

# HOUSE BILL REPORT

## SSB 6098

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### As Reported by House Committee On:

Finance

**Title:** An act relating to studying Washington's tax structure.

**Brief Description:** Creating a committee to study Washington's tax structure.

**Sponsors:** By Senate Committee on Ways & Means (originally sponsored by Senators Constantine, Brown, Prentice, Costa, Spanel, Kline, Carlson, Franklin and Kohl-Welles).

### Brief History:

#### Committee Activity:

Finance: 4/2/01 [DPA].

<p style="text-align: center;"><b>Brief Summary of Substitute Bill</b> <b>(As Amended by House Committee)</b></p>
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- Creates a committee to study Washington's tax system.

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### HOUSE COMMITTEE ON FINANCE

**Majority Report:** Do pass as amended. Signed by 6 members: Representatives Cairnes, Republican Co-Chair; Roach, Republican Vice Chair; Carrell, Conway, Santos and Veloria.

**Minority Report:** Do not pass. Signed by 2 members: Representatives Morris, Democratic Co-Chair; and Berkey, Democratic Vice Chair.

**Staff:** Rick Peterson (786-7150).

### Background:

Washington's tax system is one of the most unique systems in the nation. The state relies primarily on the sales tax, the business and occupation (B&O) tax, and the property tax.

Washington is the only state in the nation that levies a B&O tax on gross receipts. The state's reliance on general sales and gross receipts taxes is the highest in the nation.

Washington's tax system has remained relatively unchanged since 1935.

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**Summary of Amended Bill:**

The Department of Revenue is directed to create a committee on taxation to study the elasticity, equity, and adequacy of the state's tax system. The committee is to consist of eleven members. The department appoints six members, to include academic scholars in the fields of economics, taxation, business administration, public administration, public policy, and other relevant disciplines as determined by the department. In making the appointments, the department must consult with the majority and minority leaders in Senate, the co-speakers in the House of Representatives, the chair of the Ways and Means Committee in the Senate, and the co-chairs of the Finance Committee in the House of Representatives. For the other five members, the Governor and the chairs of the majority and minority caucuses in each house of the Legislature each appoint one member.

The committee is to determine how well the current tax system functions and how it might be changed to better serve the citizens of the state in the twenty-first century. The committee must develop multiple alternatives to the existing tax system designed to increase the harmony between the tax system of this state and the surrounding states, encourage commerce and business creation, and encourage home ownership. The alternatives are to range from incremental improvements in the current tax structure to complete replacement of the tax structure. The primary proposal of the committee must be revenue neutral. The committee may make additional alternatives as the committee chooses.

The Department of Revenue provides staff to the committee for the purpose of the study.

The committee will make a preliminary report to the Ways and Means Committee in the Senate and the Finance Committee in the House of Representatives by January 15, 2002, and final report by June 30, 2002.

**Amended Bill Compared to Substitute Bill:**

The amended bill establishes a preliminary report date of January 15, 2002, and moves the final report date to June 30, 2002 from November 30, 2002. The substitute bill required that the majority of alternatives must be revenue neutral and contain no income tax. The amended bill requires the primary recommendation be revenue neutral and allows the committee to make additional alternatives as the committee chooses.

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**Appropriation:** None.**Fiscal Note:** Available.

**Effective Date of Amended Bill:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** By the middle of February, tax exemption bills totaling almost one billion dollars had been proposed. While the legislature cannot afford to adopt these proposals this session, there must be a good reason for these bills to be introduced. The committee is to be commended for looking at this issue.

**Testimony Against:** None.

**Testified:** (In favor) Seth Dawson, Common Ground for Children and Families.