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**HOUSE BILL 1703**

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**State of Washington 66th Legislature 2019 Regular Session**

**By** Representatives Pollet, Paul, Tarleton, Valdez, Gregerson, Orwall, Stanford, Ryu, Santos, Doglio, Pettigrew, Thai, Kloba, Wylie, Goodman, Bergquist, Senn, Peterson, Fitzgibbon, Riccelli, Lekanoff, Tharinger, Jinkins, Frame, Mead, Ramos, Appleton, Fey, Dolan, Walen, Macri, Callan, Kirby, Ortiz-Self, Pellicciotti, Cody, Ormsby, and Hudgins

AN ACT Relating to increasing tax exemption transparency and accountability; amending RCW 43.06.400, 43.88.030, 43.88.055, 43.136.045, and 43.136.065; adding new sections to chapter 43.88 RCW; and creating new sections.

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

NEW SECTION. **Sec.**  (1) Hundreds of tax exemptions and special tax preferences have been granted to special interests by the legislature without requiring assessment of whether those exemptions and preferences would create jobs or result in increased economic activity which increases state revenues. These exemptions and preferences result in the entire tax system being less fair for people who do not have special exemptions and preferences, and increase the taxes on all other taxpayers in order to fund education and other state services.

(2) Tax expenditures reduce revenues collected from the tax base and provide preferential treatment to some at the expense of those not getting a tax expenditure. Almost as much money as is collected in tax revenues is not collected and is given out as tax expenditures. While every expenditure of revenue must be authorized and appropriated in the state budget approved by the legislature, the massive amounts of funding for these tax preferences and exemptions continue without any readoption by the legislature in each budget. These exemptions and preferences are, therefore, tax expenditures, most of which continue without any legislative action year after year while the state seeks other funding to meet constitutional duties to fund education and other services and obligations.

(3) Off-budget spending in the form of tax expenditures has resulted in out of control state spending that is depleting the state of needed revenue to fund essential state services like education and health care. Tax expenditures as off-budget spending lack the accountability of other state spending programs because they have not been included in the state biennial budget process and are not subject to the same biennial scrutiny.

(4) This measure would create a discretionary tax expenditure budget as part of the biennial budget adopted by the legislature. This measure reforms the tax expenditure process by including in a discretionary tax expenditure budget in the biennial state budget process those tax expenditures that do not have an expiration date established in law or tax expenditures that the legislative auditor has recommended should be terminated or reviewed and clarified. The measure is intended to improve transparency and accountability by requiring that those tax preferences that have no expiration date in law or have been recommended for review and clarification: Receive a review, clarification, performance measures, and expiration date; are readopted every two years as part of the budget process; or expire. This brings tax expenditures into the state budget process to protect the public's interest, makes them more transparent and accountable, and helps ensure the tax expenditures are producing the results intended when they were adopted by the legislature. The legislature finds that it has not acted to review and clarify or terminate most tax preferences that the legislative auditor and joint legislative audit and review committee have recommended for review and clarification or termination by the legislature. It is the legislature's intent to add weight to such findings and recommendations by recognizing that these are tax expenditures and requiring those discretionary preferences to be reviewed and clarified, terminated, or readopted in the biennial budget if they are to be continued.

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

(1) The omnibus operating appropriations act enacted by the legislature must include a discretionary tax expenditure budget detailing all discretionary state tax expenditures. The four-year outlook required to be balanced in RCW 43.88.055 may utilize revenues from expenditures that will expire absent legislative readoption in the next biennial budget pursuant to section 4(4) of this act, and which are listed in the discretionary tax expenditure report prepared by the department of revenue pursuant to RCW 43.06.400, for the purposes of calculating available resources for the next ensuing fiscal biennium, provided that the omnibus operating appropriations act identifies the expiring tax expenditures.

(2) The discretionary tax expenditure budget must include an estimate of the state revenue impact associated with each discretionary state tax expenditure.

(3) For the purposes of this section, "discretionary state tax expenditure" means a tax preference, as defined in RCW 43.136.021, which:

(a) Impacts revenues appropriated in the omnibus operating appropriations act;

(b) Has no expiration date established in law, or has been recommended by the legislative auditor and the joint legislative audit and review committee for review and clarification, but for which the legislature has not clarified and adopted new performance measures and an expiration date pursuant to RCW 82.32.805 and 82.32.808; and

(c) Is not required by the state Constitution, United States Constitution, or federal law.

