
HOUSE BILL 1869

State of Washington

58th Legislature

2003 Regular Session

By Representatives McIntire, Gombosky, Morris, Conway, Santos, Haigh, Kagi, Hunt, Linville, Dunshee, Chase, Simpson, Moeller, Lovick, Cody, Murray, Upthegrove, Voloria and Wood

Read first time 02/12/2003. Referred to Committee on Finance.

1 AN ACT Relating to performance audits of tax preferences; adding
2 new sections to chapter 43.136 RCW; and repealing RCW 43.136.010,
3 43.136.020, 43.136.030, 43.136.040, 43.136.050, and 43.136.070.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 NEW SECTION. **Sec. 1.** The legislature recognizes that tax
6 preferences are enacted to meet objectives which are determined to be
7 in the public interest. However, some tax preferences may not be
8 efficient or equitable tools for the achievement of current public
9 policy objectives. Given the changing nature of the economy and tax
10 structures of other states, the legislature finds that periodic
11 performance audits of tax preferences are needed to determine if their
12 continued existence will serve the public interest.

13 It is the intent of this act to foster a competitive business
14 climate through periodic performance audits of tax preferences that
15 affect the business climate.

16 NEW SECTION. **Sec. 2.** As used in this chapter, "tax preference"
17 means an exemption, exclusion, or deduction from the base of a state

1 tax; a credit against a state tax; a deferral of a state tax; or a
2 preferential state tax rate.

3 NEW SECTION. **Sec. 3.** (1) The citizen commission for performance
4 measurement of tax preferences is created.

5 (2) The commission has nine voting members, appointed by the
6 governor as follows:

- 7 (a) Two persons representing labor;
- 8 (b) Two persons representing business;
- 9 (c) Three persons representing the general public;
- 10 (d) Two tax specialists from the state university system, one from
11 western Washington and one from eastern Washington.

12 (3) The commission has four nonvoting members, one appointed by
13 each of the following: The governor, the president of the senate, the
14 speaker of the house of representatives, and the director of the
15 department of revenue.

16 (4) The commission shall elect a chair from among its voting or
17 nonvoting members.

18 (5) Appointees representing the general public should be
19 individuals who have a basic understanding of state tax policy,
20 government operations, and public services. They should have knowledge
21 and expertise in performance management, fiscal analysis, strategic
22 planning, performance assessments, or closely related fields.

23 (6) Appointed members serve for terms of four years, with the terms
24 expiring on June 30th on the fourth year of the term. However, in the
25 case of the initial members, three members shall serve four-year terms,
26 three members shall serve three-year terms, and three members shall
27 serve a two-year term, with each of the terms expiring on June 30th of
28 the applicable year. Appointees may be reappointed to serve more than
29 one term.

30 (7) The joint legislative audit and review committee shall provide
31 clerical, technical, and management personnel to the commission to
32 serve as the commission's staff.

33 (8) The commission shall meet at least once a quarter and may hold
34 additional meetings at the call of the chair or by a majority vote of
35 the members of the commission. The members of the commission shall be
36 compensated in accordance with RCW 43.03.220 and reimbursed for travel
37 expenses in accordance with RCW 43.03.050 and 43.03.060.

1 NEW SECTION. **Sec. 4.** (1) The citizen commission for performance
2 measurement of tax preferences shall develop a schedule to accomplish
3 an orderly review of tax preferences at least once every six years. In
4 developing the schedule, the commission shall include tax preferences
5 that it determines are appropriate for review, with particular
6 consideration of tax preferences that affect the business climate of
7 the state. The commission may omit from the schedule tax preferences
8 that are required by constitutional law, or that primarily benefit
9 government agencies, charities, nonprofit organizations, or
10 individuals.

11 (2) The commission shall revise the schedule as needed each year,
12 taking into account newly enacted or terminated tax preferences. The
13 commission shall deliver the schedule to the joint legislative audit
14 and review committee by September 1st of each year.

15 NEW SECTION. **Sec. 5.** (1) The joint legislative audit and review
16 committee shall review tax preferences according to the schedule
17 developed under section 4 of this act. The committee shall consider,
18 but not be limited to, the following factors in the review:

19 (a) The persons or organizations whose state tax liabilities are
20 directly affected by the tax preference;

21 (b) Public policy objectives that might provide a justification for
22 the tax preference, including the extent to which the preference
23 encourages business growth or relocation into this state, promotes
24 growth or retention of high wage jobs, or helps stabilize communities;

25 (c) Evidence that the existence of the tax preference has
26 contributed to the achievement of any of the public policy objectives;

27 (d) The extent to which continuation of the tax preference might
28 contribute to any of the public policy objectives;

29 (e) The feasibility of modifying the preference to provide for
30 adjustment or recapture of the tax benefits of the preference if the
31 objectives are not fulfilled;

32 (f) Fiscal impacts of the tax preference, including past impacts
33 and expected future impacts if it is continued;

34 (g) The extent to which termination of the tax preference would
35 affect the distribution of liability for payment of state taxes.

36 (2) For each tax preference, the committee shall provide a
37 recommendation as to whether the tax preference should be continued

1 without modification, modified, scheduled for sunset review at a future
2 date, or terminated immediately. The committee may recommend
3 accountability standards for the future review of a tax preference.

4 NEW SECTION. **Sec. 6.** (1) The joint legislative audit and review
5 committee shall report its findings and recommendations for scheduled
6 tax preferences to the citizen commission for performance measurement
7 of tax preferences by August 30th of each year. The commission may
8 review and comment on the report of the committee. The committee may
9 revise its report based on the comments of the commission. The
10 committee shall prepare a final report that includes the comments of
11 the commission and submit the final report to the finance committee of
12 the house of representatives and the ways and means committee of the
13 senate by December 30th.

14 (2) Following receipt of the report, the finance committee of the
15 house of representatives and the ways and means committee of the senate
16 shall jointly hold a public hearing to consider the final report and
17 any related data.

18 (3) Following the joint hearing, the committees may separately hold
19 additional meetings or hearings to come to a final determination as to
20 whether a continuation, modification, sunset review, or termination of
21 a tax preference is in the public interest.

22 NEW SECTION. **Sec. 7.** Upon request of the citizen commission for
23 performance measurement of tax preferences or the joint legislative
24 audit and review committee, the department of revenue shall provide
25 information needed by the commission or committee to meet its
26 responsibilities under this chapter.

27 NEW SECTION. **Sec. 8.** The following acts or parts of acts are each
28 repealed:

29 (1) RCW 43.136.010 (Legislative findings--Intent) and 1982 1st
30 ex.s. c 35 s 39;

31 (2) RCW 43.136.020 ("Tax preference" defined) and 1982 1st ex.s. c
32 35 s 40;

33 (3) RCW 43.136.030 (Legislative budget committee and department of
34 revenue--Review of tax preferences--Reports) and 1982 1st ex.s. c 35 s
35 41;

1 (4) RCW 43.136.040 (Legislative budget committee review of tax
2 preferences--Factors for consideration) and 1982 1st ex.s. c 35 s 42;

3 (5) RCW 43.136.050 (Powers and duties of ways and means committees)
4 and 1982 1st ex.s. c 35 s 43; and

5 (6) RCW 43.136.070 (Report on existing tax preferences to be
6 provided--Additional information to be provided) and 1982 1st ex.s. c
7 35 s 45.

8 NEW SECTION. **Sec. 9.** Sections 1 through 7 of this act are each
9 added to chapter 43.136 RCW.

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