

SENATE BILL REPORT

SB 5541

As of January 29, 2019

Title: An act relating to creating a state revenue reform task force.

Brief Description: Creating a state revenue reform task force.

Sponsors: Senators Hasegawa, Darneille, Hunt and Nguyen.

Brief History:

Committee Activity: Ways & Means: 1/30/19.

<p style="text-align: center;">Brief Summary of Bill</p> <ul style="list-style-type: none">• Creates the state revenue reform task force.
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SENATE COMMITTEE ON WAYS & MEANS

Staff: Alia Kennedy (786-7405)

Background: Taxes are an important revenue source for Washington State and comprise almost all of the general fund, but slightly less than 50 percent of all revenues. Other sources of revenue include federal and other grants, license and permit fees, charges for services, and borrowing. Washington State relies on the sales tax, the business and occupation tax, and property tax. Unlike most states, Washington State does not have either a personal or corporate net income tax.

In 2001, the Legislature directed the Department of Revenue (DOR) to convene the Washington State Tax Structure Study Committee. The committee was charged with reviewing how well the current tax system functions and how it might be changed to better serve the citizens of the state in the twenty-first century, and developing multiple alternatives to the existing tax system. A report of committee findings and recommendations, titled Tax Alternatives for Washington State, was submitted to the Legislature on November 30, 2002.

Summary of Bill: A legislative task force on state revenue reform is established.

All member appointments or selections must be made by July 1, 2019, as follows:

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- the president of the Senate must appoint two members from each of the two largest caucuses of the Senate;
- the speaker of the House of Representatives must appoint two members from each of the two largest caucuses of the House of Representatives; and
- the Governor must appoint one member who represents the Office of the Governor.

The task force must also include:

- a representative of DOR;
- a representative of the Association of Washington Cities; and
- a representative of the Washington State Association of Counties.

The task force may convene an advisory group to include:

- academic scholars in the fields of economics, taxation, business administration, public administration, public policy, or other relevant discipline as determined by the task force; and
- representatives of business, state agencies, local government, tribal government, labor, taxpayers, the general public, or other relevant sectors as determined by the task force.

The task force must choose its chair from among its legislative membership. The chair must convene at least three task force meetings.

DOR must provide staff support for the task force.

The purpose of the task force is to review the state tax system and make recommendations to the Legislature on a comprehensive state revenue reform plan to better serve the people of the state. The task force must consider in its review and recommendations the following:

- the tax systems of other states, including Idaho and those states with determined stable, adequate, sustainable, and equitable tax systems;
- the Tax Alternatives for Washington State report to the Legislature; and
- the establishment of a publicly owned depository servicing federal transportation and state funds, and to manage and invest state money facilitating the finance and construction of new and existing public infrastructure systems.

The task force must be guided by certain defined criteria, including the elasticity, economic neutrality, fairness, administrative simplicity, and transparency of possible tax system alternatives.

Members of the task force must serve without compensation, but will be reimbursed for travel expenses. The expenses of the task force must be paid jointly by the Senate and the House of Representatives and are subject to approval by the appropriate committees.

The task force must submit a final report of recommendations to the Legislature by December 1, 2019.

Appropriation: None.

Fiscal Note: Requested on January 23, 2019.

Creates Committee/Commission/Task Force that includes Legislative members: Yes.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2019.