**Sec.**  RCW 43.06.400 and 2013 c 225 s 605 are each amended to read as follows:

(1) Beginning in ((~~January 1984, and in January of every fourth~~)) December 2020, and in December of every second year thereafter, the department of revenue must submit to the legislature prior to the regular session a report with a listing of the amount of reduction for the current and next biennium in the revenues of the state or the revenues of local government collected by the state as a result of tax ((~~exemptions~~)) expenditures. ((~~The listing must include an estimate of the revenue lost from the tax exemption, the purpose of the tax exemption, the persons, organizations, or parts of the population which benefit from the tax exemption, and whether or not the tax exemption conflicts with another state program. The listing must~~)) The report must include a summary of results of any review by the joint legislative audit and review committee and the citizen commission for performance measurement of tax expenditures pursuant to RCW 43.136.065. The report must be made readily available on the department's web site and include links to relevant reports or recommendations of the joint legislative audit and review committee and the citizen commission for performance measurement of tax expenditures. The report must also include but not be limited to the following revenue sources:

(a) Real and personal property tax exemptions under Title 84 RCW;

(b) Business and occupation tax exemptions, deductions, and credits under chapter 82.04 RCW;

(c) Retail sales and use tax exemptions under chapters 82.08, 82.12, and 82.14 RCW;

(d) Public utility tax exemptions and deductions under chapter 82.16 RCW;

(e) Food fish and shellfish tax exemptions under chapter 82.27 RCW;

(f) Leasehold excise tax exemptions under chapter 82.29A RCW;

(g) Motor vehicle and special fuel tax exemptions and refunds under chapter 82.38 RCW;

(h) Aircraft fuel tax exemptions under chapter 82.42 RCW;

(i) Motor vehicle excise tax exclusions under chapter 82.44 RCW; and

(j) Insurance premiums tax exemptions under chapter 48.14 RCW.

(2) The department of revenue must prepare the ((~~listing~~)) report required by this section with the assistance of any other agencies or departments as may be required.

(3) ((~~The department of revenue must present the listing to the ways and means committees of each house in public hearings.~~

~~(4) Beginning in January 1984, and every four years thereafter the governor is requested to review the report from the department of revenue and may submit recommendations to the legislature with respect to the repeal or modification of any tax exemption. The ways and means committees of each house and the appropriate standing committee of each house must hold public hearings and take appropriate action on the recommendations submitted by the governor.~~

~~(5)~~)) As used in this section, "tax ((~~exemption~~)) expenditure" means an exemption, exclusion, or deduction from the base of a tax; a credit against a tax; a deferral of a tax; or a preferential tax rate.

((~~(6) For purposes of the listing due in January 2012, the department of revenue does not have to prepare or update the listing with respect to any tax exemption that would not be likely to increase state revenue if the exemption was repealed or otherwise eliminated.~~))

(4) The department of revenue must submit the tax expenditure report to the governor at the time biennial budget requests are due under RCW 43.88.030. The governor is requested to review the tax expenditure report from the department of revenue and submit it as part of the biennial budget documents under RCW 43.88.030.

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

(1)(a) The discretionary tax expenditure report must be prepared by the department of revenue and transmitted to the governor pursuant to RCW 43.06.400, and the governor must transmit a proposed discretionary tax expenditure budget to the legislature with the governor's proposed operating budget document or documents with recommendations for ending or continuing each discretionary tax expenditure that either:

(i) Has no expiration date established in law;

(ii) Has been recommended by the legislative auditor and the joint legislative audit and review committee for review and clarification, but for which the legislature has not clarified and adopted new performance measures and an expiration date pursuant to RCW 82.32.805 and 82.32.808; or

(iii) Has a revenue reduction of less than fifty thousand dollars per fiscal year or one hundred thousand dollars per biennium as estimated in the report prepared by the department of revenue pursuant to RCW 43.06.400.

(b) The discretionary tax expenditure budget must include an estimate of the state revenue impact associated with each discretionary state tax expenditure. The discretionary tax expenditure budget is not required to address tax expenditures required under the state Constitution, United States Constitution, or federal law.

(2) The governor also may submit other recommendations to the legislature with respect to the repeal or modification of any tax expenditure. The fiscal committees of the house of representatives and the senate and the appropriate standing committees of the house of representatives and the senate must hold public hearings and must adopt a discretionary tax expenditure budget as part of the omnibus appropriations act. Any discretionary tax expenditure that is required to be part of the submitted discretionary tax expenditure budget under this section by reason of not having an expiration date established in law or not having been reviewed and clarified by the legislature following a recommendation to do so from the joint legislative audit and review committee or citizen commission for performance measurement of tax preferences, but which is not included in the discretionary tax expenditure budget in the adopted omnibus appropriations act, expires at the end of the calendar year in which the budget is adopted.

