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## Ways & Means Committee

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### HB 1889

**Brief Description:** Incorporating state tax expenditures into the state budget process.

**Sponsors:** Representatives Hasegawa, Santos, Reykdal, Springer, Hunt, Ryu, Hudgins, Kenney, Dickerson, Pettigrew, Fitzgibbon, Tharinger and Ormsby.

<p style="text-align: center;"><b>Brief Summary of Bill</b></p> <ul style="list-style-type: none"><li>• Requires a tax expenditures report to be produced every two years as part of the Governor's budget.</li></ul>
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**Hearing Date:** 2/22/11

**Staff:** Rick Peterson (786-7150).

**Background:**

The Department of Revenue (DOR) produces a listing of tax preferences every four years. The most recent report was published in 2008 and the next report is due in 2012. According to the 2008 report there are more than 500 tax exemptions. The term "exemption" includes tax exemptions, exclusions, deductions, credits, deferrals, and preferential rates. These are also sometimes referred to as "tax preferences." The tax exemptions report describes each exemption, the year of enactment, the purpose of the exemption (or the DOR's best estimate of the purpose), an indication of primary beneficiaries, and estimated fiscal impact.

**Summary of Bill:**

The frequency of the Department of Revenue report on tax exemptions is increased to once every two years.

A tax expenditures report is created as part of the Governor's biennial budget documents. The report will include the listing of tax exemptions prepared by the DOR and will categorize each exemption according to the program or function it supports. The Governor will make a

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recommendation on whether each exemption scheduled to terminate in the next biennium should be allowed to terminate, continue, or continue with modification.

The omnibus operating appropriations bill adopted by the Legislature will include: (1) a listing of all discretionary state tax expenditures with an estimate of the revenue impact of each; (2) a statement of total appropriations, and total state expenditures equal to the sum of discretionary state tax expenditures and appropriations; and (3) a section stating the total state revenue impact of all nondiscretionary tax expenditures. This information will be included in part one of the omnibus operating appropriations bill.

**Appropriation:** None.

**Fiscal Note:** Requested on February 19, 2011.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.