

PAMPHLET OF CANDIDATES FOR SECRETARY OF STATE ENCLOSED

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Official Voters Pamphlet

PUBLISHED BY OFFICE OF THE SECRETARY OF STATE



General Election Tuesday, November 4, 1975

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Voter's Check List

Every Washington voter will vote on six state measures and on the position of secretary of state at the approaching state general election, Tuesday, November 4, 1975. The ballot titles for the state measures and the statewide ballot for secretary of state are reproduced below as a convenience to the voter in preparing to go to the polls or cast an absentee ballot. Because of the annual state general election law, some legislative positions and some partisan county offices will be voted upon for unexpired terms in different parts of the state. Because of the great variation in local ballots, it is not practical to include a check list for local offices in this pamphlet. However, voters are encouraged to bring any lists or sample ballots to the polling place to make voting easier. **State law reads: "Any voter may take with him into the polling place any printed or written memorandum to assist him in marking or preparing his ballot". (RCW 29.51.180)**

Proposed by Initiative Petition

INITIATIVE MEASURE No. 314

Shall corporations pay a 12% excise tax measured by income so that special school levies may be reduced or eliminated?

YES

NO

Proposed by Initiative Petition

INITIATIVE MEASURE No. 316

Shall the death penalty be mandatory in the case of aggravated murder in the first degree?

YES

NO

Proposed to the People by the Legislature

REFERENDUM BILL No. 35

Shall the Governor, in filling U.S. Senate vacancies, be limited to the same political party as the former incumbent?

YES

NO

Amendment to the State Constitution
Proposed by the Legislature

SENATE JOINT RESOLUTION No. 101

Shall the existing constitutional provisions relating to the judiciary be replaced by a new and revised judicial article?

YES

NO

Amendment to the State Constitution
Proposed by the Legislature

SENATE JOINT RESOLUTION No. 127

Shall a commission be created to fix all legislative salaries and legislators' eligibility for election to other offices be expanded?

YES

NO

Amendment to the State Constitution
Proposed by the Legislature

HOUSE JOINT RESOLUTION No. 19

Shall Washington's constitution be amended to permit governmental assistance for students of all educational institutions—limited by the federal constitution?

YES

NO

SECRETARY OF STATE — One Year Unexpired Term—Vote for One	
Republican Party	Democratic Party
BRUCE K. CHAPMAN <input type="checkbox"/>	KAY D. ANDERSON <input type="checkbox"/>
..... <input type="checkbox"/> <input type="checkbox"/>

CUT THIS PAGE OUT AND TAKE TO YOUR POLLING PLACE



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Introduction to the Official Voters' Pamphlet

Six state measures have been referred to the voters for their approval or rejection at the November 4, 1975, state general election. As required by law, a publication containing the official ballot titles, attorney general's explanations, statements for and against, and rebuttal statements, together with the full text of each of the state measures, must be mailed to each place of residence in the state by the secretary of state prior to the general election. The official ballot titles and explanatory statements have been prepared by the attorney general. The statements for and against and the rebuttal statements have been prepared by committees appointed under a procedure established by law. The secretary of state has no authority to evaluate the truth or accuracy of any of the statements made in the pamphlet or to alter their content in any way.







The text of the constitutional amendments which will appear on the ballot this fall are presented in a new format this year. Each of the amendments repeals or otherwise modifies the effect of existing constitutional provisions. These repealed or affected provisions are presented in the left-hand column of each text page and the proposed constitutional amendments are presented in the right-hand column of the page. In this manner, voters can directly compare the existing provisions with the proposed amendments. We hope this new format will make it easier for the voters to understand these complex measures. A candidates' pamphlet, containing the statements of the candidates nominated for the position of secretary of state is found on page 30.

As Secretary of State of the State of Washington, I hereby certify that I have caused the text of each proposed measure, ballot title, explanatory statement, statement for and against, and rebuttal statement which appears in this publication to be compared with the original of such documents on file in my office and I find them to be full, true, and correct copies of such originals. Witness my hand and the seal of the state of Washington this first day of October, 1975.

*Bruce K. Chapman*

BRUCE K. CHAPMAN
Secretary of State

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Toll-Free Telephone Voters' Service

Again this year, the office of the Secretary of State will provide a toll-free telephone line for election information. Voters from any part of the state may call the toll-free number to receive background information on the state-wide ballot measures, information on absentee voting, or other assistance in connection with the state general election. The toll-free number is 1-800-562-6020. The information service will be in operation Monday through Friday from 12 p.m. to 8 p.m. through November 4. It will also be open on Saturday, November 1 from 9 a.m. to 5 p.m. and on Wednesday, November 5 from 9 a.m. to 5 p.m. We encourage Washington voters to take advantage of this service.



Initiative Measure 314

TO THE PEOPLE

Ballot Title:

Shall corporations pay a 12% excise tax measured by income so that special school levies may be reduced or eliminated?

NOTE: The ballot title and explanatory statement were written by the Attorney General as required by state law. The complete text of Initiative Measure 314 begins on Page 16.

Statement for

When the Legislature failed to reduce consumer taxes and solve the school funding crisis, more than 122,000 Washington voters signed Initiative 314.

YOU NOW PAY MORE THAN YOUR FAIR SHARE

Individual taxes are too high; corporate taxes are too low. Sales taxes have been increased four times in sixteen years. Property taxes have nearly tripled. State tax loopholes benefit the large corporations. Initiative 314 gives individual taxpayers a long overdue break.

INITIATIVE 314 CUTS PROPERTY TAXES

Initiative 314 shifts the tax load from Washington property owners, including Washington-based businesses. Property taxes will be reduced by \$195 million a year. The tax on corporate profits will be paid only by those who can afford it — mainly large, out-of-state corporations which pay minimal property taxes and employ few people in the state. The state's 100,000 unincorporated small businesses will be exempt.

INITIATIVE 314 RELIEVES THE SCHOOL FUNDING CRISIS

Initiative 314 is the only realistic alternative to special school levies for funding the basic needs of schools. With expected economies in school spending, it will replace most of special levies. Special levies can then be used for special purposes. Schools will remain under local control. Failure of 314 will only worsen the school funding problem.

INITIATIVE 314 STIMULATES BUSINESS AND CREATES JOBS

Initiative 314 keeps more than \$100 million in the state that would otherwise go to out-of-state stockholders as corporate

dividends or to the federal government as taxes. This money can be spent by consumers to stimulate business and create jobs for Washington's 150,000 unemployed workers. Corporate business continues to grow and prosper in the 45 other states which already tax corporate profits.

Rebuttal of Statement against

The big business opponents have cleverly tried to cloud this issue. Their goal is to confuse and frighten voters with statements that cannot be substantiated. Their allegations have been proven incorrect in the 45 other states with a corporate tax. Remember, when the clouds are cleared, 314 does four things: (1) Substantially reduces property taxes; (2) Shifts our tax burden by taxing corporate profits only; (3) Helps solve the school funding crisis; (4) Stimulates our economy and creates jobs.

Voters' Pamphlet Statement Prepared by:

NAT WASHINGTON, State Senator, Democrat; CHARLES MOON, State Representative, Democrat; and JOE HAUSSLER, State Representative, Democrat.

Advisory Committee: Dr. REED HANSON, Department of Economics, Washington State University; JAMES AUCUTT, President, Washington Education Association; JOE DAVIS, President, Washington State Labor Council, AFL-CIO; MAXINE KRULL, President, League of Women Voters of Washington; and TOM HALL, President, Washington State Dairy Federation.

The Law as it now exists:

The state does not now impose any tax measured by net income or profits on corporations or any other taxpayers. Corporations, and other types of businesses, however, now pay various excise and property taxes, together with license fees. The main excise tax is the business and occupation tax, which is measured by gross income (total business volume) and which is imposed at various rates of not more than 1%. There is no restriction on the purposes for which the moneys derived from the business and occupation tax may be expended.

The effect of Initiative 314, if approved into Law:

This initiative, if upheld by the courts, would impose upon corporations a 12% tax measured by net income or profits derived from their business in this state. Revenue received from the tax would be earmarked for school support. The annual license fees which are currently paid by corporations would be allowed as credits against the new tax. The business and occupation tax and other excise and property taxes, however, would not be allowed as such credits.

Statement against

MASSIVE TAX INCREASE—AND STILL NO ANSWER FOR SCHOOLS

Initiative 314 would raise only about half the money needed to replace special levies—special levies would still be necessary. Passage would considerably delay a workable solution for schools as the Initiative is certain to be challenged on its constitutionality—the Legislature will be reluctant to act until the courts decide. Passage would add additional problems of more control from Olympia and less decision making by local citizens.

