



*"Working together to  
fund Washington's future"*

# Tax Structure Work Group

Overview of the Work Group Proviso

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# Work Group Membership

## Nine voting members:

- a. Two members from each of the two largest caucuses of both the Senate and the House
- b. One member representing the Office of the Governor

## Three non-voting members:

- a. One representative of the Department of Revenue
- b. One representative of the Association of Washington Cities
- c. One representative of the Washington State Association of Counties

A chair or chair(s) to be selected from the legislative members.

# Work Group Responsibilities

<b>Date</b>	<b>Description</b>
By December 1, 2019	Hold initial meeting to elect chair(s) and conduct other business
By December 1, 2020	Preliminary report of findings and alternatives
By May 1, 2021	<ul style="list-style-type: none"> <li>• Hold no less than one meeting in Olympia to review summary report,</li> <li>• Hold no less than one meeting to engage stakeholders,</li> <li>• Present the summary report, in accordance with RCW 43.01.036, to the appropriate committees of the legislature, and</li> <li>• Finalize logistics of stakeholder engagement.</li> </ul>
After the 2021 session	<ul style="list-style-type: none"> <li>• Hold no less than five meetings in geographically dispersed areas of the state</li> <li>• Utilize methods to compile stakeholder feedback before, during and after the meetings.</li> <li>• Broadcast the dates and locations for meetings.</li> <li>• Summarize the feedback that taxpayers and other stakeholders provided and submit a final report, in accordance with RCW 43.01.036, to the appropriate committees of the legislature.</li> </ul>

# Department of Revenue Responsibilities

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## **Washington State Tax Structure Study Committee Report submitted in 2002**

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Update the data and research that informed recommendations and other analysis.

Estimate how much revenue all of the revenue replacement alternatives in the report would have generated for the 2017-19 Biennium if implemented on January 1, 2003.

Estimate the tax rates necessary to implement all of the recommended revenue replacement alternatives in order to achieve the actual revenues generated during the 2017-19 Biennium.

Estimate the impact on taxpayers, including:

- Tax paid as a share of household income for various income levels, and
  - Tax paid as a share of total business revenue for various business activities.
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# Department of Revenue Responsibilities

## Recommendations from the 2018 Tax Structure Work Group Final Report

### B&O Tax:

For Business and Occupation (B&O) Tax, conduct economic modeling or comparable analysis of replacing the B&O tax with an alternative such as:

- (a) Corporate income tax, or
- (b) Margins tax

Estimate the impact on taxpayers, such as tax paid as a share of total business revenue for various business activities. Assume the same revenues generated by B&O taxes during the 2017-19 Biennium.

### Property Tax:

Estimate how much revenue would have been generated for the 2017-19 Biennium if the 1 percent revenue growth limit on regular property taxes was replaced with a limit based on population growth and inflation if the state had implemented this alternative on January 1, 2003.

# Department of Revenue Responsibilities

## Analyze Washington's Economic Competitiveness

Estimate the revenue that would have been generated during the 2017-19 Biennium had Washington adopted the tax structure of our border states.

For border state tax structure estimates, estimate the impact on taxpayers, including:

- Tax paid as a share of household income for various income levels, and
- Tax paid as a share of total business revenue for various business activities.

Provide comparisons of the effective state and local tax rate of the tax structure during the 2017-19 Biennium and various alternatives under consideration compared to:

- Other states.
- Federal government, including considering implications of recent changes to federal law.

# Department of Revenue Responsibilities

## **Additional Analysis**

To the degree practicable, conduct tax incidence analysis of the various alternatives under consideration to account for the impacts of tax shifting, such as:

- Business taxes passed along to consumers, and
- Property taxes passed along to renters.

To the degree practicable, present findings and alternatives by geographic area, in addition to statewide.

Conduct other analysis as directed by the work group.

# Taxes to be Modeled

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## Current Tax Structure

Business and occupation (B&O) tax

Sales tax

Property tax

## Tax Alternatives

Personal income tax

Corporate income tax

Value-added tax

Capital gains tax

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# How the public can stay informed

See the newly created webpage here:

<https://dor.wa.gov/about/tax-structure-work-group>

On this page we provide:

- An overview of the Tax Structure Work Group,
- Work Group membership,
- Information on upcoming meetings, and
- An opportunity to stay informed through a listserv.

Questions?

