

Excerpt from ESSB 5092, 2021 legislative session

NEW SECTION. Sec. 137. FOR THE DEPARTMENT OF REVENUE

(2)(a) \$1,303,000 of the general fund—state appropriation for fiscal year 2022 and \$1,000,000 of the general fund—state appropriation for fiscal year 2023 are provided solely for the department to facilitate a tax structure work group, initially created within chapter 1, Laws of 2017 3rd sp. sess. (SSB 5883) and hereby reauthorized.

(b)(i) Members serving on the tax structure work group as of the effective date of this section may continue serving on the work group. Any member not wishing to continue serving on the tax structure work group must provide written notice to the work group and the vacancy must be filled as provided in (c) of this subsection.

(ii) The work group must include the following voting members:

(A) The president of the senate must appoint two members from each of the two largest caucuses of the senate;

(B) The speaker of the house of representatives must appoint two members from each of the two largest caucuses of the house of representatives; and

(C) The governor must appoint one member who represents the office of the governor.

(iii) The work group must include the following nonvoting members:

(A) One representative of the department of revenue;

(B) One representative of the association of Washington cities; and

(C) One representative of the Washington state association of counties.

(c) Elected officials not reelected to their respective offices may be relieved of their responsibilities on the tax structure work group. Vacancies on the tax structure work group must be filled within 60 days of notice of the vacancy. The work group must choose a chair or cochair from among its legislative membership. The chair is, or cochair is, responsible for convening the meetings of the work group no less than quarterly each year. Recommendations of the work group may be approved by a simple majority vote. All work group members may have a representative attend meetings of the tax structure work group in lieu of the member, but voting by proxy is not permitted. Staff support for the work group must be provided by the department. The department may engage one or more outside consultants to assist in providing support for the work group. Members of the work group must serve without compensation but may be reimbursed for travel expenses under RCW 44.04.120, 43.03.050, and 43.03.060.18

(d) The duties of the work group are to:

(i) By December 1, 2019, convene no less than one meeting to elect a chair, or cochair, and conduct other business of the work group;

(ii) By December 31, 2020, the department and technical advisory group must prepare a summary report of their preliminary findings and alternatives described in (f) of this subsection;

(iii) By May 31, 2021, the work group must:

- (A) Hold no less than one meeting in Olympia or virtually to review the preliminary findings described in (f) of this subsection. At least one meeting must engage stakeholder groups, as described in (e)(i) of this subsection;
- (B) Begin to plan strategies to engage taxpayers and key stakeholder groups to encourage participation in the public meetings described in (f) of this subsection;
- (C) Present the summary report described in (d)(ii) of this subsection in compliance with RCW 43.01.036 to the appropriate committees of the legislature;
- (D) Be available to deliver a presentation to the appropriate committees of the legislature including the elements described in (e)(ii) of this subsection; and
- (E) Finalize the logistics of the engagement strategies described in (d)(iv) of this subsection;

(iv) After the conclusion of the 2021 legislative session, the work group must:

- (A) Hold no less than five public meetings organized by geographic region (in person or online) with special consideration for regional geographies throughout the state, rural areas, and border communities;
- (B) Participate in no less than 10 existing meetings of various associations, community-based organizations, nonprofits, and similar groups in order to engage low-income and middle-income taxpayers, communities of color, senior citizens, and people with disabilities;
- (C) Participate in no less than 10 existing meetings of various business and agricultural associations, chambers of commerce, ports, associate development organizations, and similar groups in order to engage small, start-up, and low-margin businesses, and other businesses;
- (D) Hold no less than three listening sessions in a language other than English to engage taxpayers who speak languages including, but not limited to, Spanish, Vietnamese, Russian, and Somali;
- (E) Present the findings described in (f) of this subsection and alternatives to the state's current tax structure at the public meetings utilizing a range of methods that account for different learning styles including, but not limited to, written documents, videos, animations, and graphics;
- (F) Provide an opportunity at the public and other meetings for taxpayers to engage in a conversation about the state tax structure including, but not limited to, providing feedback on possible recommendations for changes to the state tax structure and asking questions about the report and findings and alternatives to the state's current tax structure presented by the work group;
- (G) Utilize methods to collect taxpayer feedback before, during, or after the public meetings that may include, but is not limited to: Small group discussions,

in-person written surveys, in-person visual surveys, online surveys, written testimony, and public testimony;

(H) Encourage legislators to inform their constituents about the public meetings that occur within and near their legislative districts (whether in person or online);

(I) Inform local elected officials about the public meetings that occur within and near their communities (whether in person or online);

(J) Summarize the feedback that taxpayers and other stakeholders communicated during the public meetings and other public engagement methods, and submit a final summary report, in accordance with RCW 743.01.036, to the appropriate committees of the legislature. This report may be submitted as an appendix or update to the summary report described in (d)(ii) of this subsection; and

(K) To the degree it is practicable, conduct analysis of the current tax structure and proposed alternatives to estimate the impact on taxpayers, including tax paid as a share of household income for various racial and ethnic groups as reported in the most current census data available, American community survey, or other similar data sources;

(v) During the 2022 legislative session, the work group must:

(A) Present the findings and reports described in (d)(ii) of this subsection to the appropriate committees of the legislature; and

