

TASK FORCE ON TAX PREFERENCE REFORM

Marty Brown, Office of Financial Management
Amber Carter, Association of Washington Business
Paul Guppy, Washington Policy Center
Ross Hunter, State Representative
Troy Kelley, State Representative, JLARC Chair
Bill Longbrake, Governor's Council of Economic Advisors

James L. McIntire, State Treasurer, *Chair*
Andy Nicholas, Washington State Budget & Policy Center
Ed Orcutt, State Representative
Phil Rockefeller, State Senator
Joseph Zarelli, State Senator, *Vice Chair*

Ruta Fanning, Legislative Auditor
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September 20, 2010
Meeting Minutes

TASK FORCE ON TAX PREFERENCE REFORM

Members Present:

James McIntire, State Treasurer, *Chair*
Representative Troy Kelley, Chair of JLARC
Representative Ross Hunter
Representative Ed Orcutt
Senator Phil Rockefeller
Senator Joseph Zarelli, *Vice Chair*
Amber Carter, Association of Washington Business
Paul Guppy, Washington Policy Center
Bill Longbrake, Governor's Council of Economic Advisors
Andy Nicholas, Washington State Budget & Policy Center

Members Absent:

Marty Brown, Director, OFM

Staff:

Ruta Fanning, Legislative Auditor
Keenan Konopaski, Audit Coordinator
Cindy Evans, Assistant Attorney General
Peter Heineccius, Research Analyst
Dana Lynn, Research Analyst
Mary Welsh, Research Analyst

Welcome

Chair McIntire called the meeting to order at 9:15 a.m. and welcomed those present.

Approval of Minutes

MOTION: A motion was made to approve the minutes of the August 31 Task Force meeting. The motion was seconded and approved by the Task Force.

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Discussion of Proposals from Task Force Members

Ruta Fanning provided an overview of the summary of proposals from Task Force members. The members discussed all of the proposals, and unanimously endorsed the 10 recommendations listed below.

Revenue Fiscal Notes

- 1) Authorize the Economic and Revenue Forecast Council to perform an economics effects analysis on selected exceptional tax preference and/or revenue proposals.
- 2) OFM should continue to prepare fiscal notes, but legislators should be advised on how to proceed when they strongly disagree, including how and when to raise a timely challenge or seek revisions.
- 3) Authorize JLARC to select fiscal notes for evaluation after implementation, to recommend process improvements.

Declaration of Intended Outcomes

- 4) All tax preferences should have statements of purpose when enacted, and the Legislature should clarify that these statements are intended to assist with policy evaluation. For existing preferences where no such statements exist in law, the Legislature should provide them when recommended to do so by the Citizens Commission reviews.
- 5) The Citizens Commission is encouraged to continue recommending when it believes a statement of purpose should be established or clarified by the Legislature.

Taxpayer Accountability Reporting

- 6) The Task Force recommends that the legislative fiscal committees seek input from the Department of Revenue, the Citizens Commission, and affected taxpayers, on revising taxpayer accountability reporting to assist evaluations. The committees may consider the costs and benefits of additional information and the burden on taxpayers.

Citizens Commission/JLARC Tax Preference Review Process (RCW 43.136)

- 7) The Commission should be empowered to make general observations as to the RCW, its assumptions, premises, and clarity.
- 8) Authorize the Citizens Commission flexibility to use scheduling criteria other than the year of enactment, such as grouping preferences in the schedule by type of industry or policy focus. Remove the limitation that expedited reviews can only be conducted on preferences of less than \$10 million, and instruct the Citizens Commission to determine the extent of review. Authorize JLARC to evaluate only those factors that are relevant to the tax preference.
- 9) The Citizens Commission is encouraged to identify tax preferences that are critical to defining the tax structure and should be omitted from JLARC review.

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10) The Citizens Commission is encouraged to recommend whether to continue, modify, or terminate a tax preference even if a legislative intent cannot be determined.

Public Comment

No members of the public signed up to comment.

The meeting was adjourned at 12:35 p.m.



VICE CHAIR



CHAIR