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SENATE JOINT RESOLUTION 8207

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State of Washington                      64th Legislature                      2015 Regular Session

By Senators Frockt and Kohl-Welles; by request of State Treasurer

Read first time 04/24/15. Referred to Committee on Ways & Means.

1            WHEREAS, This is a constitutional amendment regarding the  
2 structure and limitations for taxation in the state of Washington;  
3 and

4            WHEREAS, Washington's business taxes are uncompetitive,  
5 restraining business and job growth; and

6            WHEREAS, Washington's taxes are unfair to both business and  
7 individuals; and

8            WHEREAS, Washington's major taxing powers are insufficiently  
9 constrained; and

10            WHEREAS, Washington's tax base is too narrow and unbalanced, and  
11 as a result it does not track economic growth;

12            NOW, THEREFORE, BE IT RESOLVED, BY THE SENATE AND HOUSE OF  
13 REPRESENTATIVES OF THE STATE OF WASHINGTON, IN LEGISLATIVE SESSION  
14 ASSEMBLED:

15            THAT, At the next general election to be held in this state the  
16 secretary of state shall submit to the qualified voters of the state  
17 for their approval and ratification, or rejection, an amendment to  
18 Article VII, section 2; Article VII, section 12; and Article VIII,  
19 section 1 of the Constitution of the state of Washington; and adding  
20 a new section to Article VII of the Constitution of the state of  
21 Washington to read as follows:

1 Article VII, section 2. (a) Except as hereinafter provided and  
2 notwithstanding any other provision of this Constitution, the  
3 aggregate of all tax levies upon real and personal property by the  
4 state and all taxing districts now existing or hereafter created,  
5 shall not in any year exceed (~~one percent~~) seven dollars per one  
6 thousand dollars of the true and fair value of such property in  
7 money. Nothing herein shall prevent levies at the rates now provided  
8 by law by or for any port or public utility district. The term  
9 "taxing district" for the purposes of this section shall mean any  
10 political subdivision, municipal corporation, district, or other  
11 governmental agency authorized by law to levy, or have levied for it,  
12 ad valorem taxes on property, other than a port or public utility  
13 district. Such aggregate limitation or any specific limitation  
14 imposed by law in conformity therewith may be exceeded only as  
15 follows:

16 (~~(a)~~) (1) By any taxing district when specifically authorized  
17 so to do by a majority of at least three-fifths of the voters of the  
18 taxing district voting on the proposition to levy such additional tax  
19 submitted not more than twelve months prior to the date on which the  
20 proposed initial levy is to be made and not oftener than twice in  
21 such twelve month period, either at a special election or at the  
22 regular election of such taxing district, at which election the  
23 number of voters voting "yes" on the proposition shall constitute  
24 three-fifths of a number equal to forty percent of the total number  
25 of voters voting in such taxing district at the last preceding  
26 general election when the number of voters voting on the proposition  
27 does not exceed forty percent of the total number of voters voting in  
28 such taxing district in the last preceding general election; or by a  
29 majority of at least three-fifths of the voters of the taxing  
30 district voting on the proposition to levy when the number of voters  
31 voting on the proposition exceeds forty percent of the number of  
32 voters voting in such taxing district in the last preceding general  
33 election. Notwithstanding any other provision of this Constitution,  
34 any proposition pursuant to this subsection to levy additional tax  
35 for the support of the common schools or fire protection districts  
36 may provide such support for a period of up to four years and any  
37 proposition to levy an additional tax to support the construction,  
38 modernization, or remodelling of school facilities or fire facilities  
39 may provide such support for a period not exceeding six years. For

1 levies imposed for collection in 2021 and thereafter, the maximum  
2 dollar amount that may be levied in any given calendar year by or for  
3 any school district for support of maintenance and operations may not  
4 exceed fifteen percent of the district's basic education allocation  
5 for the state fiscal year immediately preceding the year in which the  
6 levy is made. Notwithstanding any other provision of this subsection,  
7 a proposition under this subsection to levy an additional tax for a  
8 school district shall be authorized by a majority of the voters  
9 voting on the proposition, regardless of the number of voters voting  
10 on the proposition;

