
HOUSE BILL 2936

State of Washington

65th Legislature

2018 Regular Session

By Representatives Pollet, Frame, Kagi, Valdez, and Macri

Read first time 01/26/18. Referred to Committee on State Govt, Elections & IT.

1 AN ACT Relating to estimating tax rates and regressivity for
2 voter, legislative process, and joint legislative audit and review
3 committee consideration; amending RCW 29A.32.070, 29A.72.025,
4 29A.72.283, and 43.136.055; adding a new section to chapter 29A.72
5 RCW; adding a new section to chapter 43.88A RCW; and creating a new
6 section.

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

8 NEW SECTION. **Sec. 1.** The legislature finds that studies have
9 recognized that Washington state has the most regressive state and
10 local tax structure in the nation, which means that some lower income
11 residents pay more in state and local taxes than if they lived
12 anywhere else in the nation. Although Washington is one of the
13 wealthiest states in the nation, the wealthiest individuals and
14 businesses in the state pay far less of a proportionate burden to
15 fund education, health care, transportation, and other essential
16 services compared to the lowest income residents. The legislature
17 intends to provide the public and legislature with a new tool to
18 determine if proposed changes in revenue sources, tax preferences, or
19 tax exemptions result in making the state's tax structure more
20 regressive or more progressive.

1 **Sec. 2.** RCW 29A.32.070 and 2016 c 83 s 1 are each amended to
2 read as follows:

3 (1) The secretary of state (~~((shall))~~) must determine the format
4 and layout of the voters' pamphlet published under RCW 29A.32.010.
5 The secretary of state (~~((shall))~~) must print the pamphlet in clear,
6 readable type on a size, quality, and weight of paper that in the
7 judgment of the secretary of state best serves the voters. The
8 pamphlet must contain a table of contents. Measures and arguments
9 must be printed in the order specified by RCW 29A.72.290.

10 (2) The secretary of state's name may not appear in the voters'
11 pamphlet in his or her official capacity if the secretary is a
12 candidate for office during the same year. His or her name may only
13 be included as part of the information normally included for
14 candidates.

15 (3) The voters' pamphlet must provide the following information
16 for each statewide issue on the ballot except measures for an
17 advisory vote of the people whose requirements are provided in this
18 subsection (~~((11) of this section))~~):

19 (~~((1))~~) (a) The legal identification of the measure by serial
20 designation or number;

21 (~~((2))~~) (b) The official ballot title of the measure;

22 (~~((3))~~) (c) A statement prepared by the attorney general
23 explaining the law as it presently exists;

24 (~~((4))~~) (d) A statement prepared by the attorney general
25 explaining the effect of the proposed measure if it becomes law;

26 (~~((5))~~) (e) The fiscal impact statement prepared under RCW
27 29A.72.025;

28 (~~((6))~~) (f) The revenue equity statement prepared under section 3
29 of this act;

30 (g) The total number of votes cast for and against the measure in
31 the senate and house of representatives, if the measure has been
32 passed by the legislature;

33 (~~((7))~~) (h) An argument advocating the voters' approval of the
34 measure together with any statement in rebuttal of the opposing
35 argument;

36 (~~((8))~~) (i) An argument advocating the voters' rejection of the
37 measure together with any statement in rebuttal of the opposing
38 argument;

39 (~~((9))~~) (j) Each argument or rebuttal statement must be followed
40 by the names of the committee members who submitted them, and may be

1 followed by a telephone number that citizens may call to obtain
2 information on the ballot measure;

3 ~~((10))~~ (k) The full text of the measure;

4 ~~((11))~~ (l) Two pages ~~((shall))~~ must be provided in the general
5 election voters' pamphlet for each measure for an advisory vote of
6 the people under RCW 43.135.041 and ~~((shall))~~ must consist of the
7 serial number assigned by the secretary of state under RCW
8 29A.72.040, the short description formulated by the attorney general
9 under RCW 29A.72.283, the tax increase's most up-to-date ten-year
10 cost projection, including a year-by-year breakdown, by the office of
11 financial management under RCW 43.135.031, and the names of the
12 legislators, and their contact information, and how they voted on the
13 increase upon final passage so they can provide information to, and
14 answer questions from, the public. For the purposes of this
15 subsection, "names of legislators, and their contact information"
16 includes each legislator's position (senator or representative),
17 first name, last name, party affiliation (for example, Democrat or
18 Republican), city or town they live in, office phone number, and
19 office email address.

