

Finance Committee

HJM 4008

Brief Description: Encouraging support of President Bush's tax relief plan.

Sponsors: Representatives Cairnes, Roach, Carrell, Barlean, Benson, Pennington, Casada, D. Schmidt, Dunn, Schoesler, Lambert and Esser.

Brief Summary of Bill

- *The Legislature requests that the United States Congress support and work to pass the tax relief plan introduced by President Bush.*

Hearing Date: 2/19/01

Staff: Bob Longman (786-7139).

Background:

President Bush has proposed reductions in federal taxes. The major features of the President's plan are as follows.

The current five income tax rates of 15, 28, 31, 36, and 39.6 percent would be replaced with four rates of 10, 15, 25, and 33 percent.

The income tax child credit would be doubled to \$1,000 per child by 2006. The income limit for the credit would be increased to \$200,000.

The income tax marriage penalty would be reduced by reinstating a 10 percent deduction for two-earner couples.

The income tax charitable deduction would be made available to taxpayers who do not itemize their deductions.

The income tax credit equal to 20% of qualified research expenditures would be made permanent. This credit has been renewed a number of times since its inception in

1981.

The estate tax would be phased out by 2009.

Since Washington does not impose taxes on income, most of these proposed changes would not directly affect state taxes. However, Washington does impose an estate tax. This tax is exactly equal to the amount of credit allowed under the federal estate tax for state estate taxes. Therefore, the state tax does not impose additional tax on the estate. Instead, the state tax shifts revenue from the federal government to the state. The state receives about \$80 million per year from this credit.

Summary of Bill:

The Senate and House of Representatives of the State of Washington respectfully pray that the United States Congress support and work to pass the tax relief plan introduced by President Bush, which includes across-the-board reductions in marginal rates, eliminates the death tax, increases the child care tax credit, and reduces the marriage penalty.

Appropriation: None.

Fiscal Note: Not Requested.