

SB 5797 -- Redline

Bill to Engrossed -- Enacting a tax on stocks, bonds, and other financial intangible assets for the benefit of public schools.

Deletions ~~struck~~ · Insertions underlined

~~S-2248-5~~ ENGROSSED SENATE BILL 5797 State of Washington 69th Legislature 2025 Regular Session By Senators Frame, Dhingra, Alvarado, Bateman, Hasegawa, Lovelett, Nobles, Pedersen, Ramos, Riccelli, Stanford, Trudeau, Valdez, Wellman, and C.

AN ACT Relating to enacting a wealth tax on stocks, bonds, and other financial intangible assets for the benefit of public schools;

1 ~~SB~~ESB 5797 associated with serving the needs of students with disabilities and the growing daily operating costs of districts.

The legislature intends to levy a wealth tax of ~~\$10~~\$5 on every \$1,000 of the true and fair value of certain financial intangible assets, such as stocks and bonds, while exempting retirement savings, college savings, and ownership interests in private companies and partnerships.

Additionally, to continue to make progress toward the state having a fair and balanced tax system that works for all residents, the legislature intends to exempt ~~stocks, up bonds, to and \$50,000,000 other in financial intangible assets if the combined~~ true and fair value of such taxable assets ~~financial owned intangible by assets. the person is less than \$50,000,000.~~

Revenues generated from this tax will be dedicated to the education legacy trust account for the support of public schools, early learning, child care, and higher education.

By exempting ~~all up stocks, to bonds, \$50,000,000 and in other true financial and intangible fair assets value owned of by taxable a financial person intangible with less than \$50,000,000 of such~~ assets, this tax is estimated to impact just 4,300 Washingtonians, taking a significant step toward reducing the disproportionate reliance on low and middle-income ~~households to fund~~ p.

2 ~~SB~~ESB 5797 households to fund public schools as we strive to meet our state's paramount duty and honor our commitment to our kids.

3 ~~SB~~ESB 5797 contracts, favorable financing agreements, reputation, exceptional management, prestige, good name, integrity of a business, private nongovernmental personal service contracts, and private nongovernmental athletic or sports franchises or agreements.

4 ~~SB~~ESB 5797 (ii) "Close associates" means natural persons who are in close association with another natural person by reason of a family, marital, personal, or business relationship.

The tax equals ~~\$10~~\$5 per \$1,000 of the true and fair value of a resident's taxable worldwide intangible assets.

5 ~~SB~~ESB 5797 trust is treated as an incomplete gift under Title 26 U.S.C.

(7) All moneys collected from the intangible assets tax must be deposited into the ~~state education general legacy fund trust for account the created support in of RCW common 83.100.230. schools.~~

6 ~~SB~~ESB 5797 (B) Any other circumstance that, in the department's judgment, renders the filing of a joint return manifestly unreasonable.

7 ~~SB~~ESB 5797 four years after the year in which a return is filed under section 4 of this act except as provided in RCW 82.32.050(4).

(1) ~~Financial up intangible to assets \$50,000,000 owned of by a Washington taxpayer's resident financial who owns worldwide~~ intangible assets not exempt under subsections (2) through (13) of this ~~section~~section. ~~with a combined true and fair value of less than \$50,000,000 as of December 31st of the tax year;~~

A taxpayer may only exempt an asset, under this subsection (1), in its entirety from the tax imposed under this chapter.

The department must disallow the exemption under this subsection (1) of any asset if such exemption would result in a taxpayer exempting any combination of more than \$50,000,000 of assets from the tax imposed under this chapter for the tax year.

A Washington resident claiming an exemption under this subsection (1) must identify each asset, along with the asset's true and fair value as of December 31st of the tax year, for which they are claiming the exemption in a form and manner prescribed by the department.

For purposes of this exemption, both spouses or state registered domestic partners are considered to be one taxpayer.