(3) For the purposes of this section, "tax expenditure" means an exemption, exclusion, or deduction from the base of a tax; a credit against a tax; a deferral of a tax; or a preferential tax rate.

(4) Each biennium the discretionary tax expenditure budget must be included in the omnibus operating appropriations act enacted by the legislature.

(a) Tax expenditures in the discretionary tax expenditure budget must:

(i) Be treated as any other state expenditure and must be reauthorized with each biennial budget, until such time as the expenditure otherwise expires; and

(ii) Have an expiration date of no greater than ten years established in law or have been clarified if recommended by the joint legislative audit and review committee or the citizen commission for performance measurement of tax preferences review to be clarified.

(b) No new or existing tax expenditure may be approved or reauthorized by the legislature for more than ten years.

(c) Any new tax expenditure is subject to the same audit and review procedures as existing tax expenditures are required to meet. New tax expenditures enacted as part of the discretionary tax expenditure budget in the omnibus appropriations act but which were not reviewed under all provisions of RCW 43.136.045 or 43.136.055 prior to enactment must be prioritized for review.

(d) The legislature may expire a tax expenditure earlier than its authorized term by either:

(i) A majority vote as provided under Article II, section 22 of the state Constitution; or

(ii) As part of the budget process in the same manner as any other expenditure is approved or denied in the omnibus appropriations act by a majority vote of the members of the house of representatives and the senate.

**Sec.**  RCW 43.88.030 and 2006 c 334 s 43 are each amended to read as follows:

(1)(a) The director of financial management ((~~shall~~)) must provide all agencies with a complete set of instructions for submitting biennial budget requests to the director at least three months before agency budget documents are due into the office of financial management.

(b) The budget document or documents ((~~shall~~)) must consist of the governor's budget message which ((~~shall~~)) must be explanatory of the budget and ((~~shall~~)) must contain an outline of the proposed financial policies of the state for the ensuing fiscal period, as well as an outline of the proposed six-year financial policies where applicable, and ((~~shall~~)) must describe in connection therewith the important features of the budget.

(i) The biennial budget document or documents ((~~shall~~)) must also describe performance indicators that demonstrate measurable progress towards priority results.

(ii) The message ((~~shall~~)) must set forth the reasons for salient changes from the previous fiscal period in expenditure and revenue items and ((~~shall~~)) must explain any major changes in financial policy. Attached to the budget message ((~~shall~~)) must be such supporting schedules, exhibits and other explanatory material in respect to both current operations and capital improvements as the governor ((~~shall~~)) deems to be useful to the legislature.

(iii) The budget document or documents ((~~shall~~)) must set forth a proposal for expenditures in the ensuing fiscal period, or six-year period where applicable, based upon the estimated revenues and caseloads as approved by the economic and revenue forecast council and caseload forecast council or upon the estimated revenues and caseloads of the office of financial management for those funds, accounts, sources, and programs for which the forecast councils do not prepare an official forecast. Revenues ((~~shall~~)) must be estimated for such fiscal period from the source and at the rates existing by law at the time of submission of the budget document, including the supplemental budgets submitted in the even-numbered years of a biennium. However, the estimated revenues and caseloads for use in the governor's budget document may be adjusted to reflect budgetary revenue transfers and revenue and caseload estimates dependent upon budgetary assumptions of enrollments, workloads, and caseloads. All adjustments to the approved estimated revenues and caseloads must be set forth in the budget document.

(c) The governor may additionally submit, as an appendix to each supplemental, biennial, or six-year agency budget or to the budget document or documents, a proposal for expenditures in the ensuing fiscal period from revenue sources derived from proposed changes in existing statutes.

