

SENATE BILL REPORT

SB 5554

As of January 19, 2022

Title: An act relating to eliminating the prohibition on local net income taxes if certain revenue neutrality requirements are met.

Brief Description: Eliminating the prohibition on local net income taxes if certain revenue neutrality requirements are met.

Sponsors: Senator Hasegawa.

Brief History:

Committee Activity: Housing & Local Government: 1/20/22.

Brief Summary of Bill

- Authorizes a county, city, or town to levy a graduated tax on personal or business net income if the jurisdiction makes a corresponding reduction in the amounts collected in certain uniform local taxes.
- Provides that any reduction in existing taxes must be made prior to or in conjunction with a jurisdiction levying a personal or business net income tax.
- Repeals the existing statute prohibiting a local government from levying a net income tax.

SENATE COMMITTEE ON HOUSING & LOCAL GOVERNMENT

Staff: Maggie Douglas (786-7279)

Background: Real and Personal Property. Real and personal property is subject to property tax each year based on its value, unless a specific exemption is provided by law.

For the purposes of property taxation, real property is defined as land and all buildings,

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structures, fixtures permanently affixed to the land, or improvements thereon.

Personal property falls into two categories—tangible, and intangible. Tangible personal property consists of things that have a physical existence. Intangible personal property consists of rights and privileges having a legal but not necessarily physical existence. Local governments are statutorily prohibited from imposing a tax on intangible property.

Summary of Bill: A county, city, or town may levy a graduated tax on personal or business net income if the jurisdiction makes a corresponding reduction in the amounts collected in local sales and use taxes, public utility taxes, property taxes, or in the case of cities, business and occupation taxes. A reduction in existing taxes must be made prior to or in conjunction with a jurisdiction levying a personal or business net income tax.

A jurisdiction must prioritize corresponding reduction in the following order:

- sales and use taxes;
- public utility taxes exceeding those necessary for regular maintenance and operation costs; and
- property taxes.

Once a jurisdiction has reduced the amounts collected in existing taxes by no less than 75 percent, the jurisdiction may increase the personal income tax schedule at a graduated rate of \$5 per \$1 decrease in existing uniform taxes. Graduated rate increases may not exceed the current federal income tax rate schedule, adjusted for inflation.

Appropriation: None.

Fiscal Note: Requested on January 17, 2022.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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