



HJR 37

House Joint Resolution
Proposed Constitutional Amendment

Ballot Title:

Shall a graduated net income tax be authorized, excess levies for school operations be prohibited, and some excise taxes limited?

Vote cast by members of the 1973 Legislature on final passage:
HOUSE: (98 members) Yeas, 72; Nays, 26; Absent or not voting, 0.
SENATE: (49 members) Yeas, 36; Nays, 13; Absent or not voting, 0.

Statement for

Washington's present tax system is like an unfit incumbent who constantly works against most (but not all) taxpayers—it should be replaced

- Property taxes are 4½ times higher than in 1958;
- "Special" school levies have jumped from \$8 million in property taxes in 1958 to \$220 million;
- Businesses pay gross income and inventory taxes, regardless of profit and even if they lose money;
- The Legislature has virtual blank-check power to impose new taxes and raise rates, without people having any real power to prevent it;
- Washington's incumbent tax system, most regressive and least fair in the nation, allows a 4-member family making \$50,000 a year to pay only about 3 percent of its income in state-local taxes, while a 4-member family earning \$4,000 a year pays 10 percent of its income in state-local taxes.
- Grossly unfair, some home owners pay no special levy property taxes to educate local children; others pay more than \$1,000 per child;
- Grossly uneven, in some districts, a 10-mill property tax levy raises \$100 per child; in others, it raises \$200 per child—while in Seattle, a 10-mill levy raises \$435.

HJR 37 will reduce total taxes for 75% of all taxpayers!

- Allows a graduated, net income tax with constitutional limits;
- Gives people veto power over any increases in state B & O, sales and income taxes;
- Eliminates special school operations property tax levies; and implementing legislation provides specific tax credits for renters.

- Guarantees full state funding of basic public education;
- Constitutionally eliminates sales tax from food and drugs, limits sales tax, cuts B & O taxes in half and eliminates inventory tax.

HJR 37 Gives People More Veto Powers Over Tax Increases Than Any State-Local Tax System In All The 50 States!

Rebuttal of Statement against

We have reviewed the "Statement Against HJR 37". Each basic assertion is either untrue or cleverly distorted, as measured by legislative intent or Revenue Department analysis.

We both urge approval of HJR 37 because it constitutionally sets tax ceilings, stops taxing food, stops all school operating levies, assures additional tax breaks for elderly, restricts legislative taxing powers, assures people more taxing veto powers.

Senator Martin J. Durkan
Chairman, Senate Ways & Means
Committee

Governor Daniel J. Evans

Committee **FOR** House Joint Resolution 37:

R. TED BOTTIGER, State Senator; DONN CHARNLEY, State Representative; JOHN S. MURRAY, State Senator.

Advisory Committee: CHARLES W. HODDE, Olympia and THOMAS L. COPELAND, Walla Walla, co-chairmen, HJR 37, YES FOR PEOPLE, Against Unfair Taxes and For Property Tax Relief; LLOYD E. COOLEY, Des Moines, President, Washington State School Directors' Association; JENNINGS (JENKS') PEARD, Bremerton, President, Washington Association of Realtors; LOREN E. ARNETT, Seattle, General Secretary, Washington State Council of Churches.

The Law as it now exists:

The state constitution now effectively prohibits the imposition of a tax on or measured by net income. It does not, however, prohibit the imposition of a sales or use tax on food or on prescription drugs, or the imposition of a property tax on business inventories. It contains no rate limitation on general sales or use taxes or on a business and occupation tax.

The constitution presently allows special property tax levies for the operation and maintenance of various taxing districts including school districts by voter approval; and it does not expressly require the state to guarantee full funding of basic education.

Effect of HJR 37 if approved into Law:

This proposed constitutional amendment would remove the existing prohibition against a net income tax and would **permit** the legislature to impose such a tax so long as—

- (a) The highest tax rate on individuals does not exceed 8%.
- (b) The rate schedule for individuals is graduated and contains at least six rates, with equal differences of at least .5%.
- (c) The rate for corporations does not exceed 12%.

These limits could be exceeded only by a majority vote of both the legislature and the people following an automatic referendum.