(d) The budget document or documents ((~~shall~~)) must also contain:

((~~(a)~~)) (i) Revenues classified by fund and source for the immediately past fiscal period, those received or anticipated for the current fiscal period, and those anticipated for the ensuing biennium;

((~~(b)~~)) (ii) The discretionary tax expenditure budget prepared under RCW 43.06.400;

(iii) The undesignated fund balance or deficit, by fund;

((~~(c)~~)) (iv) Such additional information dealing with expenditures, revenues, workload, performance, and personnel as the legislature may direct by law or concurrent resolution;

((~~(d)~~)) (v) Such additional information dealing with revenues and expenditures as the governor ((~~shall~~)) deems pertinent and useful to the legislature;

((~~(e)~~)) (vi) Tabulations showing expenditures classified by fund, function, and agency;

((~~(f)~~)) (vii) The expenditures that include nonbudgeted, nonappropriated accounts outside the state treasury;

((~~(g)~~)) (viii) Identification of all proposed direct expenditures to implement the Puget Sound water quality plan under chapter 90.71 RCW, shown by agency and in total; and

((~~(h)~~)) (ix) Tabulations showing each postretirement adjustment by retirement system established after fiscal year 1991, to include, but not be limited to, estimated total payments made to the end of the previous biennial period, estimated payments for the present biennium, and estimated payments for the ensuing biennium.

((~~(2)~~)) (e) The budget document or documents ((~~shall~~)) must include detailed estimates of all anticipated revenues applicable to proposed operating ((~~or~~)), capital, and tax expenditures and ((~~shall~~)) must also include all proposed operating ((~~or~~)), capital, and tax expenditures. The total of beginning undesignated fund balance and estimated revenues less working capital and other reserves ((~~shall~~)) must equal or exceed the total of proposed applicable expenditures.

(f) The budget document or documents ((~~shall~~)) must further include:

((~~(a)~~)) (i) Interest, amortization and redemption charges on the state debt;

((~~(b)~~)) (ii) Payments of all reliefs, judgments, and claims;

((~~(c)~~)) (iii) Other statutory expenditures;

((~~(d)~~)) (iv) Expenditures incident to the operation for each agency;

((~~(e)~~)) (v) Revenues derived from agency operations;

((~~(f)~~)) (vi) Expenditures and revenues ((~~shall~~)) must be given in comparative form showing those incurred or received for the immediately past fiscal period and those anticipated for the current biennium and next ensuing biennium;

((~~(g)~~)) (vii) A showing and explanation of amounts of general fund and other funds obligations for debt service and any transfers of moneys that otherwise would have been available for appropriation;

((~~(h)~~)) (viii) Common school expenditures on a fiscal-year basis;

((~~(i)~~)) (ix) A showing, by agency, of the value and purpose of financing contracts for the lease/purchase or acquisition of personal or real property for the current and ensuing fiscal periods; and

((~~(j)~~)) (x) A showing and explanation of anticipated amounts of general fund and other funds required to amortize the unfunded actuarial accrued liability of the retirement system specified under chapter 41.45 RCW, and the contributions to meet such amortization, stated in total dollars and as a level percentage of total compensation.

((~~(3)~~)) (2) The governor's operating budget document or documents ((~~shall~~)) must reflect the statewide priorities as required by RCW 43.88.090.

((~~(4)~~)) (3) The governor's operating budget document or documents ((~~shall~~)) must identify activities that are not addressing the statewide priorities.

((~~(5)~~)) (4)(a) A separate capital budget document or schedule ((~~shall~~)) must be submitted that will contain the following:

((~~(a)~~)) (i) A statement setting forth a long-range facilities plan for the state that identifies and includes the highest priority needs within affordable spending levels;

((~~(b)~~)) (ii) A capital program consisting of proposed capital projects for the next biennium and the two biennia succeeding the next biennium consistent with the long-range facilities plan. Insomuch as is practical, and recognizing emergent needs, the capital program ((~~shall~~)) must reflect the priorities, projects, and spending levels proposed in previously submitted capital budget documents in order to provide a reliable long-range planning tool for the legislature and state agencies;

((~~(c)~~)) (iii) A capital plan consisting of proposed capital spending for at least four biennia succeeding the next biennium;

((~~(d)~~)) (iv) A strategic plan for reducing backlogs of maintenance and repair projects. The plan ((~~shall~~)) must include a prioritized list of specific facility deficiencies and capital projects to address the deficiencies for each agency, cost estimates for each project, a schedule for completing projects over a reasonable period of time, and identification of normal maintenance activities to reduce future backlogs;

((~~(e)~~)) (v) A statement of the reason or purpose for a project;

((~~(f)~~)) (vi) Verification that a project is consistent with the provisions set forth in chapter 36.70A RCW;

((~~(g)~~)) (vii) A statement about the proposed site, size, and estimated life of the project, if applicable;

((~~(h)~~)) (viii) Estimated total project cost;

