

## INITIATIVE 846

I, Sam Reed, Secretary of State of the State of Washington and custodian of its seal, hereby certify that, according to the records on file in my office, the attached copy of Initiative Measure No. 846 to the People is a true and correct copy as it was received by this office.

### Prospective Title

This proposed Title 92 shall be levied on taxpayers with adjusted gross income greater than \$100,000.00 to supplement the states general revenue fund.

### Prospective Summary

The state of Washington has a growing deficit between available revenue and fundamental state infrastructure needs; public schools, fire departments police departments, etc.,. The state of Washington must now choose between more teachers or more police services, more college students or fire equipment when one of these services were fully funded to begin with.

Those who have succeeded in this state owe their prosperity to the strength of Washington's state infrastructure. These same individuals have a responsibility to ensure the continued strength of Washington's state infrastructure. This tax restores stability to Washington's State infrastructure.

## **92 Personal Income Tax**

### **92.01 General Provisions**

#### **92.01.010**

#### **Definitions.**

Except as otherwise expressly provided or clearly appearing from the context, any term used in this chapter has the same meaning as when used in a comparable context in the Internal Revenue Code, and all other statutes of the United States relating to federal income taxes. As used in this chapter:

(A) "Adjusted gross income" or "Washington adjusted gross income" means adjusted gross income as defined and used in the Internal Revenue Code.

(B) "Taxable income" It is the intent that by the adoption of this chapter, insofar as possible, to make the Washington personal income

tax law identical in effect to the provisions of the federal Internal Revenue Code relating to the measurement of taxable income of individuals, estates and trusts, modified as necessary by the state's jurisdiction to tax and the revenue needs of the state; to achieve this result by the application of the various provisions of the federal Internal Revenue Code relating to the definition of income, exceptions and exclusions therefrom, deductions (business and personal), accounting methods, taxation of trusts, estates and partnerships, basis, depreciation and other pertinent provisions relating to gross income as defined therein, modified as provided in this chapter, resulting in a final amount called "taxable income"; and to impose a tax on residents of this state measured by taxable income wherever derived and to impose a tax on the income of nonresidents that is ascribable to sources within this state. Modifications to the federal Internal Revenue Code measurement of taxable income for the purpose of defining the "Washington taxable income" shall include:

- (1) Deduct interest or dividends on obligations of the United States and its territories and possessions or of any authority, commission, or instrumentality of the United States to the extent included in federal adjusted gross income but exempt from state income taxes under the laws of the United States.
- (2) Deduct disability and survivor's benefits to the extent included in federal adjusted gross income.
- (3) Deduct benefits under Title II of the Social Security Act and tier 1 railroad retirement benefits to the extent included in federal adjusted gross income under section 86 of the Internal Revenue Code.

(C) "Business income" means income arising from transactions, activities, and sources in the regular course of a trade or business and includes income from real property, tangible property, and intangible property if the acquisition, rental, management, and disposition of the property constitute integral parts of the regular course of a trade or business operation. "Business income" includes income, including gain or loss, from a partial or complete liquidation of a business, including, but not limited to, gain or loss from the sale or other disposition of goodwill.

(D) "Nonbusiness income" means all income other than business income and may include, but is not limited to, compensation, rents and royalties from real or tangible personal property, capital gains, interest, dividends and distributions, patent or copyright royalties, or lottery winnings, prizes, and awards.

(E) "Compensation" means any form of remuneration paid to an employee for personal services.

(F) "Fiduciary" means a guardian, trustee, executor, administrator, receiver, conservator, or any other person acting in any fiduciary capacity for any individual, trust, or estate.

(G) "Individual" means any natural person.

(H) "Internal Revenue Code" means the "Internal Revenue Code of 1986," 100 Stat. 2085, 26 U.S.C.A. 1, as amended.

(I) "Resident" means:

- (1) An individual who is domiciled in this state;
- (2) The estate of a decedent who at the time of death was domiciled in this state.

(J) "Nonresident" means an individual or estate that is not a resident. An individual who is a resident for only part of a taxable year is a nonresident for the remainder of that taxable year.

(K) "Return" means the notifications and reports required to be filed pursuant to this chapter for the purpose of reporting the tax due and includes declarations of estimated tax when so required.

(L) "Taxable year" means the calendar year or the taxpayer's fiscal year ending during the calendar year, or fractional part thereof, upon which the adjusted gross income is calculated pursuant to this chapter.

(M) "Taxpayer" means any person subject to the tax imposed by this section of the Revised Code

(N) "Month" means a calendar month.

(O) "Quarter" means the first three months, the second three months, the third three months, or the last three months of the taxpayer's taxable year.

#### **92.01.020**

##### **Director of Revenue - Additional duties.**

The director of revenue, As defined in RCW 82.01.060, in support of Title 91 Shall additionally:

(1) Assess and collect personal income tax and administer all programs relating to personal income taxes which are defined in this chapter;

(2) Prescribe all forms required to be filed pursuant to this chapter;

(3) Appoint and employ such personnel as are necessary to carry out the duties imposed upon the commissioner by this chapter.

(4) Maintain the privacy of information gained from taxpayer returns, and no person shall disclose such information, except for official purposes.

#### **92.01.030**

##### **Personal income tax if adjusted gross income exceeds \$100,000.00**

There is hereby levied on every individual, trust, and estate residing in or earning or receiving income in this state, on every individual, trust, and estate earning or receiving lottery winnings, prizes, or awards, and on every individual, trust, and estate otherwise having nexus with or in this state, an annual tax to be assessed if adjusted gross income exceeds \$100,000.00.

(1) This tax is to be paid to the general fund of the state treasury.

(2) The 2003 taxable year shall be the first in which this tax shall be imposed.

(3) The tax imposed by this section shall be levied as follows:

(A) Given Washington adjusted gross income greater than \$100,000.00 and Washington state taxable income less than or equal to \$100,000.00; a taxpayer's taxable income shall be taxed at a flat rate of 1%.

(B) Given Washington adjusted gross income greater than \$100,000.00 and Washington state taxable income between \$100,000.00 and 3,000,000.00 than \$100,000.00; a taxpayer's taxable income shall be taxed at a constantly graduated rate of 1% at \$100,000.00 to 2% at \$3,000,000.00.

(C) Given Washington adjusted gross income greater than \$100,000.00 and Washington state taxable income greater than or equal to \$3,000,000.00; taxable income shall be taxed at a flat rate of 2%.