DOUBLE TAXATION—A TAX ON PEOPLE

Corporate business already pays the state business and occupations tax the same as all other business. Only a fraction of the 40,000 corporations doing business in Washington are based out-of-state—all the rest are Washington citizens doing business in Washington. Washington owned and operated business would have no other alternatives than to raise prices or lay off workers—those faced with out-of-state competition may be forced out of business.

MORE STATE SPENDING—NOT LESS TAXES FOR PEOPLE

Initiative 314 adds a new tax and more money for schools without controls for prudent spending and local school accountability. It creates another costly state bureaucracy to administer and collect the tax. It does not roll-back already voted school levies for taxes in 1976. There is no provision to

require landlords to pass any tax relief on to renters. It says nothing about limiting or eliminating special levies—levies will still be necessary and will grow as in the past.

A BUSINESS INCOME TAX—DOORWAY TO UNLIMITED PERSONAL INCOME TAXES

Initiative 314 is a **net income tax** on business. If held constitutional by the courts, the door is open for an income tax on individual salaries and wages.

Rebuttal of Statement for

DON'T BE FOOLED! Substituting one tax for another does **not** create jobs for unemployed or stimulate business. Double taxation of Washington business to get at a few out-of-state firms hurts Washington citizens. With no exemptions for small businesses, 314 makes Washington's business taxes the nation's highest—you will **share** that burden in higher costs for food, clothing, utilities, and other basics. **DON'T BE MISLED!** 314 does **not** guarantee tax relief or limit special levies!

Voters' Pamphlet Statement Prepared by:

HUBERT F. DONOHUE, State Senator, Democrat; and IRVING NEWHOUSE, State Representative, Republican.

Advisory Committee: JIM MATSON, State Senator, Republican; WILLIAM S. LECKENBY, State Representative, Republican, Co-Chairman of Committee Against "314"; and DORM BRAMAN, Co-Chairman of Committee Against "314."



Initiative Measure 316

TO THE PEOPLE

Ballot Title:

Shall the death penalty be mandatory in the case of aggravated murder in the first degree?

NOTE: The ballot title and explanatory statement were written by the Attorney General as required by state law. The complete text of Initiative Measure 316 begins on Page 20.

Statement for

PEOPLE ASKED FOR INITIATIVE 316

Initiative 316 is being presented on the ballot because over 120,000 individual voters asked for it by signing initiative petitions. These citizens are understandably concerned about current methods for handling convicted murderers. Under present Washington State law and practice, even the most heinous murderer sentenced to life imprisonment is, at least theoretically, eligible for parole within 13 years and 4 months.

INITIATIVE 316 WOULD REINSTATE LIMITED MANDATORY CAPITAL PUNISHMENT

Initiative 316 amends Washington State law to provide for mandatory capital punishment for certain specific crimes of murder. These would be called "aggravated murder in the first degree" and would include murder for hire; murder committed during rape or kidnapping; and murder of a peace officer who is performing official duties. (See additional crimes specified in complete text of Initiative 316 in back of pamphlet).

CAPITAL PUNISHMENT ACCEPTED BY MOST AMERICANS

Since 1972, 34 states (and the Federal government) have reinstated capital punishment. Opponents say juries would refuse to convict a murderer if that verdict would result in capital punishment. Yet, well over 100 persons in the U.S., in the last three years, have been convicted of crimes which subject them to capital punishment.

SCALES OF JUSTICE NEED RE-BALANCING

Initiative 316 would serve several vital social functions. It would provide a deterrence to the would-be murderer; it would identify those crimes specified in Initiative 316 as particularly outrageous to society; and it would serve to reinforce society's concern for the dignity and value of innocent human life. The victims of heinous murders and their families have been neglected for too long. Help re-balance the scales of justice by voting for Initiative 316 November 4th.

Rebuttal of Statement against

Opposition arguments are an assortment of emotional appeals and misleading statements. Opponents **well know** the U.S. Supreme Court **has ruled** capital punishment **must be mandatory**. **No study has ever found** that capital punishment **does not** deter heinous murder. It is **just not true** that juries will release persons proven guilty of murders specified in Initiative 316! Murder rates? Here's one: Washington, up 30% in 1974! Convicted killers **do** kill again! Just read the newspapers!

Voters' Pamphlet Statement Prepared by:

AL HENRY, State Senator, Democrat; EARL F. TILLY, State Representative, Republican; and MARGARET HURLEY, State Representative, Democrat.

Advisory Committee: JACK SILVERS, Master, Washington State Grange; ALBERT D. ROSELLINI, Former Governor, Democrat; and PEGGY SJOBLUM, Legislative Liaison, Family and Friends of Missing Persons and Victims of Violent Crimes.

The Law as it now exists:

In accordance with rulings of both the United States and Washington State Supreme Court, the maximum penalty for first degree murder or kidnapping under present law is life imprisonment. These decisions are incorporated in the recently passed revision of the state criminal code, which is to become effective July 1, 1976.

The effect of Initiative 316, if approved into Law:

This initiative, if upheld by the courts, would add to the new state criminal code an additional degree of murder labeled "aggravated murder in the first degree." It would then provide for the mandatory imposition of the death penalty in the case of any conviction of this crime.

Murder in the first degree would constitute aggravated murder in the first degree under any of the following circumstances:

- (1) When the victim is a law enforcement officer or fire fighter performing his official duties;
- (2) When the defendant is serving a term of imprisonment in a state institution at the time of the act resulting in the death;
- (3) When the defendant committed or solicited another person to commit the murder for pay;

(4) When the murder was committed with intent to conceal the commission of another crime or the identity of any person committing that crime, or when the murder was committed with intent to obstruct justice;

(5) When there is more than one victim and the murders result from a single act or were part of a common scheme or plan;

(6) When the defendant committed the murder in furtherance of the crime of rape or kidnapping or in immediate flight from those crimes.

If the death penalty provisions of this initiative are found to be unconstitutional, the initiative substitutes a mandatory sentence of life imprisonment. That sentence cannot be suspended, deferred nor commuted by anyone other than the Governor.

Statement against

Under Washington law, the death penalty "must be inflicted by hanging by the neck." This Initiative makes hanging "mandatory"—the only possible penalty upon conviction. Vote against this barbaric practice.

HANGING IS WRONG

Executions degrade and bloody us all. Human life isn't sacred when we kill in the name of the State. Murderers should be locked up, not imitated.

HANGING DOESN'T PREVENT MURDERS

Criminologists have made dozens of studies to determine whether the death penalty reduces the number of murders. Every one of them has found that it does not. States without capital punishment have the lowest murder rates. Last year, the murder rate was higher in almost every state that has the death penalty, than it was in Washington.

"MANDATORY" HANGING PREVENTS CONVICTIONS

Juries often acquit when conviction requires a death sentence. "Mandatory" capital punishment was abolished long ago in every state in the country — including Washington, in 1909 — primarily because guilty men were being set free by juries unwilling to sentence them to die.

HANGING IS UNNECESSARY

It is not true that murderers sent to prison for life get out and kill again. In all Washington's history, no one who could be executed under this Initiative has ever been paroled and then committed another murder.

HANGING IS IRREVERSIBLE

Innocent people have been convicted of murder. Some have been executed. There is no way to pardon a man after he is hanged.

HANGING IS EXPENSIVE

Death penalty trials and appeals cost so much that it's cheaper to imprison a man for life than execute him. Our tax dollars could better be spent on police protection and aid to families of murder victims.

Rebuttal of Statement for

Initiative 316's proponents claim that it will show our outrage at certain crimes of murder. All murders are outrageous. Initiative 316 only applies to some. We need real solutions to the real problem posed by all homicides, not ineffective gestures aimed only at a few. Hanging people won't stop crime and won't bring victims back. It certainly won't show our "concern for the dignity" of human life. Vote against this brutal, senseless measure.

Voters' Pamphlet Statement Prepared by:

GARY GRANT, State Senator, Democrat; RICK SMITH, State Representative, Democrat; DANIEL J. EVANS, Governor, Republican.

Advisory Committee: Most Reverend RAYMOND G. HUNTHAUSEN, Archbishop of Seattle; Dr. EDWARD B. LINDAMAN; JOAN MASON, President, Families of Murder Victims Against Revenge; MARIANNE CRAFT NORTON, President, Washington State Division, American Association of University Women; CHARLES Z. SMITH, Associate Dean, University of Washington School of Law.



