

September Meeting

Date September 21, 2020

Attendees The following people attended the meeting via WebEx or on the phone:

Technical Advisory Group

Katie Baird
Doug Conrad
Lucy Dadayan
Rachelle Harris
Sharon Kioko
Jeff Mitchell
Mike Nelson
Andy Nicholas
Pete Parcels
Rick Peterson
Kris Sjoblom
Nick Turner

Department of Revenue

Kris Bitney
Preston Brashers
Sara del Moral
Braden Fraser
Don Gutmann
Steven Lee
Melissa Howes
Valerie Torres

Border State Tax Structure Presenter: Don Gutmann / Sara del Moral

The spreadsheet presented is the revenues Washington would receive if Washington had the tax structure of Oregon or Idaho in Fiscal Year 2013.

Some Possible Improvements we are looking at include:

Business side exemptions that we would need to model. (Like the Machinery and Equipment Exemption in Washington).

Property Tax – we will need to add the increase in the state levy to cover the McCleary decision.

Corporate Income tax – we did not have the data to model, but now we have a model, so we would likely add Oregon’s Corporate Income tax to this spreadsheet.

Also, related to the gas tax: Oregon may have changed to a tax on miles driven. That could change our analysis. So we will need to look into this further.

There have been many changes to the cigarette tax in Washington and Oregon, so that too will need updated.

We would likely want to add Real Estate Excise Tax to this spreadsheet, as we have more data available regarding REET in Washington.

Question:

What was the tax population of Washington, Oregon, and Idaho in 2013? Really just trying to compare population.

Answer:

We did not consider population during this analysis.

Washington with Oregon Personal Income Tax Modeling:

Modeling Washington with Oregon data – AGI, number of returns, Federal AGI, and net tax. We would calculate for each group the mean tax and mean AGI. Then would log transform both amounts and model tax as a function of AGI. We would explore different models but most likely a polynomial function will provide the best fit. Then we will use Washington microdata with the model equation to model Oregon/Idaho tax as if it were in Washington.

Question:

When using log transformations are you essentially looking at elasticity?

Answer:

Yes.

Question:

Are there any bias to this by not being able to being able to model the underlying tax bases?

Answer:

That has always been a concern. Definitely need to identify and note those. Not sure if we are under or over estimating, but there are likely some bias. Also, we would rather under estimate than over estimate revenues. We do note any assumptions that we make regarding these types of analyses.

Question:

Essentially, we are trying to see impact of other states tax structure if applied to WA. Purpose is to see impact of a personal income tax but doesn't the distribution of the taxes (the population aspect) impact the revenue quite a bit? How many businesses or how many lower incomes etc.

Answer:

Yes, there would be, but we used Washington's economy and Washington tax base, to model an alternative tax. We also break the results down by the same categories.

Question:

When doing this modeling, you have different assumptions for each. And for the total, do you model separately and then total?

Answer:

Yes, that is what we do – each tax has different assumptions and modeling.

Response:

Based on other analysis that I have worked on that should help with the possible bias that we were discussing. Doing these separately, helps diversify the errors.

Suggestion:

Another tax to add to our analysis would be that Oregon and Washington tax now tax marijuana.

Next Meeting

October 14, 2020 1 – 4 pm

Washington Competitiveness – Global/Nation

Preliminary Report – Initial Results

Contact Valerie directly, if you would like to help and/or be involved with the review of the preliminary report.
