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**Finance Committee**

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**HB 2654**

**Brief Description:** Requiring a tax expenditure report as part of the biennial budget documents.

**Sponsors:** Representatives Santos, Cody, Kagi, Chase, Kenney, McIntire, Schual-Berke and McDermott.

**Brief Summary of Bill**

- Requires a tax expenditures report to be produced every two years with the Governor's budget.
- Requires the tax expenditures report to determinate whether each exemption is the most fiscally effective means to achieve its purpose, whether the exemption is achieving its purpose, and an analysis of the persons benefitting from the exemption.

**Hearing Date:** 1/29/04

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

**Background:**

Tax exemptions, exclusions, deductions, credits, deferrals, and preferential rates are known as tax preferences. The Department of Revenue (Department) publishes a report listing tax preferences every four years. The report covers more than 500 tax preferences and describes each preference, the year of enactment, the purpose of the preference (or the Department's best guess), an indication of primary beneficiaries, and estimated fiscal impact. The most recent report was published January 2004.

**Summary of Bill:**

A tax expenditures report is created as part of the Governor's biennial budget documents. The report will include the listing of tax exemptions prepared by the Department of Revenue and will categorize each exemption according to the program or function it supports. The report will determinate whether the exemption is achieving its purpose, whether the exemption is the most fiscally effective means to achieve its purpose, and an analysis of the persons benefitting from the exemption. The Governor will make a recommendation on whether each exemption scheduled to terminate in the next biennium should be allowed to terminate, continue, or continue with modification.

**Appropriation:** None.

**Fiscal Note:** Requested on January 19, 2004.

**Effective Date:** The bill takes effect 90 days after adjournment of session in which bill is passed.