

ADJUSTMENT ALTERNATIVES

Alternative

Problem(s) Addressed

Regressivity

Property tax homestead credit against state levy	<ul style="list-style-type: none"> • Initiatives have impacted long run adequacy. (#5) • WA taxes are regressive. (#12)
Property tax relief or deferral targeted by income	<ul style="list-style-type: none"> • Property taxes can be burdensome for low-income working families with changed circumstances. (#27)
Estate tax	<ul style="list-style-type: none"> • WA taxes are regressive. (#12)
*Eliminate sales tax exemption on food. Replace with a swipe card with a fixed amount	<ul style="list-style-type: none"> • Washington taxes are regressive. (#12) • Retailers face significant costs in collecting state and local sales tax. (#25)
*Give sales tax relief to EITC families via a swipe card	<ul style="list-style-type: none"> • Retailers face significant costs in collecting state and local sales tax. (#25)

Erosion of Tax Base

Replace taxes on private goods with user fees paid directly by those imposing burdens	<ul style="list-style-type: none"> • Initiatives have impacted long run adequacy. (#5)
Avoid dedicated taxes except "user fees"	<ul style="list-style-type: none"> • Certain dedicated taxes are costly to administer for both the state and the businesses. (#24)
Review and target business incentives, exemptions	
Tax on the market value of motor vehicles	<ul style="list-style-type: none"> • WA taxes are volatile. (#1)
Extend sales tax to consumer services	<ul style="list-style-type: none"> • Sales tax grows more slowly than the economy due to increased consumer spending on services and remote purchases. (#4) • Counties have less taxing capacity than cities and their taxing capacity is diminishing. (#7) • Untaxed forms of consumer spending result in non-neutral taxation. (#18)
Streamline sales tax	<ul style="list-style-type: none"> • Sales tax grows more slowly than the economy due to increased consumer spending on services and remote purchases. (#4) • Untaxed forms of consumer spending result in non-neutral taxation. (#18) • Retailers are not compensated for the cost of collecting sales tax. (#25) • Individuals can sometimes avoid sales tax. (#28)
Eliminate exemptions for gasoline	<ul style="list-style-type: none"> • Erosion of tax base •
*Broaden property tax to motor homes, boats	<ul style="list-style-type: none"> • Erosion of tax base

Alternative

Problem(s) Addressed

Economic Vitality

Exempt construction from sales tax	<ul style="list-style-type: none">• WA taxes are volatile. (#1)• Low profit margin firms suffer a competitive disadvantage compared to firms in other states. (#9)• Businesses may locate in Oregon because of lower taxes. (#10)• New and expanding businesses tend to have higher property tax burdens. (#13)• Washington's tax system is significantly different than that of "typical" states. (#30)
Exempt start-ups from the B&O	<ul style="list-style-type: none">• B&O taxes are burdensome on businesses in their unprofitable years. (#8)• Low profit margin firms suffer a competitive disadvantage compared to firms in other states. (#9)
Increase small business credit	<ul style="list-style-type: none">• B&O taxes are burdensome on businesses in their unprofitable years. (#8)
Extend B&O deferral to expanding/investing firms	<ul style="list-style-type: none">• B&O tax is a relatively high burden on business in their unprofitable years. (#8)• Low profit margin firms suffer a competitive disadvantage compared to firms in other states. (#9)

Volatility

Rainy Day Fund	<ul style="list-style-type: none">• Reserve funds are politically difficult to maintain. (#3)
----------------	---

Neutrality

*B&O credit for manufacturers for B&O taxes paid "upstream"	<ul style="list-style-type: none">• B&O pyramids at least 2:1. (#17)• Effective B&O tax rates that include measures of value added are much higher than legal rates. (#19)• There is a lot of variation across industries in the effective B&O rate on value added. (#20)
*Decrease manufacturing B&O rate and increase services rate	<ul style="list-style-type: none">• There is a lot of variation across industries in the effective B&O rate on value added. (#20)

Transparency

*Lower B&O rate and raise sales tax to show transparency	<ul style="list-style-type: none">• To the extent that business taxes are passed on to consumers, business taxes are not transparent.
--	---

Alternative

Problem(s) Addressed

Simplicity

Give state property tax levy to local government	<ul style="list-style-type: none">• New and expanding businesses tend to have higher property tax burdens. (#13)• Households tend not to like lumpy taxes such as WA's property tax. (#23)• Property taxes can be burdensome for low-income working families with changed circumstances. (#27)
Simplify local B&O	<ul style="list-style-type: none">• Local B&O taxes are inconsistent between cities. (#26)
Compensate retailers for collecting the sales tax	<ul style="list-style-type: none">• Retailers are not compensated for the cost of collecting sales tax. (#25)
Eliminate the PUT	