(B) Be available to deliver a presentation to or participate in a work session for the appropriate committees of the legislature, or both;

(vi) Between the conclusion of the 2022 legislative session and 23 December 31, 2022, the work group is directed to finalize policy recommendations and develop legislation to implement modifications to the tax structure, informed by the findings described in (d)(ii) of this subsection and the feedback received from taxpayers as reflected in the report described in (d)(iv) of this subsection. Legislative proposals recommended by the work group may not collectively result in a loss of revenue to the state as compared to the November 2022 biennial revenue forecast published by the economic and revenue forecast council. In making the recommendations, the work group must be guided by the following principles for a well designed tax system: Equity, adequacy, stability, and transparency;

(vii) During the 2023 legislative session, it is the intent of the legislature to consider the proposal described in (d)(vi) of this subsection;

(viii) If the proposal is not adopted during the 2023 legislative session, the work group is directed to host no less than three public meetings to collect feedback on the legislation proposed in the 2023 session, and may also collect feedback on other proposals under consideration by the work group, subject to the availability of funds in the 2023-2025

biennial budget. The work group is directed to modify the proposal to address the feedback collected during the public meetings;

(ix) During the 2024 legislative session, it is the intent of the legislature to consider the modified proposal described in (d)(iv) of this subsection; and

(x) By December 31, 2024, subject to the availability of funds in the 2023-2025 biennial budget, the work group is directed to submit a final report that is a compilation of all other reports previously submitted since July 1, 2019, and may include additional content to summarize final activities of the tax structure work group and related legislation, in compliance with RCW 43.01.036, to the appropriate committees of the legislature.

(e) (i) The stakeholder groups referenced by (d)(iii)(A) of this subsection must include, at a minimum, organizations and individuals representing the following:

- (A) Small, start-up, or low-margin business owners and employees or associations expressly dedicated to representing these businesses, or both; and
- (B) Individual taxpayers with income at or below 100 percent of area median income in their county of residence or organizations expressly dedicated to representing low-income and middle-income taxpayers, or both;

(ii) The presentation referenced in (d)(iii)(D) of this subsection must include the following elements:

- (A) The findings and alternatives included in the summary report described in (d)(ii) of this subsection; and
- (B) The preliminary plan to engage taxpayers directly in a robust conversation about the state's tax structure, including presenting the findings described in (f) of this subsection and alternatives to the state's current tax structure, and collecting feedback to inform development of recommendations.

(f) The duties of the department, with assistance of one or more technical advisory groups, are to:

(i) With respect to the final report of findings and alternatives submitted by the Washington state tax structure study committee to the legislature under section 138, chapter 7, Laws of 2001 2nd sp. sess.:

- (A) Update the data and research that informed the recommendations and other analysis contained in the final report;
- (B) Estimate how much revenue all the revenue replacement alternatives recommended in the final report would have generated for the 2017-2019 fiscal biennium if the state had implemented the alternatives on January 1, 2003;
- (C) Estimate the tax rates necessary to implement all recommended revenue replacement alternatives in order to achieve the revenues generated during the 2017-2019 fiscal biennium as reported by the economic and revenue forecast

council;

(D) Estimate the impact on taxpayers, including tax paid as a share of household income for various income levels, and tax paid as a share of total business revenue for various business activities, for (f)(i)(B) and (C) of this subsection; and
(E) Estimate how much revenue would have been generated in the 2017-2019 fiscal biennium if the incremental revenue alternatives recommended in the final report would have been implemented on January 1, 2003, excluding any recommendations implemented before May 21, 2019;

(ii) With respect to the recommendations in the final report of the 2018 tax structure work group:

(A) Conduct economic modeling or comparable analysis of replacing the business and occupation tax with an alternative, such as corporate income tax or margins tax, and estimate the impact on taxpayers, such as tax paid as a share of total business revenue for various business activities, assuming the same revenues generated by business and occupation taxes during the 2017-2019 fiscal biennium as reported by the economic and revenue forecast council; and
(B) Estimate how much revenue would have been generated for the 2017-2019 fiscal biennium if the one percent revenue growth limit on regular property taxes was replaced with a limit based on population growth and inflation if the state had implemented this policy on January 1, 2003;

(iii) Analyze our economic competitiveness with border states:

(A) Estimate the revenues that would have been generated during the 2017-2019 fiscal biennium, had Washington adopted the tax structure of those states, assuming the economic tax base for the 2017-2019 fiscal biennium as reported by the economic and revenue forecast council; and
(B) Estimate the impact on taxpayers, including tax paid as a share of household income for various income levels, and tax paid as a share of total business revenue for various business activities for (f)(iii)(A) of this subsection;

(iv) Analyze our economic competitiveness in the context of a national and global economy, provide comparisons of the effective state and local tax rate of the tax structure during the 2017-2019 fiscal biennium and various alternatives under consideration, as they compare to other states and the federal government, as well as consider implications of recent changes to federal tax law;

(v) Conduct, to the degree it is practicable, tax incidence analysis of the various alternatives under consideration to account for the impacts of tax shifting, such as business taxes passed along to consumers and property taxes passed along to renters;

(vi) Present findings and alternatives, to the degree it is practicable, by geographic area, in addition to statewide; and

(vii) Conduct other analysis as directed by the work group.