5513-S.E AMH FIN OBRT 098

**ESSB 5513** - H COMM AMD

By Committee on Finance

Strike everything after the enacting clause and insert the following:

"NEW SECTION. **Sec.**  It is the legislature's intent to incorporate a more explicit recognition of the fiscal impact of tax preferences on the state budget. This act reforms the tax preference expenditure process by explicitly including the fiscal impact of tax preference expenditures in the budget outlook document that is created as part of the biennial state budget process. This brings tax expenditures into the state budget process to protect the public's interest, make them more transparent and accountable, and help ensure they are producing results to meet the priorities of government.

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

(1) Beginning in January ((~~1984~~)) 2019, and in January of every ((~~fourth~~)) second year thereafter, the department of revenue must submit to the legislature prior to the regular session 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~~)) preferences. The listing must include an estimate of the revenue lost from the tax ((~~exemption~~)) preference, the purpose of the tax ((~~exemption~~)) preference, the persons, organizations, or parts of the population which benefit from the tax ((~~exemption~~)) preference, recommendations by the legislative auditor and citizen commission for performance measurement of tax preferences for any review of the tax preference under chapter 43.136 RCW, and whether or not the tax ((~~exemption~~)) preference conflicts with another state program. The listing must 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 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~~)) 2019, and every ((~~four~~)) two 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~~)) preference.

(5) As used in this section, "tax ((~~exemption~~)) preference" 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.~~))

NEW SECTION. **Sec.**  By November 1, 2018, the office of financial management must conduct discussions with the committee on finance in the house of representatives and the committee on ways and means in the senate to recommend the appropriate means to advance the transparency of discretionary tax preferences and consideration of their impact in budgeting through disclosure in the budget outlook pursuant to RCW 82.33.060 and the budget documents submitted to the Legislature pursuant to RCW 43.88.030. The recommendations may include, but are not limited to: (1) how to set minimum thresholds for inclusion based on the amount of revenue foregone by a tax preference in the biennium covered by the four year forecast; (2) whether there has been a review by the joint legislative audit and review committee or the citizen for performance measurement of tax preferences; and (3) how best to determine and publicly share the return on investment by the state for the identified tax preferences."

Correct the title.

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|  | EFFECT:   Removes the requirements to have discretionary tax preferences listed on the websites of the Office of Financial Management (OFM), the Economic and Revenue Forecast Council and the Office of the Governor. Directs OFM to engage in discussions with the House Finance Committee and the Senate Ways and Means Committee to make recommendations on how to incorporate more transparency and accountability for the impact of discretionary tax preferences in budget and outlook documents. |

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