SENATE BILL REPORT
SB 6088

As of January 31, 2012

Title: An act relating to strengthening the review of the legislature's goals for tax preferences by requiring that every new tax preference provide an expiration date and statement of legislative intent.

Brief Description: Strengthening the review of the legislature's goals for tax preferences by requiring that every new tax preference provide an expiration date and statement of legislative intent.

Sponsors: Senators Pridemore, Swecker, Conway, Ranker, Shin, Keiser, Kilmer, Kline, Zarelli, Prentice, Rolfes, Eide, Fraser, Kastama, Hobbs, Kohl-Welles, Tom, Benton and Frockt.

Brief History:

Committee Activity: Ways & Means: 1/25/12.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Dianne Criswell (786-7433)

Background: Performance Measurement. The Citizen Commission for Performance Measurement of Tax Preferences (Commission) was established by the 2006 Legislature (Engrossed House Bill 1069). The Commission develops a schedule to review nearly all tax preferences at least once every ten years. The Commission also schedules preferences with expiration dates for reviews two years before the tax preference expires. Tax preference reviews are conducted by the Joint Legislative Audit and Review Committee (JLARC) according to the schedule established by the Commission. For each tax preference, JLARC provides recommendations to continue, modify, schedule for future review, or terminate the preference. The Commission reviews and comments on JLARC report.

Exemption Study. The Department of Revenue (DOR) must produce and submit to the Legislature a tax exemption report every four years. The report includes a listing of the estimated revenue lost from the exemption and the beneficiary of the exemption. The next report is due in January 2012.

Accountability Surveys and Reports. Businesses claiming tax incentives are required to provide data on annual accountability reports or surveys filed with DOR. In general, accountability reports and surveys require information about employment and economic

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activities related to the tax incentives. DOR provides a report to the Legislature entitled "Descriptive Statistics for Tax Incentive Programs," summarizing the data from these reports and surveys. The data is also used for further analysis of program effectiveness, such as the Commission review of tax preferences.

Summary of Bill: For any bill introduced which adopts a new tax preference or expands or extends an existing tax preference, the bill must include legislative intent provisions that might provide context and/or data for purposes of reviewing the preference under the Commission review.

Any bill that is enacted without the legislative intent provisions does not take effect. JLRAC must provide written notice of a bill's failure to meet the requirements to DOR. DOR must then provide written notice that such bill did not take effect to affected parties, the Chief Clerk of the House of Representatives, the Secretary of the Senate, the Office of the Code Reviser, and others as deemed appropriate.

Any tax preference taking effect on or after July 1, 2012, expires five years after the effective date, unless an earlier expiration date is specified in the enacting legislation.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill takes effect on July 1, 2012.

Staff Summary of Public Testimony: PRO: In the Commission review process, there have been questions about the policy goals for our state tax preferences. The Commission review and recommendations would be improved by a clear statement of legislative intent for every tax preference. Such an articulation of intent would clarify the purposes of a tax preference for the public, for the Commission, and JLARC. This bill is a common sense approach to improve the transparency of tax preferences prospectively. Many public expenditures are revisited every two years in the biennial budget process, and the Legislature exercises its discretion to provide appropriations. Tax breaks should likewise be accountable as public expenditures, and we can use a five-year period to review the public benefits of a tax preference and extend those that are effective.

Persons Testifying: PRO: Senator Pridemore, prime sponsor; Nick Federici, Our Economic Future Coalition; Seth Dawson, Common Ground for Children & Families.