

VETO MESSAGE ON SB 7902

March 6, 1997

To the Honorable President and Members,
The Senate of the State of Washington
Ladies and Gentlemen:

I am returning herewith, without my approval, Engrossed Senate Bill No. 7902 entitled:

"AN ACT Relating to lowering business and occupation tax rates;"

This legislation would reduce the business and occupation (B&O) tax rates on services to the pre-1993 level of 1.5 percent. In addition, the B&O tax credit for research and development is made consistent with the B&O tax rates established in this bill. This legislation would reduce General Fund revenues by \$193.3 million for the 1997-99 biennium.

I believe Washington's citizens deserve reasonable, fair and sustainable tax reform that does not jeopardize future investments in education and public safety, and that tax reform should also provide for the maintenance of a healthy economy for future generations. I would have preferred to roll back the B&O tax to pre-1993 levels beginning July 1, 1997. However, this bill, in combination with previously proposed property tax legislation, reduces the General Fund-State revenues by more than \$400 million in the 1997-99 biennium. The size of the total reduction is not compatible with my proposed budget for state spending, which balances revenues and expenses. Enactment of SB 7902 would require reductions in my proposed enhancements in education, further reductions in human services, or a lower ending fund balance, all of which I do not support.

I am committed to reducing the B&O tax to pre-1993 rates, and have introduced Senate Bill 6024 which would do so beginning July 1, 1998. My legislation would reduce revenues by \$94.3 million in the 1997-99 biennium, an integral part of my tax reduction and budget plan.

In light of the many other tax-cut proposals suggested by the Legislature and my own priority on education, SB 6024 is the most reasonable way to achieve the B&O tax rollback.

For these reasons I have vetoed Engrossed Senate Bill 7902, and urge you to support Senate Bill 6024.

Respectfully submitted,
Gary Locke
Governor