
HOUSE BILL 2930

State of Washington 58th Legislature 2004 Regular Session

By Representatives Santos, Cody, Conway, Kenney and Schual-Berke

Read first time 01/23/2004. Referred to Committee on Finance.

1 AN ACT Relating to disallowing tax expenditures that exceed a
2 specified limit; adding new sections to chapter 82.32 RCW; and creating
3 new sections.

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

5 NEW SECTION. **Sec. 1.** The people of the state of Washington hereby
6 find and declare:

7 (1) Initiative 601 limits the growth of state expenditures to the
8 growth rate of inflation and state population, but does not limit the
9 proliferation of tax expenditures;

10 (2) When the number of tax expenditures increases, the state faces
11 a corresponding loss in revenue;

12 (3) Those who do not benefit directly from tax expenditures either
13 pay higher taxes to support essential government services or face cuts
14 to these essential services;

15 (4) The continuing increases in tax expenditures and the
16 corresponding shift of the tax burden is contrary to the interest of
17 the people of the state of Washington;

18 (5) It is necessary to limit the growth of state tax expenditures

1 in order to ensure adequate funding of essential services, including
2 health care and education;

3 (6) The current budgetary system in the state of Washington lacks
4 stability. The system encourages overcreation of tax expenditures
5 during surplus years resulting in crisis budgeting in lean years with
6 resulting tax increases and cuts in essential services;

7 (7) Local government tax revenues are adversely impacted by state-
8 adopted tax expenditures which result in reductions of critical local
9 services, such as police and fire protection;

10 (8) It is therefore the intent of this act to:

11 (a) Establish a limit on state tax expenditures that will ensure
12 that the monetary value of state tax expenditures, as a percent of the
13 limited general fund budget, does not exceed a reasonable amount;

14 (b) Protect taxpayers who do not directly benefit from tax
15 expenditures from paying higher taxes to support essential government
16 services while retaining tax expenditures that have a clear benefit to
17 low and middle-income families such as the sales tax exemptions on food
18 and prescription drugs and property tax exemptions for senior citizens;

19 (c) Ensure that the growth of state tax expenditures does not
20 threaten adequate funding of essential services, including health care
21 and education;

22 (d) Ensure that local governments are not threatened by runaway
23 growth in tax expenditures.

24 NEW SECTION. **Sec. 2.** (1) The value of tax expenditures to the
25 recipients due to the tax expenditures identified in section 3 of this
26 act during a fiscal biennium shall not exceed seventy-eight percent of
27 the projected state expenditure limit for that biennium.

28 (2) For the purpose of the limit, the projected state expenditure
29 limit is determined by the state expenditure limit committee under
30 chapter 43.135 RCW. The department of revenue shall calculate the
31 limit as soon as practical after each projection is issued. The
32 department shall estimate the value of tax expenditures at the same
33 times as the limit is calculated and recalculated.

34 (3) If necessary, the department of revenue shall disallow one or
35 more tax expenditures so that, in the department's judgment, the limit
36 will not be exceeded for the current biennium. The department shall
37 disallow tax expenditures in the order the tax expenditures are set

1 forth in section 3 of this act, until sufficient tax expenditures have
2 been disallowed so that the limit will not be exceeded. The department
3 shall determine an effective date upon which each disallowance will
4 begin. The department shall provide notice of the effective date to
5 affected taxpayers, the legislature, and others as deemed appropriate
6 by the department. The department shall give at least seventy-five
7 days' notice of a disallowance that affects sales and use taxes
8 collected by sellers, and the disallowance shall take effect only on
9 the first day of January, April, July, or October.

10 (4) The department shall make its best effort to administer the
11 limit under this section while providing for an orderly process of
12 disallowing tax expenditures. The department's estimates of tax
13 exemption value, determinations of which tax expenditures are to be
14 disallowed, and timing of the disallowances are final and may not be
15 challenged in a court of law.

16 NEW SECTION. **Sec. 3.** (1) The exemptions, exclusions, deductions
17 from the base of a state tax, credits against state taxes, deferrals of
18 state taxes, and preferential state tax rates allowed under subsection
19 (2) of this section are the tax expenditures subject to the limit in
20 section 2 of this act.

