

TOP 10 PROBLEMS AND WHICH ALTERNATIVES ADDRESS THEM

Problem Statement	Committee Rating	Major Alternatives	Adjustment Alternatives
1. Lower income households pay a higher percentage of their income in state and local taxes than do higher income households.	4.0	<ul style="list-style-type: none"> • Modified VAT/flat tax on Wages • Flat rate personal income tax • Graduated personal income tax 	<ul style="list-style-type: none"> • Property tax homestead credit against state levy • Property tax relief or deferral targeted by income
4. The increasing share of services in consumer spending, along with increased opportunities for making purchases out of state, result in taxable retail sales growing more slowly than the economy as a whole over the long run.	3.6	<ul style="list-style-type: none"> • Unified Goods and Services tax • Graduated personal income tax 	<ul style="list-style-type: none"> • Extend sales tax to consumer services • Streamline sales tax
11. State and local taxes are more burdensome because the retail sales tax paid by households is not deductible from federal income taxes.	3.6	<ul style="list-style-type: none"> • Unified goods and services tax • Graduated personal income tax 	
28. Individuals can avoid sales tax by shopping in bordering states with lower sales tax rates or by making remote purchases.	3.6		<ul style="list-style-type: none"> • Streamline sales tax
1. It is politically difficult to build and maintain adequate reserve funds during good economic times.	3.5		<ul style="list-style-type: none"> • Rainy day fund
5. Initiatives have impacted long run adequacy.	3.5		<ul style="list-style-type: none"> • Replace taxes with user fees
29. Some Washington firms are able to avoid the B&O tax by shifting their income generating activities (such as manufacturing) to other states.	3.4	<ul style="list-style-type: none"> • Value added tax • Unified goods and services tax • Modified VAT/flat tax on wages • Corporate net income tax 	<ul style="list-style-type: none"> • Reform B&O apportionment
6. Initiatives and state-imposed reductions in tax bases have impacted local adequacy.	3.2		

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22. To the extent that business taxes are passed on to consumers, business taxes are not transparent.	3.2	<ul style="list-style-type: none"> • Unified goods and services tax 	
17. B&O tax pyramiding (at least 2:1) results in non-neutralities between different industries and between vertically integrated and non-integrated firms.	3.1	<ul style="list-style-type: none"> • Value added tax • Unified goods and services tax • Modified VAT/flat tax on wages • Corporate net income tax 	