# SENATE BILL REPORT
# SB 5831

As of February 24, 2011

**Title**: An act relating to incorporating state tax expenditures into the state budget process.

**Brief Description**: Incorporating state tax expenditures into the state budget process.

**Sponsors**: Senators Chase and Kohl-Welles.

**Brief History:**
**Committee Activity**: Ways & Means: 2/23/11.

## SENATE COMMITTEE ON WAYS & MEANS

**Staff**: Dianne Criswell (786-7433)

**Background**: Beginning in January 1984, the Department of Revenue was required to submit to the Legislature a study on tax exemptions, detailing the revenue lost or taxes shifted as a result of tax preferences. The Governor is requested to review the study and to make recommendations to the Legislature on any tax preferences to repeal or modify. In 1999 the frequency of the study was changed from every even-numbered year to every four years. The most recent study was published in January 2008 and the next study is due in January of 2012.

**Summary of Bill**: Part I of the omnibus operating appropriations bill enacted by the Legislature must include the following:
- a tax expenditure section or sections listing all discretionary state tax expenditures together with an estimate of the state revenue impact associated with each discretionary state tax expenditure;
- a section stating the total estimated revenue impact from all discretionary state tax expenditures, total appropriations, and total state expenditures representing the sum of discretionary state tax expenditures and appropriations; and
- a section stating the total state revenue impact from all nondiscretionary tax expenditures.

For purposes of section 1, discretionary state tax expenditure means a tax preference, as defined in RCW 43.136.021, that impacts revenues appropriated in the omnibus operating appropriations bill and that is not required by the state Constitution, federal Constitution, or federal law.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

The tax exemption study is renamed the tax expenditure report and must be published biennially. The Governor must prepare a tax expenditure report as part of the biennial budget documents. The tax expenditure report includes the listing of expenditures prepared by the Department of Revenue and a budget analysis of each expenditure. The budget analysis categorizes each expenditure according to the programs or functions each expenditure supports. The tax expenditure report does not have to address tax expenditures required under the state Constitution, federal Constitution, or federal law. The Governor must identify each expenditure that terminates during the next biennium and make a recommendation as to whether the expenditure is allowed to terminate, continue, or continue with modification.

**Appropriation**: None.

**Fiscal Note**: Requested on February 18, 2011.

**Committee/Commission/Task Force Created**: No.

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

**Staff Summary of Public Testimony**: PRO: This is a transparency bill, as well as a government accountability proposal. The Legislature has budgeted ways, with little consideration of the means. This would allow the Legislature to weigh tax expenditures against other expenditures. The reports we get are not detailed enough for legislators to make good judgment about the efficacy and value of these preferences. We need an estimate of the impact of each of these – and the estimated total impact. This would allow us to have the info we need to make an informed judgment. This ensures budget transparency. Oregon has adopted a similar provision, which has worked.

**Persons Testifying**: PRO: Senator Chase, prime sponsor; Nick Federici, Our Economic Future Coalition.