If the department authorizes the filing of separate returns for a tax year, each spouse or state registered domestic partner may exempt up to \$25,000,000 of their financial intangible assets under this subsection (1) for that tax year;

~~457(b) of the internal p. revenue code, an individual retirement account or individual retirement annuity described in Title 26 U.S.C.~~

8 ESB 5797 internal revenue code, an individual retirement account or individual retirement annuity described in Title 26 U.S.C.

~~p-(9) Any obligations or evidences of debt of the United States and obligations of United States government agencies and corporations established by acts of the congress of the United States to the extent required by federal law to be exempt from taxation by the states;~~

~~8 SB 5797 (9) Any obligations or evidences of debt of the United States and obligations of United States government agencies and corporations established by acts of the congress of the United States to the extent required by federal law to be exempt from taxation by the states;~~

~~(1) Financial intangible assets subject to a similar tax legally imposed on the property and paid by the taxpayer p. to another state for the same tax year are exempt from taxation.~~

9 ESB 5797 taxpayer to another state for the same tax year are exempt from taxation.

~~p-NEW SECTION.~~

~~9 SB 5797 NEW SECTION.~~

~~(2)p. Any determination under this section must be made without regard to community property laws.~~

10 ESB 5797 (3) Any determination under this section must be made without regard to community property laws.

~~p-(6)(a) Notwithstanding any other provision of this section, an individual seeking relief under this section may not seek relief for taxes on intangible assets derived from disqualified assets.~~

~~10 SB 5797 (6)(a) Notwithstanding any other provision of this section, an individual seeking relief under this section may not seek relief for taxes on intangible assets derived from disqualified assets. No relief granted under this section may reduce the combined p. tax liability of individuals required to jointly file a return under this chapter in any given tax year.~~

~~(8)11 Any ESB relief 5797 granted combined under tax this liability section of may individuals not required result to jointly file increase in return the exemption amount under section this 6 chapter (1) in of any this given act, tax year.~~

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

Nothing in this section shall be construed to permit individuals required to jointly file a return under this chapter to claim a combined exemption under section 6(1) of this act exceeding the limit established in section 6 (1) of this act.

(10) The department may by rule provide a method or methods for allocating assets between individuals required to jointly file returns under this chapter in cases where one of the individuals is p-granted relief under this section.

~~11 SB 5797 granted relief under this section.~~

~~After the conference the department may make such determination p. as may appear to it to be just and lawful and shall mail a copy of its determination to the petitioner, or provide a copy of its determination electronically as provided in RCW 82.32.135.~~

12 ESB 5797 determination as may appear to it to be just and lawful and shall mail a copy of its determination to the petitioner, or provide a copy of its determination electronically as provided in RCW 82.32.135.

A petition under this subsection (3) is due within 30 days after the date the department p-issued its denial of relief under section 8 of this act.

~~12 SB 5797 issued its denial of relief under section 8 of this act.~~

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

13 ESB 5797 (3) The penalty imposed in this section is in addition to any other applicable penalties imposed under this chapter or chapter 82.32 RCW on the same tax due, except for the penalty imposed in RCW 82.32.090(7).

~~p-NEW SECTION.~~

~~13 SB 5797 NEW SECTION.~~

~~To accomplish this purpose, it is the legislature's p. intent to stop transactions or arrangements that are designed to unfairly avoid taxes.~~

14 ESB 5797 legislature's intent to stop transactions or arrangements that are designed to unfairly avoid taxes.

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

~~14 SB 5797 (c) Whether an arrangement or transaction is a reasonable means of accomplishing a~~

~~substantial nontax purpose;~~

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

15 ESB 5797 the taxpayer exercises control in such a manner as to effectively retain control of the tangible personal property;

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

~~15 SB 5797 not required to prove a taxpayer's subjective intent in engaging in the transaction or arrangement.~~

~~NEW p. SECTION.~~

16 ESB 5797 NEW SECTION.

This act may be known and cited as the "intangible"financial intangible assets propertywealth tax act."
NEW SECTION.

~~16~~17 ~~SB~~ESB 5797