Referendum Bill 35

Chapter 89, Laws of 1975, 1st ex. sess.

Ballot Title:

Shall the Governor, in filling U.S. Senate vacancies, be limited to the same political party as the former incumbent?

Vote cast by the members of the 1975 Legislature on final passage:
HOUSE [98 members]: Yeas, 56; Nays, 31; Absent or not voting, 11.
SENATE [49 members]: Yeas, 31; Nays, 17; Absent or not voting, 1.

NOTE: The ballot title and explanatory statement were written by the Attorney General as required by state law. The complete text of Referendum Bill 35 begins on Page 20.

Statement for

The Selection of a U. S. Senator Should Not be Made Behind Closed Doors

In 1972 the people of the state of Washington passed Initiative 276, the public disclosure law, putting Washington ahead of every other state in political reform; in 1975, with the passage of Referendum 35, we have the opportunity to lead the nation in a long over-due governmental reform—the selection of appointments to the United States Senate.

Under **existing** state law, if a U.S. Senate seat becomes vacant the governor may choose anyone he wishes, and it could be a large financial contributor, a relative or even himself. And there is no accountability. Under the **proposed** measure a governor must choose from a list of three names submitted to him from the duly-elected state central committee of the party of the individual who vacated the senate seat.

Not only does this provide a standard process of selecting appointments, but it also restores a check and balance to the selection process. Moreover, it insures the retention of the basis philosophy of the incumbent. In the last six years governors in New York and Ohio appointed successors of the opposite political party to fill vacated seats—one was a Republican filling a previously Democratic-controlled seat, and one was a Democrat filling a previously Republican-controlled seat—and the voters of the respective states rejected both when they came up for election.

Why is it needed now? Referendum 35 is part of a trend that is apparent on the state and federal level, of decentral-

izing power in the executive branch of government and restoring checks and balances to the governmental process. Moreover, it is of particular importance in the state of Washington from a practical standpoint because both United States Senators from this state are over 60 years of age, and either could be forced to leave office due to illness or death.

Both U.S. Senator Warren Magnuson and U.S. Senator Henry M. Jackson have endorsed Referendum 35.

Rebuttal of Statement against

In their rush to oppose Referendum 35 its opponents have abandoned reason for emotion. Referendum 35 is endorsed by both of our present U.S. Senators, and is supported by Republicans and Democrats alike because it takes the selection of U.S. Senate appointees out of the hands of one man and behind the closed executive office doors, and puts it into the hands of a duly-elected, broad-based, statewide committee, in an **open** election. The appointment is too important to be left totally to the whim of one person. Referendum 35 is a long overdue governmental reform measure that makes government more accountable to the public that supports it.

Voters' Pamphlet Statement Prepared by:

PETER VON REICHBAUER, State Senator, Democrat; and
ELEANOR FORTSON, State Representative, Democrat.

The Law as it now exists:

When a vacancy occurs in the office of a United States senator, the Governor has the power to appoint a person, without regard to his or her political party affiliation, to fill that vacancy until the next general state election, at which time the people have an opportunity to elect a person to the office. General state elections can be held in either even or odd-numbered years, thus the maximum term for which an appointed United States senator may serve without standing for election is approximately twelve months.

The effect of Referendum Bill 35, if approved into Law:

If approved, Referendum Bill No. 35 would limit the Governor, in filling a United States Senate vacancy, to a list of three names submitted by the State Central Committee of the same political party as the senator who held office prior to the vacancy.

Referendum Bill No. 35 would also specify that elections to fill such vacancies can be held only in even-numbered years, thus increasing the term of an appointed United States senator to a maximum of approximately 27 months.

Statement against

**DON'T LOSE YOUR RIGHT TO VOTE
TO POLITICAL BOSSES.
VOTE "NO" ON REFERENDUM 35.**

When an elected position becomes vacant in Washington state between elections, that position is filled by appointment, but only until the next general election when the people elect a successor. General elections take place every year.

But Referendum 35 would delay the election for as long as 27 months in the case of United States Senators only—one of the most important of all the officials we elect!

Referendum 35 allows unelected political bosses to choose a United States Senator for what can be a very long term; now, the law allows an elected governor to fill a vacancy, but only for a short term until the next general election. Your right to vote is to be given to partisan political leaders.

No state has ever had a procedure such as that proposed by Referendum 35. Why? Because it eliminates the long-standing openness found in the present process, promotes closed-door party politics, and sharply curtails the right of the people to vote.

Referendum 35 narrows the basis for selection, excluding the well-qualified candidates simply because they have the wrong political affiliation or because they are "independent."

While the governor can be held accountable to all the people of the state for a poor selection, the state central committee of a political party has no such accountability.

Referendum 35 is bad. It deprives the people of control in

order to turn that control over to a handful of political party leaders.

Rebuttal of Statement for

VOTE AGAINST BACKROOM POLITICS! State political committees are chosen by a few political persons who make political decisions and who are accountable to **no one**. They are **not** elected by the people. Governors are elected by the people and **are** accountable to **all** the people. The supporters of Referendum 35 have given no reason for what might be the most important reason to vote against this proposal—it would delay the election of a United States Senator for as long as 27 months!

Voters' Pamphlet Statement Prepared by:

GEORGE SCOTT, State Senator, Republican; and IRVING NEWHOUSE, State Representative, Republican.



Senate Joint Resolution 101

Proposed Constitutional Amendment

Ballot Title:

Shall the existing constitutional provisions relating to the judiciary be replaced by a new and revised judicial article?

Vote cast by the members of the 1975 Legislature on final passage:
HOUSE [98 members]: Yeas, 84; Nays, 2; Absent or not voting, 12.
SENATE [49 members]: Yeas, 45; Nays, 1; Absent or not voting, 3.

NOTE: The ballot title and explanatory statement were written by the Attorney General as required by state law. The complete text of Senate Joint Resolution 101 begins on Page 21.

Statement for

MODERNIZATION OF OUR COURT SYSTEM

Our present judicial article was largely written in 1889 and is primarily designed to deal with the kind and amount of litigation that existed in 1889. Times have drastically changed. SJR 101 will modernize our judicial article and provide us with better tools to deal with contemporary problems.

FOR YOUR BEST INTERESTS

SJR 101 will result in our courts being operated in a more efficient business-like manner. It is supported by and in part results from the recommendations of the blue ribbon Citizens Committee on Washington Courts.

MAJOR IMPROVEMENTS WHICH WOULD BE MADE BY SJR 101

SJR 101 would make the following major improvements:

- (1) *Coordinated administration of all courts in the state.* You may have experienced some of the frustration and delay which has led thousands of people to decide that such coordination is badly needed. Passage of SJR 101 will enable Washington to have a true statewide system of courts for the first time.
- (2) *Judicial Qualifications Commission for the discipline and removal of errant, inefficient, or arbitrary judges.* The Commission members will be three (3) judges, two (2) lawyers, and four (4) nonlawyer members of the general public.

- (3) *Upgrading of district courts.* The quality of district courts will be upgraded by (a) requiring that eventually all of the judges be qualified as attorneys, (b) giving constitutional status to district courts, (c) providing for flexibility and coordination in such matters as sharing of workload and uniformity of procedures, and (d) allowing district courts to become courts of record by later legislative enactment.

Rebuttal of Statement against

SJR 101 removes no constitutional protections for taxpayers. Our basic protection against unwanted changes in the state constitution is the fact that all such changes must be submitted to a vote of the people. Nothing in SJR 101 changes that. There will be only one change, and that is to reform our judicial system. Other arguments against SJR 101 are deceptive. Merit selection is "prohibited" only in that the people will keep the right to vote for judges.

Voters' Pamphlet Statement Prepared by:

PETE FRANCIS, State Senator, Democrat; and ED SEEBERGER, State Representative, Democrat.

Advisory Committee: KEN BILLINGTON, Chairman, Citizens' Committee on the Courts; MAXINE KRULL; JOHN McCLELLAND, JR.; IRVINE RABEL, Co-Director, Citizens for Court Reform — SJR 101; and WILFRED WOODS, Co-Director, Citizens for Court Reform — SJR 101.

The Law as it now exists:

The judicial branch of state government is established and governed by Article IV of the Washington State Constitution, as amended.

The state courts established by Article IV of the Constitution, in descending order of authority, are the State Supreme Court, the Court of Appeals, and the Superior Courts. Additionally, other inferior courts are created by statute, such as the various district and municipal courts.

