

DRAFT

Final Report Outline

July 12, 2002

Cover

Transmittal Letter

Acknowledgements

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List of Charts and Tables

Summary

I. Committee Charge

A review of the charges to the committee and what we interpreted to be the boundaries of our inquiry.

II. Tax Principles

a) Commonly Accepted Definitions

- i) elasticity/volatility/adequacy
- ii) equity/fairness
- iii) economic vitality/harmony with other states
- iv) economic neutrality/efficiency
- v) transparency/administrative simplicity
- vi) home ownership

b) Interaction of Principles

How principles interact and examples

c) Taxpayer Perceptions and Considerations

Explain taxpayer perceptions and basic considerations for a tax.

III. Current Washington State Tax Structure

- a) Historical perspective—3 economies, voting, court decisions
- b) Overview of the current Washington state tax system
- c) Introductory paragraph to local government
- d) Overview of local tax revenue
- e) Comparisons with other states

IV. Evaluation of Current Washington Tax Structure

- a) Introduction on how we did the analysis
- b) Analysis of entire tax system with respect to each principle including how each tax affects each principle
- c) Committee's list of problems that should be addressed

V. Principal Constraints

Explain some of the considerations and fundamental limitations on choices for a legislature.

- a) Legal
 - Federal constraints such as interstate commerce, equal protection
 - State constitutional limits such as uniformity
 - Income tax
 - Property tax
- b) Local Government Funding Constraints
 - Bonds tied to tax revenue (impairment)
- c) Practical
 - Too hard to collect or value: intangible property/personal property
 - Induces bizarre behavior: business inventory

VI. Major Replacement Alternatives

- a) Criteria for Choosing Options and Changes
- b) Business Sales of Goods and Services
 - Here we describe the several possibilities for the VAT or Single Business Tax.
- c) Income Taxes
 - Corporate
 - Individual: flat and graduated
- d) Evaluation of Replacement Alternatives with Respect to Tax Principles
 - Matrix

VII. Incremental Alternatives

- a) Incremental alternatives the Committee agrees to keep
- b) Evaluation of Replacement Alternatives with Respect to Tax Principles
 - Matrix

VIII. Alternative Packages

Several packages that include:

- Description of the package and the theme
- Description of the package elements, both major and incremental tax changes
- Evaluation of each alternative package: how does the alternative package measure up with respect to the tax principles it is designed to address?
- Revenue impact
- Description of administration consequences and other implications

IX. Other Considerations

- a) Exemptions
- b) Internet Sales
- c) User Fees
- d) Dedicated Taxes
- e) Rainy Day Fund

X. Appendices

- a) Study statute
- b) Description of methodology
- c) Details of analysis
- d) Minutes
- e) Previous tax studies (required in statute)
- f) Tax reform efforts from other states
- g) Committee members' opinions on alternatives (minority reports)
- h) Alternatives that have been rejected (if the Committee rejects any)
- i) Advisory group comments
- j) Text of Competitiveness Council recommendations and directions to WTS Committee.
- k) Bibliography (including other states' tax studies)