW.

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

17 NEW SECTION. **Sec. 311.** INSTRUCTIONS FOR JOINT FILING. (1) If
18 the federal income tax liabilities of both spouses are determined on
19 a joint federal return for the taxable year, they must file a joint
20 return under this chapter.

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

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

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

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

1 (4) The department must take actions and adopt rules, forms, and
2 procedures to implement this chapter consistently with RCW 26.60.015,
3 notwithstanding any term or provision of this chapter.

4 NEW SECTION. **Sec. 312.** DUE DATES FOR RETURNS, PENALTIES. The
5 due date of a return required to be filed with the department is the
6 due date of the applicable federal income tax return for federal
7 income tax purposes. The department may grant extensions of time by
8 which returns required to be filed by this chapter may be submitted.
9 The department may grant extensions of time to pay tax with regard to
10 taxes imposed by this chapter. Interest at the rate as specified in
11 RCW 82.32.050 accrues during any extension period and the interest
12 and penalty provisions of chapter 82.32 RCW apply to late payments
13 and deficiencies. RCW 82.32.105 applies to this section.

14 NEW SECTION. **Sec. 313.** RECORDS AND RETURNS. (1) Every taxpayer
15 with federal net long-term capital gains or net earnings from self-
16 employment of sole proprietors in excess of \$200,000 annually must
17 keep records, render statements, make returns, file reports, and
18 perform other acts as the department requires by rule. Each return
19 must be made under penalty of perjury and on forms prescribed by the
20 department. The department may require other statements and reports
21 be made under penalty of perjury and on forms prescribed by the
22 department. The department may require any taxpayer and any person
23 required to deduct and withhold the tax imposed under this chapter to
24 furnish to the department a correct copy of any return or document
25 which the taxpayer has filed with the internal revenue service or
26 received from the internal revenue service.

27 (2) All books and records and other papers and documents required
28 to be kept under this chapter are subject to inspection by the
29 department at all times during business hours of the day.

30 NEW SECTION. **Sec. 314.** ALLOCATION OF REVENUES TO BENEFITS
31 ACCOUNT. All revenue from taxes collected by the department under
32 this chapter, including penalties and interest on such taxes, must be
33 deposited in the benefits account created in section 122 of this act.

34 NEW SECTION. **Sec. 315.** TAXES UNDER THIS CHAPTER IN ADDITION TO
35 OTHER TAXES. The tax imposed under this chapter is in addition to any
36 other taxes imposed by the state or any of its political

1 subdivisions, or a municipal corporation, with respect to the same
2 sale or exchange, including the taxes imposed in or under the
3 authority of chapter 82.04, 82.08, 82.12, 82.14, 82.45, or 82.46 RCW.

4 NEW SECTION. **Sec. 316.** REFUNDS FOR OVERPAYMENT. The department
5 must refund all taxes improperly paid or collected by the department.

6 NEW SECTION. **Sec. 317.** A new section is added to chapter 82.32
7 RCW to read as follows:

8 ALLOWS STATES TO COORDINATE. (1) The department may enter into
9 reciprocal tax collection agreements with the taxing officials of any
10 other state imposing a specific tax. Agreements authorized under this
11 section must require each state to offset delinquent specified taxes
12 owed by a taxpayer to one party to the agreement, including any
13 associated penalties, interest, or other additions, against refunds
14 of overpaid specified taxes owed to the taxpayer by the other party
15 to the agreement. Such agreements may also include provisions
16 governing the sharing of information relevant to the administration
17 of specified taxes. However, the department may not share return or
18 tax information with other states except as allowed under RCW
19 82.32.330. Likewise, the department may not share federal tax
20 information with other states without the express written consent of
21 the internal revenue service.

22 (2) The definitions in this subsection apply throughout this
23 section unless the context clearly requires otherwise.

24 (a) "Specific taxes" means generally applicable state and local
25 sales tax and use taxes, broad-based state gross receipts taxes,
26 state income taxes, and stand-alone state taxes on capital gains or
27 interest and dividends. "Specified taxes" include, but are not
28 limited to, the taxes imposed in or under the authority of chapters
29 82.04, 82.08, 82.12, 82.14, 82.16, and 82.--- RCW (the new chapter
30 created in section 401(3) of this act), and similar taxes imposed by
31 another state. For purposes of this subsection (2)(a), "gross
32 receipts tax," "income tax," "sales tax," and "use tax" have the
33 meanings provided in RCW 82.56.010.