11 ~~((b))~~ (2) By any taxing district otherwise authorized by law to  
12 issue general obligation bonds for capital purposes, for the sole  
13 purpose of making the required payments of principal and interest on  
14 general obligation bonds issued solely for capital purposes, other  
15 than the replacement of equipment, when authorized so to do by  
16 majority of at least three-fifths of the voters of the taxing  
17 district voting on the proposition to issue such bonds and to pay the  
18 principal and interest thereon by annual tax levies in excess of the  
19 limitation herein provided during the term of such bonds, submitted  
20 not oftener than twice in any calendar year, at an election held in  
21 the manner provided by law for bond elections in such taxing  
22 district, at which election the total number of voters voting on the  
23 proposition shall constitute not less than forty percent of the total  
24 number of voters voting in such taxing district at the last preceding  
25 general election. Any such taxing district shall have the right by  
26 vote of its governing body to refund any general obligation bonds of  
27 said district issued for capital purposes only, and to provide for  
28 the interest thereon and amortization thereof by annual levies in  
29 excess of the tax limitation provided for herein. The provisions of  
30 this section shall also be subject to the limitations contained in  
31 Article VIII, section 6~~((7))~~ of this Constitution;

32 ~~((e))~~ (3) By the state or any taxing district for the purpose  
33 of preventing the impairment of the obligation of a contract when  
34 ordered so to do by a court of last resort.

35 (b) Each taxing district's authority to increase a levy that is  
36 subject to the rate limitation in section 2(a) of this article is  
37 limited to an increase that does not exceed the lesser of inflation  
38 or three percent above the highest amount of such levy lawfully  
39 permitted to be levied previously by such taxing district. An  
40 increase within this limitation is permitted without voter approval

1 and is measured exclusive of increases resulting from: New  
2 construction; improvements to property; increases in the assessed  
3 value of state-assessed property; and any other increase in assessed  
4 value as determined by the legislature. A taxing district may  
5 increase any levy by a greater amount if such increase is approved by  
6 a majority of the voters voting on a proposition submitted to the  
7 voters of the taxing district for such purpose. No increase  
8 limitation may apply to the first imposition of a levy by a taxing  
9 district.

10 (c) Beginning with property taxes levied for collection in 2018,  
11 the legislature may not impose a state property tax. The elimination  
12 of the state property tax in this subsection does not affect the  
13 state's duty to make ample provision for the education of all  
14 children residing within the state, as required under Article IX of  
15 this Constitution.

16 (d) Any changes in the statewide sales and use tax rates, state  
17 business and occupation tax rates, and state individual income tax  
18 rates after the initial implementation of the rates described in  
19 subsection (f) of this section must be adopted by the favorable vote  
20 of at least three-fifths of the members elected to each house of the  
21 legislature.

22 (e) Except as provided in subsection (d) of this section,  
23 beginning January 1, 2018, the legislature may not impose a general  
24 state sales and use tax at a rate exceeding five and one-half  
25 percent.

26 (f) Beginning January 1, 2018, the initial imposition of a tax  
27 upon the income of individuals may be approved by the favorable vote  
28 of a majority of the members elected to each house of the  
29 legislature, in accordance with the following:

30 (1) Except as provided in subsection (d) of this section, the  
31 rate of tax on the income of individuals may not exceed five percent.  
32 Seventy-five percent of the revenue derived must be used for the  
33 purpose of making ample provision for the education of all children  
34 residing within the state, consistent with the state's duty under  
35 Article IX of this Constitution. By June 30th of each fiscal year,  
36 twenty-five percent of the revenue derived must be deposited into the  
37 higher education stabilization account created in Article VII,  
38 section . . . of this Constitution (the new section created in this  
39 act).

1       (2) The legislature may not tax the income of any individual with  
2 an annual taxable income of less than fifteen thousand dollars. For  
3 individuals filing joint returns, this amount is thirty thousand  
4 dollars. The legislature must provide for additional personal  
5 exemptions of not less than five thousand dollars.

6       (3) For purposes of the taxes imposed under this subsection (f),  
7 the legislature may in its discretion refer to and adopt provisions  
8 of the laws of the United States.

9       (g) The legislature may not vest counties, cities, towns, or  
10 other municipal corporations with the authority to impose a tax on  
11 individual income.

