

December 1, 2003

The Honorable Dino Rossi, Chair  
Senate Ways and Means Committee  
316 John A. Cherberg Building  
Post Office Box 40405  
Olympia, Washington 98504-0405

The Honorable Jim McIntire, Chair  
House Finance Committee  
314 John L. O'Brien Building  
Post Office Box 40600  
Olympia, Washington 98504-0600

Re: Municipal Business & Occupation Tax Studies Progress Report

Dear Chairs Rossi and McIntire:

Enclosed please find a progress report on two studies the Legislature directed the Department to perform on the fiscal impacts to taxpayers and cities from Engrossed House Bill 2030 (ESB 2030), an act relating to changing requirements regarding state and local tax to provide for municipal business and occupation tax uniformity and fairness.

The Department has met once with the advisory committee created in EHB 2030 to discuss the studies. This progress report summarizes those discussions and describes several challenges the Department faces in conducting the studies. These challenges include:

- *Timeline of the Studies* – Cities are not required to adopt the Model Ordinance until December 31, 2004. However, the Baseline Study on the fiscal impacts to taxpayers from the definitions used in the Model Ordinance is due the same day.
- *Available Data for Apportionment Study* – The Department is required to estimate the effects of the formula contained in EHB 2030 to apportion service income among cities. The Department does not currently have any access to a firm's service income earned

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within a particular city. The progress report provides the Legislature with options to address this problem.

The report was prepared by the Legislation & Policy Division under the direction of Julie Sexton, Legislative Coordinator. If you have any questions, please contact Julie at (360) 570-6130. Copies of the report are being distributed to each member of your committees, as well as committee staff.

Sincerely,

Robert W. Heller  
Special Assistant to the Director –Tax Policy

Enclosure

cc: The Honorable Gary Locke, Governor  
Patsy Ellis, Office Manager, Governor's Executive Policy Office  
Irv Lefberg, Chief of Forecasting, Office of Financial Management  
Jim Hedrick, Executive Policy Analyst, Office of Financial Management  
Jim Schmidt, Executive Policy Analyst, Office of Financial Management  
William N. Rice, Acting Director  
Russ Brubaker, Assistant Director, Legislation & Policy Division  
Mary Welsh, Assistant Director, Research Division  
Julie Sexton, Legislative Coordinator