The State Supreme Court has original jurisdiction in *habeas corpus*, *quo warranto*, and *mandamus* as to state officers. It also has the authority to review decisions of lower courts, except in some civil actions when the money or property involved is worth less than \$200. Although the Court of Appeals is created by the Constitution, its jurisdiction is defined by statute and court rule. The Superior Courts have original jurisdiction of controversies in excess of \$1,000, probate, divorce, real property, validity of taxes, felony crimes, and all matters not exclusively vested in another court.

When a vacancy occurs on the Supreme Court, Court of Appeals or the Superior Courts, the Governor fills such vacancy by appointment, and the person so appointed holds office until the next regular election.

Justices of the Supreme Court, and judges of the Court of Appeals and the Superior Courts can only be removed from office by a joint resolution of the legislature for cause concurred in by three-fourths of the members.

The Chief Justice of the State Supreme Court is selected by the members of the court for a two-year term from among those justices who have the shortest remaining terms to serve. Although the Constitution is silent on the administrative control of the state's court system, a court administrator's office with limited powers is established by statute.

The effect of Senate Joint Resolution 101, if approved into Law:

SJR 101 if approved by the voters will repeal Article IV of the Washington State Constitution as amended and replace it with a new Article IVA. Although the new article would be, in many respects, quite similar to the former article, there are significant changes.

The method by which the Chief Justice is selected is changed from one involving his seniority on the court to an election by a majority vote of the members of the court. In addition, the Chief Justice is made the chief administrative officer for the judicial system of the state, and empowered to supervise and direct the performance of the management and administrative duties of the judicial system. The Supreme Court is also empowered to divide the state into judicial regions for administrative purposes, and the judges of each region shall select a chief judge to serve as an administrative judge.

(Continued on Page 29.)

Statement against

Vote Against SJR 101

SJR 101 could remove taxpayer's constitutional protections. It violates the constitutional requirement that amendments be so submitted that the people may vote for or against them separately. SJR 101 contains over forty separately identifiable constitutional changes. If the Supreme Court upholds this method of submission, a damaging re-write of the Constitution's taxation and public indebtedness articles could follow.

It violates the doctrine of separation of powers by

- allowing legislators to decide whether to fund the courts;
- surrendering to legislative determination the general jurisdiction of trial courts;
- authorizing legislature to reduce Supreme Court at will;
- placing judicial branch under constitutional supervision of state auditor;
- placing Governor in de facto control of judicial qualifications commission.

If Watergate taught us anything, it is the need for an independent judiciary, unfettered by the executive or legislature.

It is a backward step in judicial reform, by

- constitutionally prohibiting merit selection and merit retention of judges, the two chief goals motivating judicial reform throughout the country.

It deprives citizens of valuable rights

It repeals constitutional requirement that Superior Courts decide cases within 90 days. It repeals requirement that Supreme Court give written reasons for its decisions.

SJR 101 raises state costs, moves power to Olympia

It places all trial court operations under administrative supervision of Supreme Court. This court has so managed the appellate court system that in seven years the appellate backlog has risen by over 50% even after the legislature created 12 new positions on the intermediate court of appeals. **SJR 101 is not judicial reform.**

Rebuttal of Statement for

MODERNIZATION? Is shotgun legislative tampering with our Constitution the way to modernize? Shouldn't wholesale revision be done properly — by other means? **EFFICIENCY?** With daily trial court operations supervised by Supreme Court unable to handle Appellate Court backlog? **STATEWIDE SYSTEM?** Without assured state funding? **JUDICIAL DISCIPLINE?** By Commission substantially controlled by Governor appointing almost half its membership? **WARNING!** SJR 101 **does not** implement Citizens' Committee's recommendations. Be careful — you have much to lose! Vote against SJR 101.

Voters' Pamphlet Statement Prepared by:

KENT E. PULLEN, State Senator, Republican; HAL ZIMMERMAN, State Representative, Republican; and BILL SCHUMAKER, State Representative, Republican.

Advisory Committee: FRANK HALE, Former Chief Justice, State Supreme Court; ALFRED J. SCHWEPPE, Attorney, Seattle; FRANCIS E. HOLMAN, Judge of the Superior Court.



Senate Joint Resolution 127

Proposed Constitutional Amendment

Ballot Title:

Shall a commission be created to fix all legislative salaries and legislators' eligibility for election to other offices be expanded?

Vote cast by the members of the 1975 Legislature on final passage:
HOUSE [98 members]: Yeas, 67; Nays, 17; Absent or not voting, 14.
SENATE [49 members]: Yeas, 47; Nays, 1; Absent or not voting, 1.

NOTE: The ballot title and explanatory statement were written by the Attorney General as required by state law. The complete text of Senate Joint Resolution 127 begins on Page 26.

Statement for

REMOVES CONFLICT OF INTEREST

Legislators set their own salaries—an obvious conflict of interest. SJR 127 would establish an independent commission to set legislator's salaries, removing this conflict and placing legislators' compensation in the hands of the citizens.

The proposal would allow salaries to be established on a professional non-political basis and removes the issue from partisan politics.

A POLICY DECISION BY CITIZENS

At least 60% of the Commission must be chosen by lot (similar to a jury procedure) from the state's registered voters. The remaining members could be selected so as to provide experience in personnel or salary management. This would insure control by the citizen majority.

In addition, the right to file a referendum petition against any salary increase is guaranteed.

A METHOD FOR SETTING LEGISLATIVE SALARIES IS NEEDED

An annual legislative salary of \$3,600 was set in 1965 and revised by Initiative 282 by 5½% in 1973. Thus, only one 5½% increase has been made in ten years. A citizen's salary commission could keep salaries on a more current basis.

In accordance with the constitutional provision for officials who do not set their own salary, SJR 127 would allow legislators to receive an increase during their term of office, so House members serving two-year terms and Senators serving four-year terms would be treated equally.

EXTENDS EQUAL RIGHT TO RUN FOR OFFICE TO LEGISLATORS

Presently, a legislator may not be elected to an office if it was created, or if the salary was increased, during the legislator's current term. SJR 127 gives legislators the same right to run for office as other citizens, but still prohibits appointment to such an office.

Rebuttal of Statement against

Commissions serve a valuable purpose in providing direct decision making by citizens and a safeguard against excessive power in government. Since no legislator or lobbyist may be a member of this commission, it would provide a necessary safeguard against self interest.

Voters' Pamphlet Statement Prepared by:

GARY GRANT, State Senator, Democrat; SID W. MORRISON, State Senator, Republican; and HELEN SOMMERS, State Representative, Democrat.

Advisory Committee: MAXINE KRULL, President, League of Women Voters of Washington; T. PATRICK CORBETT, Judge, Washington State Magistrates' Association; WARREN BISHOP, Chairman, State Committee on Salaries for Elected Officials; JOHN S. MURRAY, State Senator, Republican.

The Law as it now exists:

Under the present state constitution the salaries of members of the state legislature, as well as other state elected officials, are fixed by the legislature or by the people in the exercise of their initiative powers. The constitution prohibits any salary increase for a legislator from taking effect during the term which the legislator was serving at the time the increase was granted. The constitution also prohibits any legislator from being appointed or elected to any other public office which was created, or the compensation of which was increased, during the legislative term for which the legislator, was elected.

The effect of Senate Joint Resolution 127, if approved into Law:

SJR 127 provides for the creation of an independent commission to fix the salaries of members of the legislature, subject to review and nullification by the people by referendum.

No present or former legislator or state or local governmental officer or employee, nor any registered lobbyist, could be a member of the commission. Not less than sixty percent of the commission's members would be chosen by lot from the registered voters of the state, with one member for each congressional district. The re-

maining members would be appointed in a manner to be provided by implementing legislation.

All persons thus selected to serve on the commission would then be subject to confirmation by a superior court judge designated by the chief justice of the state supreme court. Any person found by reason of prejudice, special interests, or incompetency to be unable properly to serve as members of the commission by the superior court judge would be replaced by others chosen in the same manner as the disqualified person was originally chosen.

The commission would file any changes in salary with the secretary of state and those changes would become effective ninety days thereafter unless blocked by the filing of a referendum petition by the people. In that event, the new salaries would not take effect unless approved by the people at the next following general election.

In addition, Senator Joint Resolution No. 127 would also remove the existing prohibition against mid-term salary increases for members of the legislature and would permit legislators to be elected (but not appointed) to other public offices which were created, or the compensation of which was increased, during the legislative terms for which they were elected.

