

Weekly Legislative Update: Revenue

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March 20, 2022 – Session Summary

Overview

The hope for this legislative session was to continue to get legislation passed that would further balance Washington's currently most-regressive tax structure in the country. In 2021, the capital gains tax and working families tax exemption were passed, contributing to a more equitable tax structure once both have been implemented.

For 2022, the primary anticipation was that the wealth tax (HB 1406) would pass, to generate additional revenue from the least taxed 1/10 of one percent of the population in Washington. Although the Tax Structure Work Group created by legislation adopted in 2020 has not yet completed its work and will not make recommendations until the end of 2022, for the 2023 legislative session, the wealth tax seemed a logical next step. But it did not move this session. A proposal new in 2022 that did not move ahead was for a guaranteed basic income (GBI), which did not pass in either a limited form as HB 2009 or as a pilot project in the operating budget.

League also supported the public bank bill and our team was disappointed that it didn't pass, even though it reached the order of consideration list for floor action relatively early.

Activity

The following bills did pass this year. These are primarily housing and economic development focused.

- **[HB 1643](#) Exempting a sale or transfer of real property** for affordable housing to a nonprofit entity, housing authority, public corporation, county, or municipal corporation from the real estate excise tax.
- **[HB 1765](#) Ensuring the ongoing sustainability and vitality of the Washington health benefit exchange** by eliminating the expiration date of its business and occupation tax exemption.
- **[HB 2096](#) Concerning the working families' tax exemption**, also known as the working families tax credit, would make technical changes to the working families tax credit adopted in 2021. These changes add clarifications that are needed to make the tax credit more functional.
- **[SB 5713](#) Providing a tax exemption for limited equity cooperative housing**
- **[SB 5868](#) Expanding the use of the rural counties public facilities sales and use tax** to include affordable workforce housing.
- **[SB 5901](#) Concerning economic development tax incentives for targeted counties**, would incentivize job growth through manufacturing and research and development

activities in certain counties that face additional economic development challenges beyond the challenges faced by counties located in the central Puget Sound region. It would also modify the tax exemption for warehouses, distribution centers, and grain elevators. An application process with specific criteria is included.

The following bills that League supported did not pass this year. These focused on a variety of types and purposes of taxes, both state taxes and local options. There were a variety of reasons for these bills not moving to passage. One of the main reasons may be that short sessions, the second of each biennium, are backed up against elections, and legislators do not like to pass taxes just before elections. In some cases, this was less of an issue than lack of agreement on the final outcomes.

- **[SB 5188](#) Concerning the creation of the Washington state public bank.** This bill would authorize establishment of a public bank as a cooperative membership organization to lend to state, local, and tribal governmental entities. It is widely understood that such a bank would allow lower interest rates for governments borrowing from the bank, thereby saving taxpayer money. Its most recently amended version changed the proposal to a public financial cooperative as a membership organization to lend to local and tribal governmental entities. In 2021, this bill passed the Senate but did not get to the floor in the House so was referred back to the Senate. There, it returned to Senate Rules and was scheduled for floor action but could not get the same majority of votes it had received in 2021 because there was no agreement on a variety of amendments proposed.
- **[SB 5513](#) Relates to expanding flexibility of existing lodging taxes for affordable workforce housing.** Introduced in 2022, this bill never progressed past a public hearing. It was narrower than most legislation that moved ahead.
- **[SB 5654](#) Ensuring the ongoing sustainability and vitality of the Washington health benefit exchange** by eliminating the expiration date of its business and occupation tax exemption. This bill had moved to the Rules Committee but didn't get to the floor in 2021. It was not removed from its "X" file status in 2022 and never moved forward, even though the Joint Legislative Audit and Review Committee recommended the preference be extended or be made permanent.
- **[HB 1025](#) Concerning local parks funding options.** Concerning local parks funding options. This bill would allow cities, counties or metropolitan park districts to enact, with voter approval, a 1/10 of one percent local option sales tax to fund park services. This bill is consistent with League position PO-3: League supports citizen information, education, and participation in city, county and regional park and open space programs to ensure that present and future needs are met. This bill moved out of the House Finance Committee twice, both in 2021 and 2022 but never moved out of the House Rules Committee to the floor for a vote.
- **[HB 1035](#) Providing local governments with options to grant rent relief and preserve affordable housing in their communities.** This bill would authorize cities and counties to create an affordable housing incentive program (AHIP) with a six-year property tax

exemption to certain qualifying properties, with one six-year renewal. This bill had public hearings in the House Finance Committee in both 2021 and 2022 but never was passed out of the committee.