12       Article VII, section 12. (a) A budget stabilization account shall  
13 be established and maintained in the state treasury.

14       (b)(1) By June 30th of each fiscal year, an amount equal to one  
15 percent of the general state revenues for that fiscal year shall be  
16 transferred to the budget stabilization account. Nothing in this  
17 subsection (b) shall prevent the appropriation of additional amounts  
18 to the budget stabilization account.

19       (2) By June 30th of the second year of each fiscal biennium,  
20 three-quarters of any extraordinary revenue growth shall be  
21 transferred to the budget stabilization account. However, no transfer  
22 of extraordinary revenue growth under this subsection (b)(2) shall  
23 occur in a fiscal biennium following a fiscal biennium in which  
24 annual average state employment growth averaged less than one percent  
25 per fiscal year. "Extraordinary revenue growth" means the amount by  
26 which the growth in general state revenues for that fiscal biennium  
27 exceeds by one-third the average biennial percentage growth in  
28 general state revenues over the prior five fiscal biennia. In making  
29 this determination, the comparability of data shall be maintained by  
30 adjusting historical general state revenues to reflect statutory  
31 changes to the dedication of state revenues and the annual amount of  
32 revenue raised by the taxes approved by a vote of the legislature  
33 under Article VII, section 2 (d) and (f) of this Constitution. The  
34 transfer under this subsection shall be made only to the extent that  
35 it exceeds the total transfers under (1) of this subsection for that  
36 fiscal biennium.

37       (c) Each fiscal quarter, the state economic and revenue forecast  
38 council appointed and authorized as provided by statute, or successor

1 entity, shall estimate state employment growth for the current and  
2 next two fiscal years.

3 (d) Moneys may be withdrawn and appropriated from the budget  
4 stabilization account as follows:

5 (i) If the governor declares a state of emergency resulting from  
6 a catastrophic event that necessitates government action to protect  
7 life or public safety, then for that fiscal year moneys may be  
8 withdrawn and appropriated from the budget stabilization account, via  
9 separate legislation setting forth the nature of the emergency and  
10 containing an appropriation limited to the above-authorized purposes  
11 as contained in the declaration, by a favorable vote of a majority of  
12 the members elected to each house of the legislature.

13 (ii) If the employment growth forecast for any fiscal year is  
14 estimated to be less than one percent, then for that fiscal year  
15 moneys may be withdrawn and appropriated from the budget  
16 stabilization account by the favorable vote of a majority of the  
17 members elected to each house of the legislature.

18 (iii) Any amount may be withdrawn and appropriated from the  
19 budget stabilization account at any time by the favorable vote of at  
20 least three-fifths of the members of each house of the legislature.

21 (e) Amounts in the budget stabilization account may be invested  
22 as provided by law and retained in that account. When the balance in  
23 the budget stabilization account, including investment earnings,  
24 equals more than ten percent of the estimated general state revenues  
25 in that fiscal year, the legislature by the favorable vote of a  
26 majority of the members elected to each house of the legislature may  
27 withdraw and appropriate the balance to the extent that the balance  
28 exceeds ten percent of the estimated general state revenues.  
29 Appropriations under this subsection (e) may be made solely for  
30 deposit to the education construction fund.

31 (f) As used in this section, "general state revenues" has the  
32 meaning set forth in Article VIII, section 1 of the Constitution.  
33 Forecasts and estimates shall be made by the state economic and  
34 revenue forecast council appointed and authorized as provided by  
35 statute, or successor entity.

36 (g) The legislature shall enact appropriate laws to carry out the  
37 purposes of this section.

38 (h) This section takes effect July 1, 2008.

1 Article VII, section.... (a) A higher education stabilization  
2 account must be established and maintained in the state treasury.

3 (b) Moneys may only be withdrawn from the higher education  
4 stabilization account for higher education purposes.

5 (c) This section takes effect January 1, 2018.

6 Article VIII, section 1. (a) The state may contract debt, the  
7 principal of which shall be paid and discharged within thirty years  
8 from the time of contracting thereof, in the manner set forth herein.