Statement against

Commissions, commissions, commissions!!! Let's not create another costly commission, answerable to no one, just to establish legislative salaries. Legislators should stand up and be counted when it comes to increasing their own salaries. Don't diminish their responsibility and your voice in government by passing this political hot potato to a commission.

In order to maintain the accountability that the voters have justifiably demanded, we urge you to defeat this constitutional amendment. Insist that legislators face up to their responsibility to listen to and be guided by the citizenry in setting salaries!

Presently, state legislators receive an annual salary of \$3,800 and must work full time in Olympia an average of about three months each year. While in Olympia they receive a \$40 per diem allowance to defray living expenses. The remainder of the year they must work part time handling miscellaneous matters in their districts and elsewhere. Instead of voting for a new commission, we suggest that you carefully consider the above facts and then write your legislator indicating your preference for the proper salary: (a) less than \$3,800; (b) between \$3,800 and \$5,999; (c) between \$6,000 and \$7,999; (d) between \$8,000 and \$10,000; or, (e) more than \$10,000. You may also send your opinion to: Salary Survey, Institutions Building, Room 115B, Olympia, Washington 98504.

Rebuttal of Statement for

Legislators **don't** set their **own** salaries — the constitution specifically prohibits such a clear conflict of interest. Before a salary increase can be realized by a legislator he or she must first be re-elected. Citizen input and legislative accountability are thus assured through the ballot box. Vote "No" on SJR 127 and keep this politically sensitive subject right where it belongs — in the laps of the legislators who answer to you, the voter.

Voters' Pamphlet Statement Prepared by:

KENT E. PULLEN, State Senator, Republican; RON DUNLAP, State Representative, Republican; and DONALD L. BOWIE.



House Joint Resolution 19

Proposed Constitutional Amendment

Ballot Title:

Shall Washington's constitution be amended to permit governmental assistance for students of all educational institutions — limited by the federal constitution?

Vote cast by the members of the 1975 Legislature on final passage:
HOUSE [98 members]: Yeas, 86; Nays, 10; Absent or not voting, 2.
SENATE [49 members]: Yeas, 39; Nays, 8; Absent or not voting, 2.

NOTE: The ballot title and explanatory statement were prepared by the Superior Court under a procedure established by law. The complete text of House Joint Resolution 19 begins on Page 28.

Statement for

HELP ALL STUDENTS

HJR 19 would amend the state constitution to make it as strict but not stricter than the U.S. Constitution, which permits limited assistance to students whether they attend public or nonpublic colleges and schools.

NO DIRECT AID TO NONPUBLIC SCHOOLS

It would **not** permit any direct aid to nonpublic schools, and would only provide public assistance to students to the degree already permitted by the Federal Constitution.

It simply corrects a constitutional inconsistency, giving Washington the freedom to decide whether or not to:

- (a) Make low-interest tuition loans and grants available to needy students attending nonpublic as well as public colleges and universities.
- (b) To include students of nonpublic elementary and secondary schools in limited but important services, such as health care, remedial help for disadvantaged and handicapped children, and other student services.

SAME ASSISTANCE AS OTHER STATES

Such assistance is presently allowable under the U.S. Constitution and is available to students in most other states. Yet many Washington students are deprived of these opportunities because of highly prohibitive and discriminatory wording in the state constitution, which is among the most restrictive of all 50 states.

CONTINUE THE DUAL SYSTEM OF EDUCATION

The need to continue the competitive system of education which offers a choice to students is now greater than ever.

America was made great and strong because of this kind of competition.

SAVING OF TAX DOLLARS

HJR 19 would encourage student freedom of choice among all educational facilities, including nonpublic colleges and schools which save Washington taxpayers over \$100 million dollars during a biennium.

IN LINE WITH FEDERAL CONSTITUTION

HJR 19 enables us to bring the state constitution in line with the U.S. Constitution.

Rebuttal of Statement against

Public money will not go to private schools. This is prohibited by U.S. Constitution and U.S. Supreme Court. Nonpublic schools save taxpayers millions of dollars. Public schools are not weakened. Competition reduces costs. No problem of Church-State separation exists in 34 states providing assistance to college students, or 26 states furnishing services to other nonpublic school students. HJR 19 has nothing to do with private school independence; only student assistance.

Voters' Pamphlet Statement Prepared by:

GORDON HERR, State Senator, Democrat; JOHN L. O'BRIEN, State Representative, Democrat; and A. J. PARDINI, State Representative, Republican.

Advisory Committee: WALT T. HUBBARD, Staff Member, Washington State Human Rights Commission; Dr. DAVID L. McKENNA, President, Seattle Pacific College; WILLIAM J. OLWELL, State Labor Leader; CARROLL O'ROURKE, Tacoma Business Executive; Dr. PAT SMITH, Former Administrator, Kontum Hospital.

The Law as it now exists:

The Washington state constitution presently prohibits any public money or property from being appropriated for the support of any religious establishment. The state constitution also provides that all schools maintained or supported wholly or in part by public funds must be free from sectarian control or influence; and thirdly, it prohibits any gifts or loans of state or local governmental credit, funds or property to or in aid of any private individual, except for the support of the needy.

These provisions of the state constitution prohibit most forms of state or locally funded assistance for students attending private church-related schools, and to a lesser extent, for students attending other private schools and public schools as well. Specific programs which are presently unconstitutional include the use of public school buses to transport children to church-related schools, and the provision of financial assistance either directly or by means of state guaranteed loan programs for students attending either public or private schools, colleges or universities.

The First Amendment to the United States Constitution, by its "separation of church and state" provision, also restricts governmental assistance to students attending church-related educational institutions. The restrictions upon such aid resulting from this federal constitutional provision, however,

are less stringent than those now provided for by our state constitution.

It is lawful for our state constitution to be more restrictive in regard to governmental assistance for students than is the federal constitution.

The effect of House Joint Resolution 19, if approved into Law:

This proposed constitutional amendment would authorize the legislature to provide such assistance as is permitted by the United States Constitution for students of public and private educational institutions, including those which are church related for the purpose of advancing their education. The amendment would exempt such assistance from all state constitutional restrictions.

Statement against

HJR 19 will cost taxpayers more, weaken public education, violate church-state separation safeguards, and threaten private school independence.

Cost Taxpayers More

HJR 19 will allow public money to go to private schools. This is inefficient use of tax money, as reliable studies show that subsidization costs more than absorbing students into public schools.

Private education is a valuable alternative, but that is not the issue. The question is: "Should private schools be financed by all taxpayers?" No. Public funds for education should be limited to public schools under public control.

Weaken Public Schools

HJR 19 will weaken public education by diverting taxes to private schools through their students, at a time when public school seats are empty.

HJR 19 is open-ended. If it passes, can there be any doubt that there will be increased pressure for transportation aid, textbooks, "ancillary services," and direct support, with expensive law suits at each step?

Violate Church-State Separation

Most private schools have a religious affiliation. Taxpayers will be forced to underwrite doctrines they do not agree with. We should not make exceptions in-constitutional principles to suit the needs of each special interest.

Threaten Private School Independence

Private schools will be subject to more governmental control. This piper will increasingly call the tune.

Don't allow private schools to become part of the public tax load. Vote against HJR 19.

Rebuttal of Statement for

We will not "save tax dollars" by spending more tax dollars subsidizing private schools. Health care, busing, remedial help, loans, grants, and other services for private schools will be a very expensive tax addition. Other states have allowed some support for private schools, at a great cost to the taxpayer and the public schools. This is why we must preserve our state constitutional guarantees. If HJR 19 passes, all taxpayers could be forced to subsidize specific religious teachings regardless of their own belief.

Voters' Pamphlet Statement Prepared by:

GEORGE SCOTT, State Senator, Republican; JOE HAUSSLER, State Representative, Democrat; and MATTHEW W. HILL, Retired Justice, State Supreme Court.



COMPLETE TEXT OF

Initiative Measure 314

TO THE PEOPLE

AN ACT Enacting the Washington Franchise Privilege Fee and Compensating Tax Code; providing penalties; adding a new Title to the Revised Code of Washington.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF WASHINGTON:

PURPOSE

NEW SECTION. Section 82A-1. Domestic corporations of this state and foreign corporations admitted to do an intrastate business in this state are privileged to carry on innumerable and profitable activities in this state in a corporate form. These corporations are currently subject to nominal and discriminatory annual corporate privilege fees. These fees are limited in amount, have a regressive impact on the smaller corporations and are measured by authorized capital stock which bears little or no relationship to the extent and to the profitability of the business opportunities afforded corporations by this state.