- [**HB 1406/SB 5426**](#) **Improving the equity of Washington state's tax code by creating the Washington state wealth tax and taxing extraordinary financial intangible assets.** This bill would establish a one percent wealth tax on intangible financial assets of more than \$1 billion. The Senate bill had a public hearing in the Ways and Means Committee in 2022 (no action in 2021) but never moved forward. The House bill moved out of its first committee but died in the Appropriations Committee, never even getting a hearing in 2022.
- [**HB 1460**](#) **Closing the digital divide by establishing excise taxes on telecommunications services to fund the expansion of the universal service programs in Washington.** The original bill would have provided additional services for specific populations, funded by an excise tax deposited into a statewide broadband account. As most recently revised, the substitute bill is far more limited and would establish a Digital Equity Opportunity Grant Program and the Digital Equity Planning Grant Program. This bill made it to the House Rules Committee in 2021 but never made it to the floor in either 2021 or 2022.
- [**HB 1465**](#) **Making the estate tax more progressive by exempting small estates, reducing estate taxes on medium estates, increasing the estate tax on larger estates, and addressing equity in homeownership and homelessness.** This bill would exclude the estate tax on estates valued at under \$2.5 million and shift the tax rate on estates in excess of \$3 million, with a greater rate at higher estate values. Ten percent of the revenues collected from the estate tax would be deposited to a new Equity in Housing Account. This account would be designated for addressing homelessness, including foreclosure prevention, rental assistance, outreach engagement services, housing services, and behavioral health, with priority for agencies, programs, and services which address current and historical racial inequities. This bill had a public hearing in the House Finance Committee in 2021 but never progressed from that committee in either 2021 or 2022.
- [**HB 1672**](#) **Concerning local property tax levies for conservation futures.** If passed, this bill would exempt property taxes levied for conservation futures from the current limit on growth of property tax, as of 2023. This bill is consistent with League position CD-1, which is that Conservation Districts have a unique role with landowners to encourage conservation of all resources and the League supports that independent role; and PE-1: Exemptions from property tax should be limited but may be valid when used to further public policy such as encouraging education, cultural or humanitarian causes. This bill was new in 2022 but never progressed past the public hearing in the House Finance Committee.
- [**HB 2009**](#) **Creating the evergreen basic income trust,** would provide direct cash assistance for up to 36 months to individuals at or under 50% of area median income and meet an array of other criteria, to increase financial stability among people and families struggling to cover essential expenses. This is consistent with the LWVUS position that the most effective social programs are those designed to prevent or

reduce poverty. Persons who are unable to work, whose earnings are inadequate, or for whom jobs are not available have the right to an income and/or services sufficient to meet their basic needs for food, shelter, and access to health care. Introduced in 2009, the bill had a public hearing in the House Housing, Human Services & Veterans Committee but did not move out of committee. Subsequently, a pilot project was proposed for the operating budget (\$10 million) but it was not approved either.

- **[HB 1789](#) Establishing a property tax exemption for adult family homes serving people with intellectual or developmental disabilities and owned by a nonprofit.** This bill would support the need for additional permanent supportive housing. It passed the House but stopped in the Senate Rules Committee.
- **[HB 1841](#) Incentivizing rental of accessory dwelling units to low-income households.** This bill exempts improvements to ADUs from additional property tax for the duration of the period during which the ADU is rented to a low-income household. This bill passed the House but stopped in the Senate Rules Committee.
- **[SJM 8006](#) Concerning a national infrastructure bank would put Washington State on record as supporting establishment of a national infrastructure bank and specifically as proposed in HR 3339.** This bill passed the Senate but stopped in the House Rules Committee.

The League opposed these bills, and they did not pass.

- **[SB 5769](#) Reforming the state tax system by providing tax relief to residents, employees, and employers,** would radically change property tax, remove the business and occupation tax on manufacturing and repeal the recently adopted capital gains tax. These actions are inconsistent with the planning being done by the tax structure work group and would unbalance the tax code as well as significantly reduce revenue necessary for important services.
- **[HB 2018](#) Creating a three-day shop local and save sales and use tax holiday to benefit all Washington families for certain items \$1,000 or less during the month of September.** While this was presented as a tax break for moderate to low-income people, it actually provides more of a break for those who can shop more during that period. Additionally, given the still-prevalent gap in services compared to the need, a tax break is inappropriate.

Expectations for 2023

In 2023, the Tax Structure Work Group's recommendations will be considered, and League will review those carefully relative to our positions, to determine what to support. In particular, measures that would further balance Washington's tax structure and generate additional revenue will be sought.

The League committee supporting the public bank will continue to make presentations during the year ahead, to generate additional support for the public bank.

How You Can Be Involved

- During the legislative session we will send Action Alerts in the [Legislative Newsletter](#). Please respond to these, which will direct you to an application to facilitate communicating with your legislators on an important vote in committees or on the chamber floor.
- Local Leagues in Washington have action chairs who coordinate action teams. Some local Leagues have education teams to take action locally. Contact your local League action chair to find out and join.
- You may also express your opinion on legislation with the LWVWA issue chairs. We will take your perspectives under considerations as we determine our support for legislation and prepare testimony. Cynthia Stewart, Revenue Issue Chair, cstewart@lwvwa.org