9 (b) The aggregate debt contracted by the state, as calculated by  
10 the treasurer at the time debt is contracted, shall not exceed that  
11 amount for which payments of principal and interest in any fiscal  
12 year would require the state to expend more than the applicable  
13 percentage limit of the arithmetic mean of its general state revenues  
14 for the six immediately preceding fiscal years as certified by the  
15 treasurer. The term "applicable percentage limit" means eight and  
16 one-half percent from July 1, 2014, through June 30, 2016; eight and  
17 one-quarter percent from July 1, 2016, through June 30, 2034; eight  
18 percent from July 1, 2034, and thereafter. The term "fiscal year"  
19 means that period of time commencing July 1 of any year and ending on  
20 June 30 of the following year.

21 (c) The term "general state revenues," when used in this section,  
22 shall include all state money received in the treasury from each and  
23 every source, including moneys received from ad valorem taxes levied  
24 by the state and deposited in the general fund in each fiscal year  
25 and moneys received from the taxes authorized under Article VII,  
26 section 2(f) of this Constitution, but not including: (1) Fees and  
27 other revenues derived from the ownership or operation of any  
28 undertaking, facility, or project; (2) Moneys received as gifts,  
29 grants, donations, aid, or assistance or otherwise from the United  
30 States or any department, bureau, or corporation thereof, or any  
31 person, firm, or corporation, public or private, when the terms and  
32 conditions of such gift, grant, donation, aid, or assistance require  
33 the application and disbursement of such moneys otherwise than for  
34 the general purposes of the state of Washington; (3) Moneys to be  
35 paid into and received from retirement system funds, and performance  
36 bonds and deposits; (4) Moneys to be paid into and received from  
37 trust funds and the several permanent and irreducible funds of the  
38 state and the moneys derived therefrom but excluding bond redemption  
39 funds; (5) Moneys received from taxes levied for specific purposes

1 and required to be deposited for those purposes into specified funds  
2 or accounts other than the general fund; and (6) Proceeds received  
3 from the sale of bonds or other evidences of indebtedness.

4 (d) In computing the amount required for payment of principal and  
5 interest on outstanding debt under this section, debt shall be  
6 construed to mean borrowed money represented by bonds, notes, or  
7 other evidences of indebtedness which are secured by the full faith  
8 and credit of the state or are required to be repaid, directly or  
9 indirectly, from general state revenues and which are incurred by the  
10 state, any department, authority, public corporation, or quasi public  
11 corporation of the state, any state university or college, or any  
12 other public agency created by the state but not by counties, cities,  
13 towns, school districts, or other municipal corporations, but shall  
14 not include obligations for the payment of current expenses of state  
15 government, nor shall it include debt hereafter incurred pursuant to  
16 section 3 of this article, obligations guaranteed as provided for in  
17 subsection (g) of this section, principal of bond anticipation notes  
18 or obligations issued to fund or refund the indebtedness of the  
19 Washington state building authority. In addition, for the purpose of  
20 computing the amount required for payment of interest on outstanding  
21 debt under subsection (b) of this section and this subsection,  
22 "interest" shall be reduced by subtracting the amount scheduled to be  
23 received by the state as payments from the federal government in each  
24 year in respect of bonds, notes, or other evidences of indebtedness  
25 subject to this section.

26 (e) The state may pledge the full faith, credit, and taxing power  
27 of the state to guarantee the voter approved general obligation debt  
28 of school districts in the manner authorized by the legislature. Any  
29 such guarantee does not remove the debt obligation of the school  
30 district and is not state debt.

31 (f) The state may, without limitation, fund or refund, at or  
32 prior to maturity, the whole or any part of any existing debt or of  
33 any debt hereafter contracted pursuant to section 1, section 2, or  
34 section 3 of this article, including any premium payable with respect  
35 thereto and interest thereon, or fund or refund, at or prior to  
36 maturity, the whole or any part of any indebtedness incurred or  
37 authorized prior to the effective date of this amendment by any  
38 entity of the type described in subsection (h) of this section,  
39 including any premium payable with respect thereto and any interest

1 thereon. Such funding or refunding shall not be deemed to be  
2 contracting debt by the state.