34 (b) "State" has the meaning provided in RCW 82.56.010.

35 NEW SECTION. **Sec. 318.** CONFORMING RCW. To the extent not
36 inconsistent with the provisions of this chapter, the following
37 statutes apply to the administration of taxes imposed under this

1 chapter: RCW 82.32.050, 82.32.055, 82.32.060, 82.32.070, 82.32.080,
2 82.32.085, 82.32.090, 82.32.100, 82.32.105, 82.32.110, 82.32.117,
3 82.32.120, 82.32.130, 82.32.135, 82.32.150, 82.32.160, 82.32.170,
4 82.32.180, 82.32.190, 82.32.200, 82.32.210, 82.32.212, 82.32.220,
5 82.32.230, 82.32.235, 82.32.237, 82.32.240, 82.32.245, 82.32.265,
6 82.32.300, 82.32.310, 82.32.320, 82.32.330, 82.32.340, 82.32.350,
7 82.32.360, 82.32.410, 82.32.805, 82.32.808, and section 317 of this
8 act.

9 NEW SECTION. **Sec. 319.** A new section is added to chapter 82.04
10 RCW to read as follows:

11 A deduction is allowed against a person's gross income of the
12 business to the extent necessary to avoid taxing the same amounts
13 under this chapter and section 302 of this act.

14 NEW SECTION. **Sec. 320.** RULES. The department may adopt rules
15 for the administration and enforcement of this act.

16 NEW SECTION. **Sec. 321.** APPEALS. The board of tax appeals has
17 jurisdiction over appeals relating to tax deficiencies and refunds,
18 including penalties and interest, under this chapter. The taxpayer
19 may elect a formal or informal hearing pursuant to RCW 82.03.140.
20 Before appealing to the board of tax appeals, the taxpayer may first
21 elect to address disputes through the department's administrative
22 review process.

23 NEW SECTION. **Sec. 322.** Notwithstanding any common law rule of
24 strict construction of statutes imposing taxes, this chapter, being
25 necessary for the welfare of the state and its inhabitants, must be
26 liberally construed in support of application of the tax.

27 **Part IV**
28 **Miscellaneous**

29 NEW SECTION. **Sec. 401.** CODIFICATION. (1) Sections 101 through
30 113 and 115 through 129 of this act constitute a new chapter in Title
31 43 RCW.

32 (2) Sections 114 and 201 through 222 of this act constitute a new
33 title to be codified as Title 50C RCW.

1 (3) Sections 301 through 316, 318, and 320 through 322 of this
2 act constitute a new chapter in Title 82 RCW.

3 NEW SECTION. **Sec. 402.** EFFECTIVE DATES. (1) Sections 101
4 through 107 of this act take effect February 1, 2026.

5 (2) Sections 108 through 114, 116 through 118, and 120 through
6 125 of this act take effect March 1, 2026.

7 (3) Sections 126 through 129 of this act take effect May 15,
8 2027.

9 NEW SECTION. **Sec. 403.** CONTINGENT EFFECTIVE AND EXPIRATION
10 DATES. (1) Section 115 of this act takes effect at the earlier of
11 April 1, 2029, or when 60 percent of residents are enrolled in health
12 insurance coverage managed by:

13 (a) The health care authority;

14 (b) An entity within the health care authority; or

15 (c) The board created in section 104 of this act.

16 (2) The health care authority must provide notice of the
17 effective date of section 115 of this act and the expiration dates of
18 sections 114 and 121 of this act to affected parties, the chief clerk
19 of the house of representatives, the secretary of the senate, the
20 office of the code reviser, and others as deemed appropriate by the
21 authority.

22 NEW SECTION. **Sec. 404.** SEVERABILITY. If any provision of this
23 act or its application to any person or circumstance is held invalid,
24 the remainder of the act or the application of the provision to other
25 persons or circumstances is not affected.

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