
SUBSTITUTE HOUSE BILL 2731

State of Washington

57th Legislature

2002 Regular Session

By House Committee on Finance (originally sponsored by Representatives Veloria, Gombosky, Dunshee and Chase)

Read first time 02/11/2002. Referred to Committee on .

1 AN ACT Relating to the evaluation of tax preferences; and amending
2 RCW 43.136.010, 43.136.030, 43.136.040, 43.136.050, and 43.136.070.

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

4 **Sec. 1.** RCW 43.136.010 and 1982 1st ex.s. c 35 s 39 are each
5 amended to read as follows:

6 The legislature recognizes that tax preferences are enacted by the
7 legislature to meet objectives which are determined to be in the public
8 interest. The legislature finds, however, that some tax preferences
9 may not be efficient or equitable tools for the achievement of current
10 legislative objectives. The legislature finds that unless it can be
11 demonstrated that the public interest is served by the continued
12 existence of tax preferences, they should be terminated or modified.
13 The legislature further finds that periodic evaluations of tax
14 preferences are needed to determine if their continued existence is in
15 the public interest.

16 It is the intent of the legislature to establish a mechanism for
17 scheduling periodic evaluations of tax preferences together with a
18 system for their termination, continuation, or modification. By this
19 mechanism, the legislature intends to ensure that thorough ((periodic))

1 evaluations are made for each exemption at least once every six years
2 and that those tax preferences which do not continue to serve the
3 public interest are terminated or modified.

4 **Sec. 2.** RCW 43.136.030 and 1982 1st ex.s. c 35 s 41 are each
5 amended to read as follows:

6 The joint legislative ((budget)) audit and review committee shall
7 establish a schedule for review of each tax preference ((for
8 termination)) at least once every six years by the processes provided
9 in this chapter. The review shall be completed and a report prepared
10 on or before ((June)) September 30th of the year ((prior to the date
11 established for termination)) of review. Upon completion of its
12 report, the ((legislative budget)) committee shall transmit copies of
13 the report to the department of revenue. The department of revenue may
14 then conduct its own review of the tax preference ((scheduled for
15 termination)) and shall prepare a report on or before ((September
16 30th)) December 31st of the year prior to the date established for
17 termination. Upon completion of its report the department of revenue
18 shall transmit copies of its report to the joint legislative ((budget))
19 audit and review committee. The ((legislative budget)) committee shall
20 prepare a final report that includes the reports of both the department
21 of revenue and the ((legislative budget)) committee. The ((legislative
22 budget)) committee and the department of revenue shall, upon request,
23 make available to each other all working papers, studies, and other
24 documents which relate to reports required under this section. The
25 ((legislative budget)) committee shall transmit the final report to
26 ((all members of the legislature)) the finance committee of the house
27 of representatives, to the ways and means committee of the senate, to
28 the governor, and to the state library.

29 **Sec. 3.** RCW 43.136.040 and 1982 1st ex.s. c 35 s 42 are each
30 amended to read as follows:

31 In reviewing a tax preference, the joint legislative ((budget))
32 audit and review committee shall develop information needed by the
33 legislature to determine if the tax preference should be terminated as
34 scheduled, modified, or ((reestablished)) continued without
35 modification. The ((legislative budget)) committee shall consider, but
36 not be limited to, the following factors in the review.

1 (1) The persons or organizations whose state tax liabilities are
2 directly affected by the tax preference.

3 (2) Legislative objectives that might provide a justification for
4 the tax preference, including the extent to which the preference
5 encourages business growth or relocation into this state.

6 (3) Evidence that the existence of the tax preference has
7 contributed to the achievement of any of the objectives identified in
8 subsection (2) of this section.

9 (4) The extent to which continuation of the tax preference (~~beyond~~
10 ~~its scheduled termination date~~) might contribute to any of the
11 objectives identified in subsection (2) of this section.

12 (5) Fiscal impacts of the tax preference, including past impacts
13 and expected future impacts if it is (~~not terminated as scheduled~~)
14 continued.

15 (6) The extent to which termination of the tax preference would
16 affect the distribution of liability for payment of state taxes.

17 **Sec. 4.** RCW 43.136.050 and 1982 1st ex.s. c 35 s 43 are each
18 amended to read as follows:

19 (1) Following receipt of the final report from the joint
20 legislative (~~budget~~) audit and review committee, the (~~ways and means~~
21 ~~committees~~) finance committee of the house of representatives and the
22 ways and means committee of the senate shall jointly hold a public
23 hearing to consider the final report and any related data. The
24 committees shall also receive testimony from the governor, or the
25 governor's designee, and other interested parties, including the
26 general public.

27 (2) Following the joint hearing, the committees may separately hold
28 additional meetings or hearings to come to a final determination as to
29 whether a continuation, modification, or termination of a tax
30 preference is in the public interest. If a committee determines that
31 a tax preference should be (~~continued or modified~~) terminated, it
32 shall make the determination as a bill. (~~No more than one tax~~
33 ~~preference shall be reestablished or modified in any one bill.~~)

34 **Sec. 5.** RCW 43.136.070 and 1982 1st ex.s. c 35 s 45 are each
35 amended to read as follows:

36 (~~On or before September 30, 1982,~~) The department of revenue
37 shall provide the (~~select~~) joint legislative audit and review

1 committee with ((a)) reports on existing tax preferences prepared under
2 RCW 43.06.400. (~~The report shall include a list of tax preferences~~
3 ~~and a description of each one.~~) Upon request of the ((select joint))
4 committee, the department of revenue shall provide additional
5 information needed by the ((select joint)) committee to meet its
6 responsibilities under this chapter.

--- END ---