20 NEW SECTION. **Sec. 3.** A new section is added to chapter 29A.72
21 RCW to read as follows:

22 (1) The office of financial management must prepare a revenue
23 equity statement for each of the following state ballot measures:

24 (a) An initiative to the people that is certified to the ballot;

25 (b) An initiative to the legislature that is certified to the
26 house of representatives and the senate;

27 (c) An alternative measure appearing on the ballot that the
28 legislature proposes to an initiative to the legislature;

29 (d) A referendum bill referred to voters by the legislature; and

30 (e) A referendum measure appearing on the ballot.

31 (2) The revenue equity statement must describe the projections
32 for how the ballot measure would affect any projected increase or
33 decrease in the average effective tax rate, including the combined
34 state and local tax burden, imposed directly or indirectly on
35 Washington residents in excess of 0.05 percent of family income for
36 any family income quintile. Each statement must include:

37 (a) The estimated average effective tax rate imposed by the
38 measure, expressed as a percentage of family income, in each family
39 income quintile;

1 (b) Similar estimates within the top 0.5 percent, the top one
2 percent, the top five percent, and the bottom ten percent under
3 current law and under each proposed measure;

4 (c) Comparable estimates for the first six fiscal years following
5 enactment of the proposed measure;

6 (d) A regressivity grade to describe the relative degree to which
7 the measure changes the regressivity of the state tax code. The grade
8 options must be described as "significantly increases regressivity,"
9 "slightly increases regressivity," "significantly increases
10 progressivity," or "slightly increases progressivity"; and

11 (e) A summary of the ballot measure not to exceed two hundred
12 words and a more detailed disclosure that includes the assumptions
13 that were made to estimate the effective rate of taxes, and any
14 unavoidable limitations on the availability of data for a
15 comprehensive analysis.

16 (3) In preparing revenue equity statements, the office of
17 financial management may utilize an advisory committee drawn from
18 persons with relevant expertise on the faculty of public higher
19 education institutions in Washington. If an advisory committee is
20 utilized, the statement in the voters' pamphlet must include the
21 names of any advisors and their affiliations. All meetings of an
22 advisory committee must be open to the public with notice provided to
23 interested persons and posted at least ten days in advance on the web
24 site of the governor and legislature.

25 (4) Revenue equity statements must be written in clear and
26 concise language, avoid legal and technical terms when possible, and
27 be filed with the secretary of state no later than the last business
28 day in July for a ballot measure to the people, or no later than the
29 first day of the legislative session for which an initiative to the
30 legislature has been submitted. Revenue equity statements may include
31 easily understood graphics. Revenue equity statements must be
32 available online from the secretary of state's web site and included
33 in the state voters' pamphlet. Additional information may be posted
34 on the web site of the office of financial management.

35 (5) For the purposes of this section "effective tax rate"
36 includes fees paid by the majority of Washington residents as well as
37 revenue measures that are identified as taxes.

38 **Sec. 4.** RCW 29A.72.025 and 2009 c 415 s 7 are each amended to
39 read as follows:

1 (1) The office of financial management, in consultation with the
2 secretary of state, the attorney general, and any other appropriate
3 state or local agency, (~~shall~~) must prepare a fiscal impact
4 statement for each of the following state ballot measures: (~~(1)~~)
5 (a) An initiative to the people that is certified to the ballot;
6 (~~(2)~~) (b) an initiative to the legislature that will appear on the
7 ballot; (~~(3)~~) (c) an alternative measure appearing on the ballot
8 that the legislature proposes to an initiative to the legislature;
9 (~~(4)~~) (d) a referendum bill referred to voters by the legislature;
10 and (~~(5)~~) (e) a referendum measure appearing on the ballot. Fiscal
11 impact statements must be written in clear and concise language,
12 avoid legal and technical terms when possible, and be filed with the
13 secretary of state no later than the (~~tenth day of August~~) last
14 business day of July. Fiscal impact statements may include easily
15 understood graphics.