Under the first implementing legislative act, the maximum rates could not exceed 6.5% on individuals and 10% on corporations and any amendment to this initial act changing the definition of taxable income or any income tax rate would be subject to referendum petition.

The proposed amendment would also **permit** direct payments to individuals for relief from state and local taxes and complete coordination with the federal internal revenue code.

(continued on page 27)

NOTE: Ballot title and the above explanatory comment were written by the Attorney General as required by state law. Complete text of House Joint Resolution 37 starts on Page 25.

Statement against

For Most Taxpayers HJR 37 is a Tax Increase.

- HJR 37 permits greater state spending, not reform.
- HJR 37 permits cities and counties to also levy an income tax.
- HJR 37 destroys constitutional safeguards against skyrocketing state spending.
- HJR 37 permits legislative loopholes for raising lower income tax rates without a vote of the people.
- HJR 37 authorizes the legislature to pay grants to welfare recipients.
- HJR 37 creates another costly state bureaucracy to administer the new income tax and its collection.

Schools:

- State funding of schools means state—not local—control.
- HJR 37 does not eliminate special levies.
- At least 50% of all school districts will suffer a substantial loss of money.

Problems—In Fact, a Tax on a Tax:

Graduated tax for individuals; flat rate for business: Deductions to business are not granted to individuals.

NO BREAK FOR HOMEOWNERS:

No deductions for property tax or mortgage interest.

NO BREAK FOR RENTERS:

Most renters will receive no permanent relief from existing property taxes, but will pay a new tax.

NO BREAK FOR SENIOR CITIZENS:

Provides no property tax relief, while taxing their income. Everyone will be denied deductions for interest payments, charitable donations, bad debt, federal taxes.

Voters should not be forced to vote a new tax on the vague promise of relief from existing taxes — when the obvious solution is prudent spending by a responsible legislature and administration.

- HJR 37 is a tax proposal supported basically by the same Legislators who voted themselves a 193% pay raise.
- HJR 37 is a tax increase, not a shift in taxes.

Rebuttal of Statement for

- HJR 37 will not reduce taxes for 75% of the people
- HJR 37 does not eliminate school levies
- HJR 37 eliminates control on state spending
- HJR 37 is a rip-off for greater state spending. The average taxpayer, the guy in the middle, will again bear the burden of increasing costs of government. Hang on to your pocket-books. It's just the beginning.

Committee AGAINST House Joint Resolution 37:

PERRY B. WOODALL, State Senator; JOHN E. "JACK" CUNNINGHAM, State Representative; HARLEY H. HOPPE, King County Assessor.

Advisory Committee: KEN JOHNSTON, Pierce County Assessor; RICK HELBERG, Editor, Bellevue American; DENNIS DUNN, Chairman, King County Republican Central Committee; KENNETH S. GREENBAUM, Chairman, Citizens' Committee for Bellevue School Levy.

COMPLETE TEXT OF

HOUSE JOINT RESOLUTION

22

Proposed Constitutional Amendment

Ballot Title as issued by the Attorney General:

May the legislature authorize urban development or redevelopment financing from property taxes attributable to increased valuations resulting from such projects?

BE IT RESOLVED, *By the Senate and House of Representatives of the State of Washington, in Legislative Session Assembled:*

THAT, At the next general election to be held in this state there shall be submitted to the qualified voters of the state for their approval and ratification, or rejection, an amendment to Article VII of the Constitution of the state of Washington by adding a new section to be known as Section 12, such new section to read as follows:

NEW SECTION. Article VII, section 12. The legislature may, notwithstanding any other provision of this Constitution, provide that the ad valorem taxes levied by the state or by any taxing district in which there is located all or a part of an area included in an urban development or redevelopment project, as those two terms shall be defined by the legislature, may be divided so that the taxes levied against any increase in the true and fair value, as defined by law, which may be reasonably construed to have arisen from an associated project, of property in such area obtaining after the effective date of the ordinance or resolution approving the project, or obtaining after the date of the acquisition of the property for urban development or redevelopment purposes, as determined by the legislature, shall be used to pay any indebtedness incurred for the project. The legislature may enact such laws as may be necessary to carry out the purposes of this section.