The purpose of this initiative is to give recognition to the fact that the privilege of engaging in business activities in this state as a corporation, regardless of the characterization of these activities for commerce clause purposes, is a substantial privilege for which commensurate fees or taxes should be charged. Inasmuch as the profitability of the corporation is a true indication of the nature and extent of the privileges enjoyed, it is the intention of this initiative to measure the corporate privilege fee by the net income derived by a corporation from the activities it carries on in this state. In order that corporations who do not conduct any intrastate business in this state may be subject to an equivalent tax for comparable privileges but which cannot, because of the commerce clause of the United States Constitution, be subjected to a corporate privilege fee, there is also imposed a compensating tax on corporations doing only an interstate business in this state.

To assure that all corporations pay some fee for the privilege of conducting business activity in this state, the existing corporate fees are not affected by this initiative. Any existing annual corporate privilege fee, however, is credited against the corporate privilege fee imposed by this initiative.

In the event the compensating tax imposed on corporations doing an interstate business in this state is declared invalid, it is nevertheless intended that the corporate privilege fee be imposed pursuant to this initiative on all profit corporations conducting any intrastate business activity in this state.

PART A DEFINITIONS—CONSTRUCTION RULES

NEW SECTION. Sec. 82A-2. (1) Construction—Meaning of Terms. Except as otherwise expressly provided or clearly appearing from the context, any term used in this Title shall have the same meaning as when used in a comparable context in the United States Internal Revenue Code of 1954 and amendments thereto or any successor law or laws relating to federal income taxes and other provisions of the statutes of the United States relating to federal income taxes as such Code, laws and statutes are in effect upon the effective date of this initiative.

(2) Generally. (a) Intent. It is the intention of this Title that the income which constitutes the measure of the corporate privilege fee and compensating tax be the same as taxable income as defined and applicable to the subject taxpayer for the same tax year in the Internal Revenue Code, except as otherwise expressly provided in this Title.

(b) Disposition of Revenues. All revenues derived from the taxes imposed by this Title shall be deposited in a special account hereby created in the state general fund and shall be used exclusively for the purpose of eliminating the need for imposition of special or

excess levies by or for school districts. Any moneys in excess of the amount needed for this purpose shall be used for any educational purpose.

(3) Short Title—Codification. This Title shall be known and may be cited as the "Washington Corporate Franchise Privilege Fee and Compensating Tax Code". Sections 82A-1 through 82A-35 of this initiative shall be codified as a new title in the Revised Code of Washington, to be numbered Title 82A.

NEW SECTION. Sec. 82A-3. Definitions and Rules of Interpretation. When used in this Title where not otherwise distinctly expressed or manifestly incompatible with the intent thereof:

(1) Corporation. The term "corporation" means, in addition to an incorporated entity, an association, trust or any unincorporated organization which is defined as a corporation in the Internal Revenue Code and in substance exercises the privileges of a corporation such as limited liability and issuance of evidences of ownership.

(2) Department. The term "department" means the department of revenue of this state.

(3) Director. The term "director" means the director of the department of revenue of this state.

(4) Financial Organization. The term "financial organization" means any bank, trust company, savings bank, industrial bank, land bank, safe deposit company, private banker, savings and loan association, building and loan association, bank holding company as defined in section 1841, chapter 17, Title 12 of the laws of the United States, credit union, currency exchange, cooperative bank, small loan company, sales finance company, or investment company, and any other corporation at least ninety percent of whose assets consist of intangible property and at least ninety percent of whose gross income consists of dividends or interest or other charges resulting from the use of money or credit.

(5) Fiscal Year. The term "fiscal year" means an accounting period of twelve months ending on the last day of any month other than December.

(6) Foreign Corporation. The term "foreign corporation" means a corporation organized under the laws of a foreign country or a corporation organized under the laws of any state or the United States which is domiciled in a foreign country.

(7) Income. The term "income" means gross income as defined in section 61 of the Internal Revenue Code and includes all items there set forth which the taxpayer is required to include in the computation of its federal income tax liability after the effective date of this initiative subject to the specific deductions and other adjustments required by this Title to arrive at "net income" and "taxable income".

(8) Internal Revenue Code. The term "Internal Revenue Code" means the United States Internal Revenue Code of 1954 or any successor law or laws relating to federal income taxes in effect upon the effective date of this initiative.

(9) Net Income. The term "net income" means taxable income prior to application of the apportionment provisions of Part D of this Title.

(10) Net Income Tax. The term "net income tax" means a tax imposed on or measured, in whole or in part, on the net income of the taxpayer.

(11) Person. The term "person" means and includes a corporation, or any of its officers or employees when so indicated in the context in which the term "person" occurs.

(12) Returns. The term "returns" includes declarations of estimated tax required under this Title.

(13) Sales. The term "sales" means all gross receipts of the taxpayer.

(14) State. The term "state" means any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, any territory or possession of the United States, or any political subdivision of any of the foregoing.

(15) "Fee" or "Tax". The term "fee" or "tax" includes interest and penalties, unless the intention to give it a more limited meaning is disclosed by the context.

(16) Federal Taxable Income. "Federal taxable income" means, unless specifically defined otherwise in this Title, income required to be reported to and subject to tax by the United States government

under section 63 of the Internal Revenue Code plus any special deductions for dividends by sections 241, 243, 244, 245, 246 and 247 of the Internal Revenue Code.

(17) Taxable Year. The term "taxable year" or "tax year" means the calendar year, or the fiscal year ending during such calendar year, upon the basis of which the taxable income is computed under this Title. "Taxable year" or "tax year" means, in the case of a return made for a fractional part of a year under the provisions of this Title, the period for which such return is made.

(18) Taxpayer. The term "taxpayer" means any corporation subject to the fee or tax imposed by this Title.

(19) Title. The term "Title" means Title 82A RCW.

PART B IMPOSITION PROVISIONS

NEW SECTION. Sec. 82A-4. Fee Imposed on Corporations Doing Business in This State. Upon and after January 1, 1976, there is hereby imposed and levied on every corporation, for the privilege of doing or conducting any business in this state as a corporation or exercising or having the privilege of exercising any corporate franchise or privilege in this state, an annual corporate privilege fee measured by twelve percent of the taxable income of each such corporation as defined and determined in accordance with the provisions of this Title. Such fee shall be in addition to the corporate privilege fees imposed by RCW 23A.40.040, 23A.40.060, 23A.40.130, 23A.40.140 and 23A.40.150 (subject to the credit provisions contained in section 82A-25(2) of this Title).

NEW SECTION. Sec. 82A-5. Compensating Tax Imposed on Corporations Not Subject to the Privilege Fee Imposed by Section 82A-4. Upon and after January 1, 1976, for the privilege of receiving, earning or otherwise acquiring income from any source whatsoever subsequent to December 31, 1975, there is levied and imposed on every corporation not subject to the corporate privilege fee imposed by section 82A-4 of this Title, a compensating tax equal to twelve percent of the corporation's taxable income.

NEW SECTION. Sec. 82A-6. Incidence of Privilege Fee. Upon and after January 1, 1976, the corporate privilege fee imposed on corporations by section 82A-4 of this Title shall be paid by every corporation, unless expressly exempted by this Title, which conducts any activity in this state for which this state can constitutionally impose any corporate privilege fee. Liability for the corporate privilege fee imposed by section 82A-4 shall commence at the time any such activity is conducted in this state or the date any corporation is authorized by the corporate laws of this state to do business in this state whichever is earlier and shall cease only when a corporation ceases to conduct any activity in this state for which this state can constitutionally impose any corporate privilege fee or the date a corporation ceases to be qualified to do business in this state, whichever is later.

NEW SECTION. Sec. 82A-7. Incidence of Compensating Tax. Upon and after January 1, 1976, the compensating tax imposed by section 82A-5 shall be paid by every corporation, not subject to the corporate privilege fee and not expressly exempt under this Title, which conducts any activity in this state or derives any income from sources within or attributable to this state for which this state can constitutionally impose an income tax. Liability for the compensating tax shall commence at the time and continue for the period of time any such corporation conducts any such activity in this state or derives any such income from this state and is not also subject to the corporate privilege fee imposed by section 82A-4 on such activity or measured by such income.

PART C TAXABLE INCOME

NEW SECTION. Sec. 82A-8. Taxable Income Defined. (1) "Taxable income" for the purpose of computing the corporate franchise privilege fee and the compensating tax means federal taxable income subject to the following adjustments:

(a) Add taxes on or measured by net income to the extent such taxes have been excluded or deducted from gross income in the computation of federal taxable income.