16 (2) A fiscal impact statement must describe any projected
17 increase or decrease in revenues, costs, expenditures, or
18 indebtedness that the state or local governments will experience if
19 the ballot measure were approved by state voters. Where appropriate,
20 a fiscal impact statement may include both estimated dollar amounts
21 and a description placing the estimated dollar amounts into context.
22 A fiscal impact statement must include both a summary of not to
23 exceed one hundred words and a more detailed statement that includes
24 the assumptions that were made to develop the fiscal impacts.

25 (3) Fiscal impact statements must be available online from the
26 secretary of state's web site and included in the state voters'
27 pamphlet. Additional information may be posted on the web site of the
28 office of financial management.

29 **Sec. 5.** RCW 29A.72.283 and 2008 c 1 s 8 are each amended to read
30 as follows:

31 Within five days of receipt of a measure for an advisory vote of
32 the people from the secretary of state under RCW 29A.72.040 the
33 attorney general (~~shall~~) must formulate a short description not
34 exceeding thirty-three words and not subject to appeal, of each tax
35 increase and (~~shall~~) must transmit a certified copy of such short
36 description meeting the requirements of this section to the secretary
37 of state. The description must be formulated and displayed on the
38 ballot substantially as follows:

1 "The legislature imposed, without a vote of the people,
2 (identification of tax and description of increase), costing (most
3 up-to-date ten-year cost projection, expressed in dollars and rounded
4 to the nearest million) in its first ten years, for government
5 spending. This tax increase should be:

- 6 Repealed []
- 7 Maintained []"

8 Saturdays, Sundays, and legal holidays are not counted in calculating
9 the time limits in this section. If the office of financial
10 management has assigned the measure a regressivity grade under
11 section 6 of this act, the description must also include the
12 following: "It has been determined by the Office of Financial
13 Management that this measure will (identification of tax rate equity
14 statement regressivity grade)." The words "This tax increase should
15 be: Repealed [] Maintained []" and "It has been
16 determined by the Office of Financial Management that this tax
17 increase will..." are not counted in the thirty-three word limit for
18 a short description under this section.

19 NEW SECTION. Sec. 6. A new section is added to chapter 43.88A
20 RCW to read as follows:

21 (1)(a) The director of financial management, in consultation with
22 the legislature, the department of revenue, and any other appropriate
23 state or local agency, must establish a procedure for the provision
24 of a tax rate equity statement for legislative bills that describes
25 how the bill would affect any projected increase or decrease in the
26 average effective tax rate imposed directly or indirectly on
27 Washington residents in excess of 0.05 percent of family income for
28 any family income quintile.

29 (b)(i) A tax rate equity statement must be prepared by the office
30 of financial management for a particular bill upon request by the
31 chairperson, vice chairperson, or ranking member of a committee to
32 which the bill is referred, or by the bill's prime sponsor. Upon
33 receiving a request for a tax equity statement during a legislative
34 session, the office of financial management must return the tax rate
35 equity statement to the requesting party in no more than ten days,
36 and copies must be filed with:

1 (A) The chairperson of the committee to which the bill was
2 referred upon introduction in the house of origin;

3 (B) The senate committee on ways and means, or its successor;

4 (C) The house committees on finance and appropriations, or their
5 successors.

6 (ii) Whenever possible, the tax rate equity statement must be
7 provided prior to or at the time the bill is first heard by the
8 committee of reference in the house of origin.

9 (iii) When a tax rate equity statement has been prepared for a
10 bill, a copy must be placed in the bill books or otherwise attached
11 to the bill and must remain with the bill throughout the legislative
12 process insofar as possible.