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

Passed the House April 7, 1973.
LEONARD A. SAWYER,
Speaker of the House.

Passed the Senate April 14, 1973.
JOHN A. CHERBERG,
President of the Senate.

COMPLETE TEXT OF

House Joint Resolution

37

Proposed Constitutional Amendment

Ballot Title as issued by the Attorney General:

Shall a graduated net income tax be authorized, excess levies for school operations be prohibited, and some excise taxes limited?

BE IT RESOLVED, *By the Senate and House of Representatives of the State of Washington, in Legislative Session Assembled:*

THAT, At the next general election to be held in this state there shall be submitted to the qualified electors of the state for their approval and ratification, or rejection, an amendment to Article VII of the Constitution of the State of Washington by adding a new Section 12 thereto to read as follows:

NEW SECTION. Article VII, Section 12. (1) Income shall not be deemed property within the meaning of this Article, and a tax imposed upon or measured by income shall not be deemed a tax on property.

(2) The legislature shall have the power to impose a tax upon, or to measure a tax by, net income as defined by the legislature in accordance with the following condition:

(a) The highest rate of any tax imposed upon or measured by the net income of individuals shall not exceed eight percent and the highest rate of any tax imposed upon or measured by the net income of corporations shall not exceed twelve percent.

(b) The rate schedule for a tax imposed upon or measured by the net income of individuals shall be at rates progressively higher on income amounts over specified levels and shall contain no less than six different rates, the difference between each of which shall be equal and shall be no less than one-half of one percent.

(c) In the first statute implementing this amendment the highest rate of the rate schedule for a net income tax imposed upon individuals shall not exceed six and one-half percent and the highest rate of the rate schedule for a net income tax imposed upon corporations shall not exceed ten percent. The rate limitations prescribed in this subsection may be exceeded only if those sections of an act which change such rates are enacted by a majority of the members of each of the two houses of the legislature and are referred to the people and approved by a majority vote thereon at a general election.

(d) From and after the initial adoption of an act by the legislature imposing a tax upon or measured by net income no amendment to such act which changes: (i) the definition of taxable income, (ii) a rate or rates, within the limitations set forth in (a), (b) or (c) above or (iii) an amount or amounts of taxable income in the rate schedule, shall be valid unless such amendment is enacted by a majority of the members of each of the two houses of the legislature, and is subject to referendum petition.

(3) Notwithstanding any other provision of this Constitution, not later than twelve months after a tax imposed upon or measured by net income takes effect, and during the time such tax is in effect thereafter:

(a) No school district in any year shall, for maintenance and operations purposes, impose a tax upon property pursuant to the provisions of paragraph (a) of section 2, as now or hereafter amended, of this Article VII.

(b) The state shall guarantee full funding of a basic program of education, as defined by the legislature.

(c) No sale or use tax shall be imposed on the sale or use of the following articles as defined by the legislature: (i) food products for off-premises human consumption, and (ii) prescription drugs.

(d) The aggregate rate of any general retail sales or use tax as imposed by the state and political subdivisions thereof may not exceed five and three-tenths percent.

(e) The state shall not impose any general business and occupation tax at a greater rate than one-quarter of one percent of gross income where such tax is imposed as of January 1, 1973 by session laws sections 82.04.010 through 82.04.290, chapter 15, Laws of 1961, as amended and where such income

is also subject to a tax imposed upon or measured by net income derived from such business or occupation.

(4) Notwithstanding any other provisions of this Constitution:

(a) Upon and after December 31, 1979, business inventories held for sale shall be exempt from ad valorem taxes.

(b) In the case of capital property as defined by the legislature held by a taxpayer on the effective date of a state income tax act and disposed of after such effective date, such taxpayer shall be allowed to exclude from the computation of taxable income the amount of any gain attributable to a difference in value of such property occurring between the time of acquisition by the taxpayer and the effective date of such act.

(5) Notwithstanding any other provision of this Constitution, the legislature may by law:

(a) Provide for direct payments to an individual to the extent that (i) insufficient income tax liability exists for full application of an otherwise applicable credit, and (ii) such credit is granted for the purpose of providing direct or indirect relief from other state or local taxes.