21	(2)	RCW 82.04.423	Direct sellers
22		RCW 82.08.010(1)	Trade-ins
23		RCW 82.16.020(1) (d) and (e)	Tax rate for urban transportation and 24 vessels
25		RCW 82.08.0255(1)(b)	Motor vehicle and special fuel
26		RCW 82.08.02566	Equipment for designing aircraft parts
27		RCW 82.04.315	International banking facilities
28		RCW 82.04.260(4)	Processors of meat
29		RCW 82.04.050(8)	Conservation and habitat development
30		RCW 82.04.260(7)	Travel agents
31		RCW 82.16.050(8)	Shipments to ports
32		RCW 82.08.02537	Academic transcripts
33		RCW 82.08.0289	Local residential and coin-op telephone 34 service
35		RCW 82.04.4292	Interest on real estate loans
36		RCW 82.04.250(1)	Retailing
37		RCW 82.04.260(11)	Insurance agents
38		RCW 82.08.0272	Semen for artificial insemination
39		RCW 82.04.332	Wholesaling of grain

1	RCW 82.04.2403	Fish cleaning
2	RCW 82.08.0294	Fish feed for aquaculture
3	RCW 82.04.4451	Small business credit
4	RCW 82.08.0277	Pollen
5	RCW 82.04.370	Fraternal insurance
6	RCW 82.04.120	Seed conditioning
7	RCW 82.12.800	Use of vessels by manufacturers/dealers
8	RCW 82.08.0311	Packing materials for horticultural
9		products
10	RCW 82.62.030 and 82.62.045	New jobs in rural counties and CEZ
11	RCW 82.04.213	Christmas tree production
12	RCW 82.08.832	Gun safes
13	RCW 82.04.120	Processors of seafood
14	RCW 82.08.0253	Newspapers
15	RCW 82.08.810	Air pollution control facilities
16	RCW 82.04.392	Income from trust accounts
17	RCW 82.04.050(3)(e)	Tree trimming under power lines
18	RCW 82.16.055	Cogeneration facilities and renewable
19		resources
20	RCW 82.04.4296	Funeral home reimbursement
21	RCW 82.04.260(2)	Processors of dry peas
22	RCW 82.04.317	Wholesale auto auctions
23	RCW 82.04.4281	Investments by nonfinancial firms
24	RCW 82.04.333	Small timber harvesters
25	RCW 82.16.053	Electric power, low density customer
26		base
27	RCW 82.04.050(3)(e)	Horticultural services for farmers
28	RCW 82.12.0263	Extracted fuel
29	RCW 82.04.110	Aluminum master alloys
30	RCW 82.04.260(1)(a)	Manufacturers of flour and oil
31	RCW 82.08.0259	Breeding livestock; cattle and milk
32		cows
33	RCW 82.12.0272	Display items for trade shows
34	RCW 82.08.0267	Poultry used in production
35	RCW 82.08.0298	Fishing boat fuel
36	RCW 82.04.335	Agricultural fairs
37	RCW 82.04.337	Exported processed hops
38	RCW 82.04.050	Personal and professional services
39	RCW 82.04.4298	Condominium maintenance fees
40	RCW 82.04.4295	Manufacturing completed in
41		Washington
42	RCW 82.08.02568	Anodes and cathodes for aluminum
43		production
44	RCW 82.08.02567	Electric generating equipment;
45		renewable resources
46	RCW 82.04.260(1)(c)	Processors of fresh fruit and vegetables

1	RCW 82.04.338	Services for the hop commodity
2		commission
3	RCW 82.04.290(1)	International investment management
4	RCW 82.04.050(2)(a)	Hospital laundry service
5	RCW 82.04.434	Testing and safety labs
6	RCW 82.04.4333	Job training services
7	RCW 82.04.272	Resellers of prescription drugs
8	RCW 82.04.050(8)	Fertilizer and chemical spray
9	RCW 82.08.02745	Farm worker housing
10	RCW 82.04.050(8)	Pollination agents
11	RCW 82.16.050(7)	Irrigation water
12	RCW 82.04.4294	Interest on agricultural loans
13	RCW 82.12.010(1)	Use tax on rental value
14	RCW 82.04.260(9)	Stevedoring
15	RCW 82.04.44525	International services
16	RCW 82.04.062	Precious metals and bullion
17	RCW 82.16.040	Two thousand dollar monthly minimum
18	RCW 82.04.330	Agricultural producers
19	RCW 82.04.255	Shared real estate commissions
20	RCW 82.04.394	Property management, on-site personnel
21	RCW 82.04.120	Hay cubing
22	RCW 82.32.045(4)	Twenty-eight thousand dollar minimum
23		for filing a tax return
24	RCW 82.08.0315	Film and video production equipment
25	RCW 82.08.0288	Leased irrigation equipment
26	RCW 82.04.421	Memberships to purchase at discount
27	RCW 82.08.820	Tax remittance for warehouse expansion
28	RCW 82.04.4281	Dividends from subsidiaries
29	RCW 82.12.0265	Bailed tangible personal property for
30		research and development
31	RCW 82.04.416	2nd Narrows bridge
32	RCW 82.04.260(8)	Charter and freight brokers
33	RCW 82.12.0266	Vehicles acquired while in military
34		service
35	RCW 82.08.0257	Farm auction sales
36	RCW 82.04.260 (5) and (6)	Nuclear fuel assemblies
37	RCW 82.04.331	Wholesaling of conditioned seed
38	RCW 82.04.4287	Processing horticultural products
39	RCW 82.04.260(1)(b)	Manufacturers of seafood
40	RCW 82.08.811	Coal for thermal generating plants
41	RCW 82.08.0296	Livestock feed
42	RCW 82.04.425	Accommodation sales
43	RCW 82.60.040	Rural county deferral
44	RCW 82.08.0255(1)	Fuel for aircraft research
45	RCW 82.04.4452	Research and development; high
46		technology firms

