
HOUSE BILL 1286

State of Washington 62nd Legislature 2011 Regular Session

By Representatives Orcutt, Hasegawa, Kelley, Santos, and Reykdal

Read first time 01/18/11. Referred to Committee on Ways & Means.

1 AN ACT Relating to the tax preference review process; and amending
2 RCW 43.136.045 and 43.136.055.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 **Sec. 1.** RCW 43.136.045 and 2006 c 197 s 4 are each amended to read
5 as follows:

6 (1) The citizen commission for performance measurement of tax
7 preferences (~~shall~~) must develop a schedule to accomplish an orderly
8 review of tax preferences at least once every ten years. (~~The~~
9 ~~commission shall schedule tax preferences for review in~~) In
10 determining the schedule, the commission must consider the order the
11 tax preferences were enacted into law, (~~except that~~) in addition to
12 other factors including but not limited to grouping preferences for
13 review by type of industry, economic sector, or policy area. The
14 commission may elect to include, anywhere in the schedule, a tax
15 preference that has a statutory expiration date. The commission
16 (~~shall~~) must omit from the schedule tax preferences that are required
17 by constitutional law, sales and use tax exemptions for machinery and
18 equipment for manufacturing, research and development, or testing, the
19 small business credit for the business and occupation tax, sales and

1 use tax exemptions for food and prescription drugs, property tax relief
2 for retired persons, and property tax valuations based on current use,
3 and may omit any tax preference that the commission determines is a
4 critical part of the structure of the tax system. As an alternative to
5 the process under RCW 43.136.055, the commission may recommend to the
6 joint legislative audit and review committee an expedited review
7 process for any tax preference (~~(that has an estimated biennial fiscal~~
8 ~~impact of ten million dollars or less)).~~

9 (2) The commission (~~(shall)~~) must revise the schedule as needed
10 each year, taking into account newly enacted or terminated tax
11 preferences. The commission (~~(shall)~~) must deliver the schedule to the
12 joint legislative audit and review committee by September 1st of each
13 year.

14 (3) The commission (~~(shall)~~) must provide a process for effective
15 citizen input during its deliberations.

16 **Sec. 2.** RCW 43.136.055 and 2006 c 197 s 5 are each amended to read
17 as follows:

18 (1) The joint legislative audit and review committee (~~(shall)~~) must
19 review tax preferences according to the schedule developed under RCW
20 43.136.045. The committee (~~(shall)~~) must consider, but not be limited
21 to, the following factors in the review as relevant to each particular
22 tax preference:

23 (a) The classes of individuals, types of organizations, or types of
24 industries whose state tax liabilities are directly affected by the tax
25 preference;

26 (b) Public policy objectives that might provide a justification for
27 the tax preference, including but not limited to the legislative
28 history, any legislative intent, or the extent to which the tax
29 preference encourages business growth or relocation into this state,
30 promotes growth or retention of high wage jobs, or helps stabilize
31 communities;

32 (c) Evidence that the existence of the tax preference has
33 contributed to the achievement of any of the public policy objectives;

34 (d) The extent to which continuation of the tax preference might
35 contribute to any of the public policy objectives;

36 (e) The extent to which the tax preference may provide unintended

1 benefits to an individual, organization, or industry other than those
2 the legislature intended;

3 (f) The extent to which terminating the tax preference may have
4 negative effects on the category of taxpayers that currently benefit
5 from the tax preference, and the extent to which resulting higher taxes
6 may have negative effects on employment and the economy;

7 (g) The feasibility of modifying the tax preference to provide for
8 adjustment or recapture of the tax benefits of the tax preference if
9 the objectives are not fulfilled;

10 (h) Fiscal impacts of the tax preference, including past impacts
11 and expected future impacts if it is continued. For the purposes of
12 this subsection, "fiscal impact" includes an analysis of the general
13 effects of the tax preference on the overall state economy, including,
14 but not limited to, the effects of the tax preference on the
15 consumption and expenditures of persons and businesses within the
16 state;

17 (i) The extent to which termination of the tax preference would
18 affect the distribution of liability for payment of state taxes;

19 (j) Consideration of similar tax preferences adopted in other
20 states, and potential public policy benefits that might be gained by
21 incorporating corresponding provisions in Washington.

22 (2) For each tax preference, the committee (~~shall~~) must provide
23 a recommendation as to whether the tax preference should be continued
24 without modification, modified, scheduled for sunset review at a future
25 date, or terminated immediately. The committee may recommend
26 accountability standards for the future review of a tax preference.

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