(b) Add the amount of any deduction taken pursuant to section

613(b)(1) of the Internal Revenue Code.

(c) Add an amount equal to all amounts paid or accrued to the taxpayer as interest or dividends during the taxable year to the extent excluded from gross income or deducted in the computation of federal taxable income.

(d) Add in the case of a Western Hemisphere trade corporation, China Trade Act corporation, or possessions company described in section 931(a) of the Internal Revenue Code, an amount equal to the amount deducted or excluded from gross income in the computation of federal taxable income for the taxable year on account of the special deductions and exclusions (but in the case of a possessions company, net of the deductions allocable thereto) allowed such corporations under the Internal Revenue Code.

(e) Any adjustments resulting from the apportionment provisions of Part D of this Title and the accounting provisions of section 82A-26.

(2) If for the taxable year of a corporation, there is in effect an election under section 992(a) of the Internal Revenue Code or the corporation is treated as a domestic international sales corporation as defined in section 992(a)(3) of the Internal Revenue Code, the corporation shall be subject to the privilege fee or compensating tax imposed by this Title on its taxable income as defined and accounted for in the Internal Revenue Code for such corporation subject to the adjustments contained in this section.

PART D APPORTIONMENT PROVISIONS

NEW SECTION. Sec. 82A-9. Adjustments to Taxable Income—Apportionment Rules. (1) In General. (a) All of the net income of any corporation which is not taxable in another state shall be apportioned to this state.

(b) Any corporation which is taxable in this state and another state shall apportion its net income as provided in this Title.

(2) Taxable In Another State. For purposes of apportionment of net income under this Title, a corporation is taxable in another state if that state has jurisdiction to subject the corporation to a corporate privilege fee if the corporation is taxable under section 82A-4 of this Title, or to a net income tax if the corporation is taxable under section 82A-5.

If a corporation has not filed a net income tax return in another state for the tax year and that state imposes a net income tax, unless the corporation is expressly exempted from that state's net income tax, the corporation is deemed not to be subject to either a corporate privilege fee or net income tax in that state for that tax year.

NEW SECTION. Sec. 82A-10. Apportionment of Net Income. All net income, other than net income from transportation services and financial organizations, shall be apportioned to this state by multiplying the net income by a fraction, the numerator of which is the property factor plus the payroll factor plus the sales factor, excluding any negligible factor and the denominator of which is three reduced by the number of negligible factors. "Negligible factor" means a factor the denominator of which is less than ten percent of one-third of the taxpayer's gross income.

NEW SECTION. Sec. 82A-11. Property Factor. The property factor is a fraction, the numerator of which is the average value of the taxpayer's real and tangible personal property owned and used or rented and used in this state during the tax period and the denominator of which is the average value of all the taxpayer's real and tangible personal property owned and used or rented and used in all states in which the taxpayer is taxable for the tax year.

NEW SECTION. Sec. 82A-12. Valuation of Property—Rented Property. Property owned by the taxpayer is valued at its original cost. Property rented by the taxpayer is valued at eight times the net annual rental rate. Net annual rental rate is the annual rental rate paid by the taxpayer less any annual rental rate received by the taxpayer from subrentals but not less than zero.

NEW SECTION. Sec. 82A-13. Average Value of Property. The average value of property shall be determined by averaging the values at the beginning and ending of the tax period but the director may require the averaging of monthly values during the tax period if reasonably required to properly reflect the average value of the taxpayer's property.

NEW SECTION. Sec. 82A-14. Payroll Factor. The payroll factor is a fraction, the numerator of which is the total amount paid in the state during the tax period by the taxpayer for compensation, and the denominator of which is the total compensation paid in all states in which the taxpayer is taxable for the tax year.

NEW SECTION. Sec. 82A-15. Compensation Paid Within State. Compensation is paid in this state if:

(1) The individual's service is performed entirely within the state; or

(2) The individual's service is performed both within and without the state, but the service performed without the state is incidental to the individual's service within the state; or

(3) Some of the service is performed in the state and

(a) the base of operations, or if there is no base of operations, the place from which the service is directed or controlled is in the state, or

(b) the base of operations or the place from which the service is directed or controlled is not in any state in which some part of the service is performed, but the individual's residence is in this state.

NEW SECTION. Sec. 82A-16. Sales Factor. The sales factor is a fraction, the numerator of which is the total sales of the taxpayer in this state during the tax year and the denominator of which is the total sales of the taxpayer in all states.

"Sales", as used in this section means all gross receipts from:

(1) sales of tangible personal property;

(2) rentals of tangible personal property;

(3) sales of real property held for sale in the ordinary course of a taxpayer's trade or business;

(4) rentals of real property; and

(5) sales of services.

NEW SECTION. Sec. 82A-17. Sales of Tangible Personal Property, Rentals and Services Within State. Sales of tangible personal property are in this state if:

(1) The property is delivered or shipped to a purchaser, other than the United States government, within this state regardless of the f.o.b. point or other conditions of the sale; or

(2) The property is shipped from an office, store, warehouse, factory or other place of storage in this state and (a) the purchaser is the United States government or (b) the taxpayer is not taxable in the state of the purchaser.

(3) The sale is made from an office located in this state to a purchaser (including the United States government) in another state in which the taxpayer is not taxable and the property is shipped to the purchaser from a state in which the taxpayer is not taxable.

(4) Sales and rentals of real property are in this state if the property is located in this state.

(5) Rentals of tangible personal property are in this state to the extent that the property is used in this state.

(6) Sales of services are in this state to the extent that the service is performed in this state.

NEW SECTION. Sec. 82A-18. Interstate Transportation Services. The taxable income of a taxpayer whose activities consist of transportation services for hire rendered partly within this state and partly within another state shall be determined under the provisions of sections 82A-19 through 82A-22.

NEW SECTION. Sec. 82A-19. Interstate Transportation Other Than Oil or Gas by Pipeline or Air Carriers, Apportionment. In the case of net income from transportation services other than that derived from the transportation service of oil or gas by pipeline or air carriers, the net income attributable to Washington sources is that portion of the net income of the taxpayer derived from transportation services wherever performed that the revenue miles of the taxpayer in Washington bear to the revenue miles of the taxpayer in all the states in which the taxpayer is taxable on such services for the tax year. A revenue mile means the transportation for a consideration of one net ton in weight or one passenger the distance of one mile. The net income attributable to Washington sources in the case of a taxpayer engaged in the transportation both of property and of individuals shall be that portion of the entire net income of the taxpayer which is equal to the average of his passenger miles and ton mile fractions, separately computed and individually weighted by the ratio of gross receipts from passenger transportation to total gross

receipts from all transportation, and by the ratio of gross receipts from freight transportation to total gross receipts from all transportation, respectively.

NEW SECTION. Sec. 82A-20. Interstate Transportation of Oil by Pipeline—Apportionment. In the case of net income derived from the transportation of oil by pipeline, net income attributable to Washington shall be that portion of the net income of the taxpayer derived from the pipeline transportation of oil in all the states in which the taxpayer is taxable for the tax year that the barrel miles transported in Washington bear to the barrel miles transported by the taxpayer in all the states in which the taxpayer is taxable for the tax year.

NEW SECTION. Sec. 82A-21. Interstate Transportation of Gas by Pipeline—Apportionment. In the case of net income derived from the transportation of gas by pipeline, net income attributable to Washington shall be that portion of the net income of the taxpayer derived from the pipeline transportation of gas in all the states in which the taxpayer is taxable for the tax year that the thousand cubic feet miles transported in Washington bear to the thousand cubic feet miles transported by the taxpayer in all the states in which the taxpayer is taxable for the tax year.

NEW SECTION. Sec. 82A-22. Air Carriers—Apportionment. In the case of net income derived by a taxpayer as a carrier by aircraft, the portion of net income of such carrier attributable to Washington shall be the average of the following two percentages:

(1) The revenue tons handled by such air carrier at airports within this state for the tax year divided by the total revenue tons handled by such carrier at airports in all states in which the taxpayer is taxable for the tax year;

(2) The air carrier's originating revenue within this state for the tax year divided by the total originating revenue of such carrier from all states in which the taxpayer is taxable for the tax year.

NEW SECTION. Sec. 82A-23. Financial Organizations—Apportionment. The net income of a financial organization attributable to Washington sources shall be taken to be:

(1) In the case of net income of a taxpayer whose activities are confined solely to this state, the entire net income of such taxpayer.

