October Meeting

Date	October 14, 2020
Attendees	The following people attended the meeting via WebEx or on the phone:

Technical Advisory Group
Doug Conrad
Lucy Dadayan
Rachelle Harris
Hart Hodges
Steve Lerch
Patrick Jones
Jeff Mitchell
Mike Nelson
Andy Nicholas
Pete Parcells
Kriss Sjoblom
Jim Schmidt
Nick Turner

Department of Revenue
Kris Bitney
Preston Brashers
Sara del Moral
Braden Fraser
Don Gutmann
Melissa Howes
Steven Lee
Tyler McLeod
Valerie Torres

EcoNorthwest
Taylor Burton
James Kim

Washington Competitiveness

Presenter: Hart Hodges

Comment:
Part of the discussion about taxes needs to relate to the receipt of services from those taxes.

Response:
Yes, would like to be able to include in the modeling something for the value of expenditures. It does appear to make a difference how a state spends the taxes.

Comment:
Hart's conjecture about renewables seems on point, and different income brackets probably have different burden/benefit ratios by income class.

Preliminary Report Results – Corporate Income/Net Receipts Tax, Value Added Tax, and Margin's Tax	Presenter: Preston Brashers Question: Are sole proprietors included? Answer: Sole proprietors are excluded from the Corporate Income/Net Receipts modeling. Question: Is the difference shown between the various industries perhaps due to the various deductions, exemption, etc. or is it tax avoidance? Answer: For the corporate income/net receipts tax there could be some tax avoidance inherent because it is based on the federal corporate income (Line 30). A lot of the tax incidence of the corporate income/net receipts tax comes down to whether a company is a C-corp (and subject to the tax) or not. For the Value Added Tax and margins tax, the tax incidence is something we constructed based on federal tax line items. Since the VAT/margins taxes aren't in effect now, there wouldn't really be any tax avoidance inherent in their tax incidence estimates, but it's possible that the tax incidence could shift if these taxes are implemented – if for example a taxpayer classifies an expense as something that is VAT deductible that apart from WA implementing the tax they would classify differently. So the VAT/margins tax incidence estimates are determined essentially by the tax structure and what deductions would be available to businesses in an industry based on things like their size and capital vs. labor intensity, etc. The B&O tax incidence, is largely driven by the different rates that apply to different industries, but the other taxes assume a single rate applies to all industries.
Preliminary Report Results – Personal Income Tax	Presenter: Sara del Moral Question: Can you remind us how effective tax rates are calculated? Answer: Effective tax rates are determined by dividing the Net tax by a taxpayer's AGI.
Preliminary Report Results – Household Burden Model	Presenter: Kris Bitney Question: By income group, you are showing the percentages as the total taxes related to total income. Is it possible to create percentages by tax type? Answer: Yes, we can create that, but it is not currently included in the tax alternative model.

Preliminary Report Results – Household Burden Model, *continued*	Question: How did you assign taxable amounts to different income categories? Answer: The short answer is that we match data to the data from the Survey of Consumer Expenditure.
Next Meeting	December 15, 2020 1 – 4 pm Corporate Income/Net Receipts Tax – Microsimulation Model