(b) Coordinate the administration and collection of state income taxes with the income tax laws and procedures of the United States. The legislature may adopt by reference any federal statutes relating to federal income taxes, as existing at time of adoption and as amended from time to time.

(c) Define terms used in this Section 12 to the extent necessary to facilitate the operation thereof.

BE IT FURTHER RESOLVED, That the foregoing amendment shall be construed as a single amendment within the meaning of Article XXIII, Section 1 (Amendment 27) of this Constitution.

The legislature finds that the changes contained in the foregoing amendment constitute a single integrated plan for a balanced revision of the tax structure for state and local government. In the event the foregoing amendment is held to be separate amendments, this joint resolution shall be void in its entirety and shall be of no further force and effect.

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

Passed the House April 14, 1973.
LEONARD A. SAWYER,
Speaker of the House.

Passed the Senate April 14, 1973.
JOHN A. CHERBERG,
President of the House.

COMPLETE TEXT OF

House Joint Resolution

40

Proposed Constitutional Amendment

Ballot Title as issued by the Attorney General:

Shall the validation formula approved in 1972 for excess levy elections also be applied to bonds payable from such levies?

BE IT RESOLVED, *By the Senate and House of Representatives of the State of Washington in Legislative Session Assembled:*

THAT, At the next general election to be held in this state there shall be submitted to the qualified voters of the state for

their approval and ratification, or rejection, an amendment to Article VII of the Constitution of the state of Washington by amending section 2 (Amendments 55 and 59) thereof to read as follows:

Article VII, section 2. Except as hereinafter provided and notwithstanding any other provision of this Constitution, the aggregate of all tax levies upon real and personal property by the state and all taxing districts now existing or hereafter created, shall not in any year exceed one per centum of the true and fair value of such property in money: PROVIDED, HOWEVER, That nothing herein shall prevent levies at the rates now provided by law by or for any port or public utility district. The term "taxing district" for the purposes of this section shall mean any political subdivision, municipal corporation, district, or other governmental agency authorized by law to levy, or have levied for it, ad valorem taxes on property, other than a port or public utility district. Such aggregate limitation or any specific limitation imposed by law in conformity therewith may be exceeded only

(a) By any taxing district when specifically authorized so to do by a majority of at least three-fifths of the electors thereof voting on the proposition to levy such additional tax submitted not more than twelve months prior to the date on which the proposed levy is to be made and not oftener than twice in such twelve month period, either at a special election or at the regular election of such taxing district, at which election the number of persons voting "yes" on the proposition shall constitute three-fifths of a number equal to forty per centum of the total votes cast in such taxing district at the last preceding general election when the number of electors voting on the proposition does not exceed forty per centum of the total votes cast in such taxing district in the last preceding general election; or by a majority of at least three-fifths of the electors thereof voting on the proposition to levy when the number of electors voting on the proposition exceeds forty per centum of the total votes cast in such taxing district in the last preceding general election;

(b) By any taxing district otherwise authorized by law to issue general obligation bonds for capital purposes, for the sole purpose of making the required payments of principal and interest on general obligation bonds issued solely for capital purposes, other than the replacement of equipment, when authorized so to do by majority of at least three-fifths of the electors thereof voting on the proposition to issue such bonds and to pay the principal and interest thereon by an annual tax levy in excess of the limitation herein provided during the term of such bonds, submitted not oftener than twice in any calendar year, at an election held in the manner provided by law for bond elections in such taxing district, at which election the total number of persons voting ((on the proposition shall constitute not less than forty per centum of the total number of votes cast in such taxing district at the last preceding general election)) "yes" on the proposition shall constitute three-fifths of a number equal to forty per centum of the total votes cast in such taxing district at the last preceding general election when the number of electors voting on the proposition does not exceed forty per centum of the total votes cast in such taxing district in the last preceding general election; or by a majority of at least three-fifths of the electors thereof voting on the proposition to issue such bonds when the number of electors voting on the proposition exceeds forty per centum of the total votes cast in such taxing district in the last preceding general election: PROVIDED, That any such taxing district shall have the right by vote of its governing body to refund any general obligation bonds of said district issued for capital purposes only, and to provide for the interest thereon and amortization thereof by annual levies in excess of the tax limitation provided for herein, AND PROVIDED FURTHER, That the provisions of this section shall also be subject to the limitations contained in Article VIII, section 6, of this Constitution;

(c) By the state or any taxing district for the purpose of

paying the principal or interest on general obligation bonds outstanding on December 6, 1934; or for the purpose of preventing the impairment of the obligation of a contract when ordered so to do by a court of last resort.