((~~(i)~~)) (ix) For major projects valued over five million dollars, estimated costs for the following project components: Acquisition, consultant services, construction, equipment, project management, and other costs included as part of the project. Project component costs ((~~shall~~)) must be displayed in a standard format defined by the office of financial management to allow comparisons between projects;

((~~(j)~~)) (x) Estimated total project cost for each phase of the project as defined by the office of financial management;

((~~(k)~~)) (xi) Estimated ensuing biennium costs;

((~~(l)~~)) (xii) Estimated costs beyond the ensuing biennium;

((~~(m)~~)) (xiii) Estimated construction start and completion dates;

((~~(n)~~)) (xiv) Source and type of funds proposed;

((~~(o)~~)) (xv) Estimated ongoing operating budget costs or savings resulting from the project, including staffing and maintenance costs;

((~~(p)~~)) (xvi) For any capital appropriation requested for a state agency for the acquisition of land or the capital improvement of land in which the primary purpose of the acquisition or improvement is recreation or wildlife habitat conservation, the capital budget document, or an omnibus list of recreation and habitat acquisitions provided with the governor's budget document, ((~~shall~~)) must identify the projected costs of operation and maintenance for at least the two biennia succeeding the next biennium. Omnibus lists of habitat and recreation land acquisitions ((~~shall~~)) must include individual project cost estimates for operation and maintenance as well as a total for all state projects included in the list. The document ((~~shall~~)) must identify the source of funds from which the operation and maintenance costs are proposed to be funded;

((~~(q)~~)) (xvii) Such other information bearing upon capital projects as the governor deems to be useful;

((~~(r)~~)) (xviii) Standard terms, including a standard and uniform definition of normal maintenance, for all capital projects;

((~~(s)~~)) (xix) Such other information as the legislature may direct by law or concurrent resolution.

(b) For purposes of this subsection ((~~(5)~~)) (4), the term "capital project" ((~~shall~~)) must be defined subsequent to the analysis, findings, and recommendations of a joint committee comprised of representatives from the house capital appropriations committee, senate ways and means committee, legislative evaluation and accountability program committee, and office of financial management.

((~~(6)~~)) (5) No change affecting the comparability of agency or program information relating to expenditures, revenues, workload, performance, and personnel ((~~shall~~)) may be made in the format of any budget document or report presented to the legislature under this section or RCW 43.88.160(1) relative to the format of the budget document or report ((~~which~~)) that was presented to the previous regular session of the legislature during an odd-numbered year without prior legislative concurrence. Prior legislative concurrence ((~~shall~~)) must consist of:

(a) A favorable majority vote on the proposal by the standing committees on ways and means of both houses if the legislature is in session; or

(b) A favorable majority vote on the proposal by members of the legislative evaluation and accountability program committee if the legislature is not in session.

**Sec.**  RCW 43.88.055 and 2012 1st sp.s. c 8 s 1 are each amended to read as follows:

(1) The legislature must adopt a four-year balanced budget as follows:

(a) Beginning in the 2013-2015 fiscal biennium, the legislature shall enact a balanced omnibus operating appropriations bill that leaves, in total, a positive ending fund balance in the general fund and related funds.

(b) Beginning in the 2013-2015 fiscal biennium, the projected maintenance level of the omnibus appropriations bill enacted by the legislature shall not exceed the available fiscal resources for the next ensuing fiscal biennium.

(2) ((~~For purposes of this section:~~)) The definitions in this subsection apply throughout this section unless the context clearly requires otherwise.

(a) "Available fiscal resources" means the beginning general fund and related fund balances and any fiscal resources estimated for the general fund and related funds, adjusted for enacted legislation, and with forecasted revenues adjusted to the greater of (i) the official general fund and related funds revenue forecast for the ensuing biennium, or (ii) the official general fund and related funds forecast for the second fiscal year of the current fiscal biennium, increased by 4.5 percent for each fiscal year of the ensuing biennium;

(b) "Forecasted revenues" means the revenue estimate prepared by the economic and revenue forecast council plus any discretionary tax expenditures identified as not being reauthorized in the omnibus operating appropriations act;

(c) "Projected maintenance level" means estimated appropriations necessary to maintain the continuing costs of program and service levels either funded in that appropriations bill or mandated by other state or federal law, and the amount of any general fund moneys projected to be transferred to the budget stabilization account pursuant to Article VII, section 12 of the state Constitution, but does not include in the 2013-2015 and 2015-2017 fiscal biennia the costs related to the enhanced funding under the new definition of basic education as established in chapter 548, Laws of 2009, and affirmed by the decision in *Mathew McCleary et al., v. The State of Washington*, 173 Wn.2d 477, 269 P.3d 227, (2012), from which the short-term exclusion of these obligations is solely for the purposes of calculating this estimate and does not in any way indicate an intent to avoid full funding of these obligations;

((~~(c)~~)) (d) "Related funds((~~,~~))" ((~~as used in this section,~~)) means the Washington opportunity pathways account and the education legacy trust account.

