
Finance Committee

HB 2930

Brief Description: Disallowing tax expenditures that exceed a specified limit.

Sponsors: Representatives Santos, Cody, Conway, Kenney and Schual-Berke.

Brief Summary of Bill

- Limits the value of tax expenditures identified in the bill to 78 percent of the projected state expenditure limit for the biennium.

Hearing Date: 1/29/04

Staff: Rick Peterson (786-7150).

Background:

Tax exemptions, exclusions, deductions, credits, deferrals, and preferential rates are known as tax preferences. The Department of Revenue (Department) publishes a report listing tax preferences every four years. The report covers more than 500 tax preferences and describes each preference, the year of enactment, the purpose of the preference (or the Department's best guess), an indication of primary beneficiaries, and estimated fiscal impact. The most recent report was published January 2004.

Summary of Bill:

Starting with the 2005-07 biennium the value of tax expenditures identified in the bill are limited to 78 percent of the projected state expenditure limit for the biennium. The Department of Revenue is instructed to disallow tax expenditures in the order listed in the bill until the value of tax expenditures are within the limit.

One hundred and sixty tax expenditures are listed in the bill. Tax expenditures listed (in order) include the business and occupation tax exemption for businesses selling consumer products in Washington through direct seller's representatives, the deduction for the value of trade-ins under the sale tax, the lower differential tax rate under the public utility tax for transportation services within 5 miles of a city, the sales tax exemption for motor vehicle fuel that is subject to the gas tax, the sales tax exemption for material used to develop prototypes of aircraft parts, the business and occupation tax exemption for the income of international banking facilities, the preferential business and occupation tax rate for processors and wholesalers of perishable meat products, the sales tax exemption for feed, seed, fertilizer, and spray materials sold to landowners that participate in federal conservation and habitat protection programs or a cooperative habitat

agreement with the Department of Fish and Wildlife, the reduced business and occupation tax rate for travel agents, the public utility tax deduction for income earned for transporting Washington products to docks, wharfs, and elevators if the products are to be shipped out of state in vessels, the sales tax exemption for charges on providing academic transcripts, the sales tax exemption for residential and coin-op telephone service, the business and occupation tax deduction for interest earned on first mortgage loans and securities secured by first mortgages of nontransient residential property, plus 147 additional tax preferences.

Prominent tax expenditures not included in the limit are sales tax exemptions for prescription drugs, and other health related items, the sales tax exemption for food for home consumption, the sales tax exemption for equipment directly used in manufacturing, and all property tax exemptions.

Appropriation: None.

Fiscal Note: Requested on January 24, 2004.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.