(2) In the case of net income of a taxpayer who conducts activities as a financial organization partially within and partially without this state, that portion of its net income as its gross business in this state is to its gross business in all the states in which the taxpayer is taxable for the same tax year, which portion shall be determined as the sum of:

(a) Fees, commissions or other compensation for financial services rendered within this state;

(b) Gross profits from trading in stocks, bonds or other securities managed within this state;

(c) Interest and dividends received within this state;

(d) Interest charged to customers at places of business maintained within this state for carrying debit balances of margin accounts, without deduction of any costs incurred in carrying such accounts; and

(e) Any other gross income resulting from the operation as a financial organization within this state, divided by the aggregate amount of such items of the taxpayer in all states in which the taxpayer is taxable for the tax year.

NEW SECTION. Sec. 82A-24. Exceptions. (a) If the apportionment provisions of this Title do not fairly represent the extent of the taxpayer's activities in this state, the taxpayer may petition for or the director may require, if reasonable:

(1) the exclusion of any one or more of the factors;

(2) the inclusion of one or more additional factors or the substitution of one or more factors; or

(3) the employment of any other method to effectuate an equitable apportionment.

(b) If the apportionment provisions of this Title in combination with the allocation and apportionment provisions of other states in which a corporation is required to pay a tax on or measured by net income results in the apportionment or allocation of more than one hundred percent of the corporation's taxable income for the same year, the director may make any adjustment to the apportionment provisions of this Title he deems will fairly represent the corpora-

tion's income attributable to this state in light of the attribution rules of other states in which the taxpayer is required to pay a tax on or measured by net income for the same tax year.

PART E CREDITS AND EXEMPTIONS

NEW SECTION. Sec. 82A-25. (1) Exemptions. A corporation organized for any purpose set forth in RCW 24.03.015 and whose property or income shall not inure directly or indirectly to the private benefit or gain of any individual or shareholder shall be exempt from the corporate privilege fee and compensating tax imposed by this Title.

(2) Credits. The amount of any annual privilege fees paid by any corporation pursuant to RCW 23A.40.060, 23A.40.140 and 23A.40.150 shall be allowable as a credit against the privilege fee imposed by this Title for the same taxable year.

PART F ACCOUNTING PROVISIONS

NEW SECTION. Sec. 82A-26. Combined Reporting—Administrative Adjustments. (1) In the case of a corporation liable to report under this Title owning or controlling, either directly or indirectly, another corporation, or other corporations except foreign corporations, and in the case of a corporation liable to report under this Title and owned or controlled, either directly or indirectly, by another corporation except a foreign corporation, the department may require a combined or consolidated report showing the combined taxable income and apportionment factors of the controlled group except foreign corporations and any other information it deems necessary to ascertain the taxable income of any corporation subject to either the corporate privilege fee or the compensating tax. The department is authorized and empowered, in such manner as it may determine, to assess the tax against the corporations which are liable to report under this Title and whose taxable income is involved in the report upon the basis of the combined entire taxable income; or it may adjust the tax in such other manner as it shall determine to be equitable if it determines such adjustment to be necessary in order to prevent evasion of fees or taxes or to reflect the income earned by said corporations from business done in this state. Direct or indirect ownership or control of more than fifty percent of the voting stock of a corporation shall constitute ownership or control for purposes of this section.

(2) In the case of two or more organizations, trades, or businesses (whether or not incorporated, whether or not organized in or having income from sources allocable to this state, and whether or not affiliated) owned or controlled directly or indirectly by the same interests, the department may distribute, apportion or allocate income, deductions, credits or allowances between or among such organizations, trades, or businesses, if it determines that such distribution, apportionment, or allocation is necessary in order to prevent evasion of the corporate privilege fee or compensating tax imposed by this Title.

NEW SECTION. Sec. 82A-27. Method of Accounting. (1) For purposes of the computation of the corporate privilege fee and compensating tax imposed under this Title, a corporation's method of accounting shall be the same as such corporation's method of accounting for federal income tax purposes. If no method of accounting has been regularly used by a corporation, taxable income for purposes of this Title shall be computed under a method prescribed by or acceptable to the department.

(2) It is the intent of this Title that taxable income as defined in this Title for the subject taxpayer for computation of the corporate privilege fee and the compensating tax be ascertained and returned as provided herein on the same accounting method or methods used by the taxpayer in computing his federal income tax liability.

NEW SECTION. Sec. 82A-28. Tax Returns for Partial Year. In the event that the first taxable year of any corporation with respect to which a fee or tax is imposed by this Title ends prior to December 31st of the calendar year 1976 or any other calendar year in which this Title becomes effective (hereinafter referred to as a fractional taxable year), the taxable income for such fractional taxable year shall be the taxpayer's taxable income, computed in accordance

with the otherwise applicable provisions of this Title, for the entire taxable year, adjusted as follows:

(1) Such taxable income shall be multiplied by a fraction, the numerator of which is the number of days in the fractional taxable year and the denominator of which is the number of days in the entire taxable year; or

(2) If the taxpayer so elects, such taxable income shall be adjusted, in accordance with rules of the department, so as to include only such income and be reduced only by such deductions as are attributable to such fractional taxable year, as can be clearly determined from the permanent records of the taxpayer.

PART G ADMINISTRATIVE PROVISIONS

NEW SECTION. Sec. 82A-29. Starting Date—Time and Manner of Payment. (1) The corporate privilege fee and compensating tax shall be due and payable in reference to the taxable income, as defined by this Title, which is earned, received or otherwise acquired by any corporation subject to the fee or tax imposed by this Title subsequent to December 31, 1975 for federal income tax purposes.

(2) The time and manner of payment of the fee or tax imposed by this Title shall be in accordance with the provisions of the Internal Revenue Code (including the provisions relating to installment payments of estimated income tax) and the regulations promulgated thereunder providing for the time and manner of the payment of the federal income tax: PROVIDED, That the department by regulation may make such modifications and exceptions to such provisions as it deems necessary to facilitate the prompt and efficient collection of the fee or tax.

(3) Regardless of any extension of time granted for filing a final federal income tax for any tax year, the corporate privilege fee imposed by section 82A-4 shall be paid at the time the corporation files its annual report with the secretary of state or any successor officer. No corporation shall be qualified to do business in this state if it is delinquent in the payment of the corporate privilege fee imposed by section 82A-4 of this Title.

NEW SECTION. Sec. 82A-30. General Administrative Provisions. The general administrative provisions pertaining to the compliance, enforcement and administration of tax laws administered by the department contained in the following sections of chapter 82.32 RCW are applicable to this Title: 82.32.050 (except references therein to registration), 82.32.060, 82.32.070 (except the last paragraph), 82.32.080, 82.32.090, 82.32.100 (except reference therein to registration), 82.32.105, 82.32.110, 82.32.120, 82.32.130, 82.32.140, 82.32.150, 82.32.160, 82.32.170, 82.32.190, 82.32.200, first paragraph of 82.32.210, 82.32.220, 82.32.230, 82.32.235, 82.32.240, 82.32.260, 82.32.290 (except references therein to certificates of registration), 82.32.300, 82.32.310, 82.32.320, 82.32.330, 82.32.340, 82.32.350, 82.32.360, and 82.32.380.

NEW SECTION. Sec. 82A-31. Board of Tax Appeals Jurisdiction. Jurisdiction is hereby conferred on the state board of tax appeals to review any claim for refund or deficiency assessment of either the corporate privilege fee or compensating tax imposed by this Title. In all cases in which the board has jurisdiction under this section:

(1) The taxpayer or the department may elect either a formal or informal hearing according to rules of practice and procedure promulgated by the board; and

(2) The provisions of RCW 82.03.100 through 82.03.120, RCW 82.03.150 through 82.03.170 and RCW 82.03.190 shall be applicable with respect to hearings and decisions.

NEW SECTION. Sec. 82A-32. Judicial Review on Appeal From Board. Within thirty days after the final decision of the board in a case in which it has jurisdiction and in which a formal hearing has been elected, the taxpayer or the department may appeal to the court of appeals or the state supreme court as provided by law.

NEW SECTION. Sec. 82A-33. Section headings and captions included in this Title do not constitute any part of the law.

NEW SECTION. Sec. 82A-34. Tax Compact. To the extent that Article IV of chapter 82.56 RCW is in conflict with Part D of this Title, the Article is hereby superseded.

NEW SECTION. Sec. 82A-35. Severability. If any section, subdivision of a section, paragraph, sentence, clause or word of this initia-