(3) Subsection (1)(a) and (b) of this section does not apply to an appropriations bill that makes net reductions in general fund and related funds appropriations and is enacted between July 1st and February 15th of any fiscal year.

(4) Subsection (1)(b) of this section does not apply in a fiscal biennium in which money is appropriated from the budget stabilization account.

**Sec.**  RCW 43.136.045 and 2011 c 335 s 2 are each amended to read as follows:

(1) The citizen commission for performance measurement of tax preferences must develop a schedule to accomplish an orderly review of tax ((~~preferences~~)) expenditures at least once every ten years. In determining the schedule, the commission must consider the order the tax ((~~preferences~~)) expenditures were enacted into law, in addition to other factors including but not limited to grouping ((~~preferences~~)) expenditures for review by type of industry, economic sector, or policy area. The commission ((~~may elect to include, anywhere in the schedule, a tax preference that has a statutory expiration date. The commission must omit from the schedule tax preferences that are required by constitutional law, sales and use tax exemptions for machinery and equipment for manufacturing, research and development, or testing, the small business credit for the business and occupation tax, sales and use tax exemptions for food and prescription drugs, property tax relief for retired persons, and property tax valuations based on current use, and may omit any tax preference that the commission determines is a critical part of the structure of the tax system. As an alternative to the process under RCW 43.136.055, the commission may recommend to the joint legislative audit and review committee an expedited review process for any tax preference~~)) must include, in a timely manner, in the schedule, a tax expenditure that has a statutory expiration date. The commission must omit from the schedule tax expenditures that are required by constitutional law. As an alternative to the process under RCW 43.136.055, the commission, as well as the governor or the state legislature, may recommend to the joint legislative audit and review committee an expedited review process for any tax expenditure or group of expenditures.

(2) The commission must revise the schedule as needed each year, taking into account newly enacted or terminated tax ((~~preferences~~)) expenditures. The commission must deliver the schedule to the joint legislative audit and review committee by September 1st of each year.

(3) The commission must provide a process for effective citizen input during its deliberations and must allow comments to be submitted and posted online.

**Sec.**  RCW 43.136.065 and 2006 c 197 s 6 are each amended to read as follows:

(1) The joint legislative audit and review committee ((~~shall report its findings and recommendations for scheduled tax preferences to the citizen commission for performance measurement of tax preferences by August 30th of each year. The commission may review and comment on the report of the committee. The committee may revise its report based on the comments of the commission. The committee shall prepare a final report that includes the comments of the commission and submit the final report to the finance committee of the house of representatives and the ways and means committee of the senate by December 30th.~~

~~(2) The joint legislative audit and review committee shall submit a special report reviewing all tax preferences that have statutory expiration dates between June 30, 2005, and January 1, 2007. For the special report, the committee shall complete a review under RCW 43.136.055, and obtain comments of the citizen commission for performance measurement of tax preferences under subsection (1) of this section, to the extent possible. The committee shall submit the special report to the finance committee of the house of representatives and the ways and means committee of the senate by January 12, 2006.~~

~~(3)~~)) must report its findings and recommendations for scheduled tax expenditures to the citizen commission for performance measurement of tax preferences by July 30th of each even-numbered year. The commission must review and comment on the report of the committee. The committee may revise its report based on the comments of the commission. The committee must prepare a final report that includes the comments of the commission and submit the final report to the finance committee of the house of representatives and the ways and means committee of the senate, the department of revenue, and the governor's office by September 30th of each even-numbered year. The governor and the department of revenue must consider and incorporate the findings of the final report in their preparation of their discretionary tax expenditure budget required under section 2 of this act.

(2) Following receipt of a report under this section, the finance committee of the house of representatives and the ways and means committee of the senate ((~~shall~~)) must jointly hold a public hearing to consider the final report and any related data.

NEW SECTION. **Sec.**  If any provision of this act or its application to any person or circumstance is held invalid, the remainder of the act or the application of the provision to other persons or circumstances is not affected.

NEW SECTION. **Sec.**  This act may be known and cited as the tax exemption transparency and accountability act.

**--- END ---**