

# HB 1879

## Bill Analysis

February 23, 1999

**Brief Description:** Requiring tax incidence information and reporting.

**Bill Sponsors:** Representatives McIntire, Dunshee, Kenney, Hurst, Rockefeller, Reardon, Benson and D. Schmidt.

### Brief Summary of Bill

- Requires incidence estimates for proposed legislation that changes tax revenue by more than five million per year.
- Directs the Department of Revenue to perform a tax incidence study of the Washington tax system.

**Staff:** Rick Peterson, 786-7150.

### Background:

The Office of Financial Management coordinates a system for producing fiscal notes. These fiscal notes estimate the revenue and cost for state and local government associated with proposed legislation.

The incidence of a tax is the ultimate economic burden of the tax. The incidence is not the same as the legal requirement for payment of the tax. For example, cigarette distributors pay the cigarette tax when they purchase the stamps they apply to each cigarette pack. However, since the demand for cigarette is not very sensitive to the price of cigarettes most of the incidence of the cigarette tax is on the consumers not the distributors.

### Summary of Bill:

The Office of Financial Management is required to establish a procedure for providing

incidence estimates on tax legislation which changes revenue by more than \$5 million a year.

The Department of Revenue is required to perform a tax incidence study of the Washington tax system once every two years.

The incidence estimates on proposed legislation and the Department of Revenue study include the following taxes: state and local sales and use taxes; motor vehicle and aircraft fuel taxes; restaurant and bar taxes, admission taxes; leasehold excise taxes; state and local property taxes; public utility district privilege taxes; motor vehicle, camper, travel trailer, and boat excise taxes; state business and occupation taxes; state and local utility taxes; insurance premiums taxes; timber excise taxes; carbonated beverage taxes; cigarette and tobacco products taxes; liquor, beer, and wine taxes, local gambling taxes; state and local real estate excise taxes; estate taxes; state and local rental car taxes; and state and local telephone taxes.

**Appropriation:** None.

**Fiscal Note:** Requested.

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