3 (g) Notwithstanding the limitation contained in subsection (b) of  
4 this section, the state may pledge its full faith, credit, and taxing  
5 power to guarantee the payment of any obligation payable from  
6 revenues received from any of the following sources: (1) Fees  
7 collected by the state as license fees for motor vehicles; (2) Excise  
8 taxes collected by the state on the sale, distribution or use of  
9 motor vehicle fuel; and (3) Interest on the permanent common school  
10 fund: *Provided*, That the legislature shall, at all times, provide  
11 sufficient revenues from such sources to pay the principal and  
12 interest due on all obligations for which said source of revenue is  
13 pledged.

14 (h) No money shall be paid from funds in custody of the treasurer  
15 with respect to any debt contracted after the effective date of this  
16 amendment by the Washington state building authority, the capitol  
17 committee, or any similar entity existing or operating for similar  
18 purposes pursuant to which such entity undertakes to finance or  
19 provide a facility for use or occupancy by the state or any agency,  
20 department, or instrumentality thereof.

21 (i) The legislature shall prescribe all matters relating to the  
22 contracting, funding or refunding of debt pursuant to this section,  
23 including: The purposes for which debt may be contracted; by a  
24 favorable vote of three-fifths of the members elected to each house,  
25 the amount of debt which may be contracted for any class of such  
26 purposes; the kinds of notes, bonds, or other evidences of debt which  
27 may be issued by the state; and the manner by which the treasurer  
28 shall determine and advise the legislature, any appropriate agency,  
29 officer, or instrumentality of the state as to the available debt  
30 capacity within the limitation set forth in this section. The  
31 legislature may delegate to any state officer, agency, or  
32 instrumentality any of its powers relating to the contracting,  
33 funding or refunding of debt pursuant to this section except its  
34 power to determine the amount and purposes for which debt may be  
35 contracted.

36 (j) The full faith, credit, and taxing power of the state of  
37 Washington are pledged to the payment of the debt created on behalf  
38 of the state pursuant to this section and the legislature shall  
39 provide by appropriation for the payment of the interest upon and

1 installments of principal of all such debt as the same falls due, but  
2 in any event, any court of record may compel such payment.

3 (k) Notwithstanding the limitations contained in subsection (b)  
4 of this section, the state may issue certificates of indebtedness in  
5 such sum or sums as may be necessary to meet temporary deficiencies  
6 of the treasury, to preserve the best interests of the state in the  
7 conduct of the various state institutions, departments, bureaus, and  
8 agencies during each fiscal year; such certificates may be issued  
9 only to provide for appropriations already made by the legislature  
10 and such certificates must be retired and the debt discharged other  
11 than by refunding within twelve months after the date of incurrence.

12 (l) Bonds, notes, or other obligations issued and sold by the  
13 state of Washington pursuant to and in conformity with this article  
14 shall not be invalid for any irregularity or defect in the  
15 proceedings of the issuance or sale thereof and shall be  
16 incontestable in the hands of a bona fide purchaser or holder  
17 thereof.

18 The legislature finds that the changes contained in the foregoing  
19 amendment constitute a single integrated plan for a balance revision  
20 of the tax structure of state and local government. It is the  
21 intention of the legislature that in the event the foregoing  
22 amendment is held to be separate amendments, this joint resolution is  
23 null and void in its entirety and is of no further force and effect.

24 BE IT FURTHER RESOLVED, That, pursuant to RCW 29A.36.020, the  
25 statement of subject and concise description for the ballot title  
26 must be displayed on the ballot title as follows:

27 "The legislature has proposed a constitutional amendment on  
28 tax limitations. This amendment would reduce and cap property  
29 taxes, reduce the state sales tax, impose a personal income  
30 tax dedicated to education, and require a three-fifths  
31 majority legislative vote to change tax rates. Should this  
32 constitutional amendment be:

- 33 Approved .....
- 34 Rejected .....

35 BE IT FURTHER RESOLVED, That this amendment is a single amendment  
36 within the meaning of Article XXIII, section 1 of the state  
37 Constitution.

1       The legislature finds that the changes contained in this  
2 amendment constitute a single integrated plan for the structure and  
3 limitations of taxation. If this amendment is held to be separate  
4 amendments, this joint resolution is void in its entirety and is of  
5 no further force and effect.

6       BE IT FURTHER RESOLVED, That the secretary of state shall cause  
7 notice of this constitutional amendment to be published at least four  
8 times during the four weeks next preceding the election in every  
9 legal newspaper in the state.

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