

Washington State Tax Structure Study

Committee Meeting Minutes

April 12, 2002

Committee members present: John Beck
 Lisa Brown
 Neil Bruce
 Jack Cairnes
 Dick Conway
 Bill Gates, Sr.
 Jim McIntire
 Hugh Spitzer
 Debbe Sanders
 Gary Strannigan

Committee members absent: Lily Kahng

Welcome

Bill Gates welcomed the Committee members.

Sue Meldazy of the Department of Revenue reviewed the meeting handouts.

Sue introduced Donn Smallwood, a former Assistant Director of the Research Division of the Department of Revenue.

Sue gave an overview of the March 14, 2002, Alternatives Subcommittee meeting.

Advisory Group Input on Economic Vitality

Nicole Stewart of the Department of Revenue spoke about Advisory Group input on economic vitality. Some further studies or data on the relationship between taxes and business location will be coming in from Advisory Group members this month.

Transparency/Lumpiness

Donn Smallwood of the Department of Revenue discussed the visibility and pyramiding of Washington State taxes.

Administrative Simplicity

Mary Welsh of the Department of Revenue presented information on administrative simplicity and on home ownership. She spoke about the impact of taxes on the homeowner's ability to buy and retain a home.

Discussion of Stability/Volatility Findings

Dick Conway presented his paper “Elasticity of One” in which he examined all state and local government expenditures and revenues for 1998, 1999, and 2000 in relation to personal income.

Bill Gates turned the discussion toward stability and asked the committee “ Does the question of stability raise the question of the rainy day fund?” Several committee members noted that it is politically difficult to maintain the rainy day fund during the economic good times because there is political pressure to spend the funds. Yet it is desirable to have an adequate rainy day fund during economic downturns to help offset the impacts. The committee discussed the possibility of a rainy day fund “trigger” in the state constitution that would automatically move funds into the account and specify the conditions needed to move funds out of the account. A constitutional trigger would divorce the rainy day fund from the political process.

June Workshop

Bill Gates stated that the June Committee meeting will be a workshop that will be held from 9 a.m. to 5 p.m. on Friday, June 14, in Kane Hall at the University of Washington. At that time the Committee will discuss the tax alternatives which are being developed by the Alternatives Subcommittee.

Wrap Up

The next Committee meeting will be held from 10:30 a.m. to 2:30 p.m. on Friday, May 10, 2002, at the DoubleTree Inn at SeaTac. The topics will be efficiency/economic neutrality and equity.