13 (2) Each tax rate equity statement must include:

14 (a) The estimated average effective tax rate imposed by the
15 measure, expressed as a percentage of family income, in each family
16 income quintile;

17 (b) Similar estimates within the top 0.5 percent, the top one
18 percent, the top five percent, and the bottom ten percent under
19 current law and under each proposed measure;

20 (c) Comparable estimates for the first six fiscal years following
21 enactment of the proposed measure;

22 (d) A regressivity grade to describe the relative degree to which
23 the measure changes the regressivity of the state tax code. The grade
24 options must be described as "significantly increases regressivity,"
25 "slightly increases regressivity," "significantly increases
26 progressivity," or "slightly increases progressivity";

27 (e) A summary of the bill not to exceed two hundred words and a
28 more detailed disclosure that includes the assumptions that were made
29 to estimate the effective rate of taxes, and any unavoidable
30 limitations on the availability of data for a comprehensive analysis.

31 (3) For the purposes of this section "effective tax rate"
32 includes fees paid by the majority of Washington residents as well as
33 revenue measures that are identified as taxes.

34 **Sec. 7.** RCW 43.136.055 and 2011 c 335 s 3 are each amended to
35 read as follows:

36 (1) The joint legislative audit and review committee must review
37 tax preferences according to the schedule developed under RCW
38 43.136.045. The committee must consider, but not be limited to, the

1 following factors in the review as relevant to each particular tax
2 preference:

3 (a) The classes of individuals, types of organizations, or types
4 of industries whose state tax liabilities are directly affected by
5 the tax preference;

6 (b) Public policy objectives that might provide a justification
7 for the tax preference, including but not limited to the legislative
8 history, any legislative intent, or the extent to which the tax
9 preference encourages business growth or relocation into this state,
10 promotes growth or retention of high wage jobs, or helps stabilize
11 communities;

12 (c) Evidence that the existence of the tax preference has
13 contributed to the achievement of any of the public policy
14 objectives;

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

17 (e) The extent to which the tax preference may provide unintended
18 benefits to an individual, organization, or industry other than those
19 the legislature intended;

20 (f) The extent to which terminating the tax preference may have
21 negative effects on the category of taxpayers that currently benefit
22 from the tax preference, and the extent to which resulting higher
23 taxes may have negative effects on employment and the economy;

24 (g) The feasibility of modifying the tax preference to provide
25 for adjustment or recapture of the tax benefits of the tax preference
26 if the objectives are not fulfilled;

27 (h) Fiscal impacts of the tax preference, including past impacts
28 and expected future impacts if it is continued. For the purposes of
29 this subsection, "fiscal impact" includes an analysis of the general
30 effects of the tax preference on the overall state economy,
31 including, but not limited to, the effects of the tax preference on
32 the consumption and expenditures of persons and businesses within the
33 state;

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

36 (j) The economic impact of the tax preference compared to the
37 economic impact of government activities funded by the tax for which
38 the tax preference is taken at the same level of expenditure as the
39 tax preference. For purposes of this subsection the economic impact

1 shall be determined using the Washington input-output model as
2 published by the office of financial management;

3 (k) Consideration of similar tax preferences adopted in other
4 states, and potential public policy benefits that might be gained by
5 incorporating corresponding provisions in Washington;

6 (1) Consideration of any regressivity grade assigned by the
7 office of financial management.

8 (2)(a) For each tax preference, the committee must provide a
9 recommendation as to whether the tax preference should be continued
10 without modification, modified, scheduled for sunset review at a
11 future date, or terminated immediately. The committee may recommend
12 accountability standards for the future review of a tax preference.

13 (b) The recommendation must specifically consider and address the
14 degree to which a tax preference increases or decreases regressivity
15 of the state's tax system relative to lower and middle income
16 residents and any appropriate comparative populations. If a tax
17 preference is found to have significantly increased regressivity
18 compared to the initial forecast from the office of financial
19 management, and the committee recommends continuing the preference,
20 the committee must explain what benefits justify retaining the
21 preference.

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