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

Passed the House April 4, 1973.
LEONARD A. SAWYER,
Speaker of the House.

Passed the Senate April 11, 1973.
JOHN A. CHERBERG,
President of the Senate.

EXPLANATORY COMMENT

All words in double parentheses and lined through are in our State Constitution at the present and are being taken out by this amendment. All words underscored do not appear in the State Constitution as it is now written but will be put in if this amendment is adopted.

Initiative Measure 282

(continued from Page 7)

Office	Salary Since 1965	A Vote "For" Salary Effective December 1973	A Vote "Against" Salary Effective January 1, 1974
Commissioner of Public Lands	20,000	21,100	33,000
Insurance Commissioner	16,500	17,400	29,700
Legislators	3,600	3,800*	10,560*
*The increases for legislators cannot take effect until the beginning of their next terms of office.			
	Salary Since 1972		
Supreme Court Judges	\$33,000	\$34,825	\$38,000
Judges—Court of Appeals	30,000	31,650	35,000
Superior Court Judges	27,000	28,500	32,000
Full-time District Court Judges	22,000	23,250	26,000

Referendum Bill 33

(Continued from Page 13)

such plates could be issued, however, which would duplicate or conflict with existing or projected license plate series; and, in addition, the department of motor vehicles would be authorized to refuse to issue any combination of letters or numbers carrying connotations offensive to good taste and decency or which would be misleading.

In order to obtain or retain such license plates, a person would be required to pay, in addition to the regular registration fee and any other fees and taxes required to be paid upon registration of his vehicle, an additional fee of thirty dollars upon its initial registration and a fee of twenty dollars upon each annual renewal of such registration. All revenues derived from the additional fees would be paid into the state game fund rather than the motor vehicle fund, where they would be available for use exclusively for the preservation, protection, perpetuation and enhancement of nongame wildlife primarily related to endangered species such as Bald Eagles, Columbia River White Tail Deer or song birds.

House Joint Resolution 37

(Continued from Page 17)

On the other hand twelve months after a net income tax has gone into effect and so long as it remains in effect, it would prohibit the following:

1. Sales or use taxes on food and prescription drugs;
2. Any combined state and local sales tax rates in excess of 5.3%;
3. Any further school district special property tax levies for operation and maintenance;
4. A business and occupation tax rate in excess of one-quarter of one percent for those businesses subject to the net income tax;
5. Application of the property tax to business inventories after December 31, 1979;
6. The taxing, under the income tax, of gain from disposition of capital property (as defined by the legislature) attributable to periods arising prior to the effective date of the income tax.

The proposed constitutional amendment would also:

1. **Require** the state to guarantee full funding of a basic program of education; and
2. **Validate** certain implementing legislation passed by the 1973 legislature. Under this legislation the income tax rate on corporations would be 7½% in 1974, 8% in 1975, 8½% in 1976, 9% in 1977, 9½% in 1978, and 10% in 1979 and subsequent years, while the rate schedule for individuals, estates and trusts would range from 2% to 6.5%.

Taxable income for individuals under this legislation generally would be the same as adjusted gross income for federal income tax purposes, less \$1,250 for each personal exemption, and less certain other deductions allowable as itemized deductions for federal income tax purposes. These provisions of the implementing legislation would be tied into the constitutional amendment by the fact that any change in the rate schedule or the definition of taxable income would be subject to referendum as explained above.

House Joint Resolution 40

(Continued from Page 19)

poses be approved by at least sixty percent of the electors voting thereon. However, in the case of long-term excess levies to fund general obligation bonds, this amendment would change the formula for validation of the election so as to provide the same two alternative methods of validation as now exist with respect to excess levies voted on an annual basis for current expenses of a taxing district.