1	RCW 82.08.0295	Sale/leaseback, equipment used in
2		processing
3	RCW 82.08.0276	Wearing apparel for display purposes
4	RCW 82.04.050(1)(d)	Ferrosilicon
5	RCW 82.08.0274	Form lumber
6	RCW 82.63.030	High technology deferral
7	RCW 82.16.0491	Credit for rural electric utility
8		contributions
9	RCW 82.04.355	Commuter ride sharing
10	RCW 82.08.0282	Returnable containers
11	RCW 82.04.350	Horse racing
12	RCW 82.12.0251	Nonresidents' personal property
13	RCW 82.16.050(4)	Cash discounts
14	RCW 82.04.4284	Credit losses
15	RCW 36.100.090	Baseball stadium deferral
16	RCW 82.04.4331	Health insurance, medical claims
17	RCW 82.04.433	Fuel used in commercial vessels
18	RCW 82.04.4283	Cash discounts
19	RCW 82.08.0279	Nonresidents' rental cars
20	RCW 82.16.046	2nd Narrows bridge
21	RCW 82.16.050(8)	Interstate transportation; through freight
22	RCW 82.08.0262	Interstate transportation equipment
23	RCW 82.08.026	Natural and manufactured gas
24	RCW 82.08.0263	Vehicles in interstate commerce
25	RCW 82.08.0255(2)	Special fuel
26	RCW 82.04.4285	Motor fuel taxes
27	RCW 82.08.0265	Repaired items delivered to other states
28	RCW 82.16.050(2)	Sales for resale
29	RCW 82.12.0254	Vehicles used in commerce
30	RCW 82.34.050(2)	Credit for tax paid on pollution control
31		facilities
32	RCW 82.04.440 (2) and (3)	Multiple activities, instate
33	RCW 82.32.065	Vehicles under warranty
34	RCW 82.16.050(3)	Joint utility services
35	RCW 82.04.322	Health maintenance organizations
36	RCW 82.04.360	Life insurance "statutory" employees
37	RCW 82.08.0261	Items used in interstate commerce
38	RCW 82.04.050(8)	Feed and seed
39	RCW 82.04.427	Pollution control facilities
40	RCW 47.46.060	2nd Narrows bridge
41	RCW 82.04.310	Public utilities
42	RCW 82.04.390	Real estate sales
43	RCW 82.35.050	Cogeneration facilities
44	RCW 82.04.340	Boxing and wrestling matches
45	RCW 82.66.040	Horse race track deferral
46	RCW 82.04.280	Rental of real estate
47	RCW 82.08.0266	Boats sold to nonresidents

1	RCW 82.16.050(11)	Processing/disposal of sewerage
2	RCW 82.08.033	Used mobile homes
3	RCW 82.08.037	Credit for bad debts
4	RCW 82.08.0268	Farm machinery sold to nonresidents
5	RCW 82.16.050(6)	Interstate transportation; in-state portion
6	RCW 82.04.405	Credit unions; state-chartered
7	RCW 82.08.0273	Purchases by nonresidents, no or low
8		sales taxes
9	RCW 82.08.0264	Vehicles sold to nonresidents
10	RCW 82.04.320	Insurance premiums
11	RCW 82.16.045	Credit for pollution control facilities
12	RCW 82.08.0269	Purchases by residents of Alaska and
13		Hawaii
14	RCW 82.04.280(6)	Radio and television broadcasting
15	RCW 82.04.4329	Health insurance pool fees
16	RCW 82.16.050(5)	Credit losses
17	RCW 82.08.036	Core deposits and tire fees
18	RCW 82.32.420	Waiver of delinquency penalties, Y2K
19	RCW 36.102.070	Football stadium deferral

20 NEW SECTION. **Sec. 4.** Sections 2 and 3 of this act are each added
21 to chapter 82.32 RCW.

22 NEW SECTION. **Sec. 5.** This act applies to fiscal biennia beginning
23 after June 30, 2005.

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