

State of
Washington
House of
Representatives



July 3, 2017

Dear Governor Inslee,

We the undersigned request that you veto Part II of 2SSB 5977 (all changes in sections 201, 202, 203, 204 and the entirety of new section 205), which reduces the manufacturing business and occupancy tax rate from the current 0.484 to 0.2904.

We have a number of concerns that drive this request.

- 1) **Lack of transparency for legislators and the public.** There was no indicator that this policy change was on the table as part of budget negotiations, as covered in *The Seattle Times*. We first learned of its inclusion in the budget deal on Thursday, June 29, barely 24 hours before we cast our votes on the bill. This change was never considered by the House Finance Committee during the regular or special sessions, and came as a complete surprise to all of us. In fact, this proposal has not been given serious consideration in perhaps a generation.
- 2) **No expiration date or performance metrics to evaluate efficacy.** Unlike other changes to tax rates included in the bill, this one does not expire nor does it include language to allow the Joint Legislative Audit and Review Committee to evaluate its efficacy. Supporters claim it will produce jobs and support rural economic development. This may well be true, but we won't know, because we didn't include performance metrics to evaluate it later. This is likely because this is a structural change to the tax code, not a temporary preferential rate.
- 3) **Massive tax cut for businesses not paired with middle-class tax relief.** Progressive revenue options were part of your budget proposal, as well as our House Democrats' revenue proposal (HB 2186). But as you well know, none of those options were included in the final budget agreement. The politics and policy of giving the business community a massive tax cut, while hiking property taxes on middle-class individuals to fully fund public schools, is unacceptable and dangerous. This cut ultimately results in less money for schools, which is particularly disappointing given the business community also benefits from having an educated workforce. The magnitude of this change is so significant that it should have been a part of a substantive debate on structural reform to the tax code. Such a conversation may have ultimately resulted in a more progressive revenue option, such as a capital gains tax, or a tax with a more direct policy connection to this tax cut, such as a carbon tax, being included in the final budget deal.
- 4) **Full revenue impact was not – and is still not – clear to legislators or public.** As of the writing of this letter, a fiscal note for the entirety of 2SSB 5977 has yet to be posted for public review. When this bill was presented to us, we were informed that the revenue loss would be \$63 million over the four-year budget outlook. While this may be true, it did not account for the final rate reduction that takes place on January 1, 2022 (from 0.3388 to 0.2904). We now understand from the Department

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5) of Revenue that foregone revenue from this policy change will be **\$57.4 million per year** starting 2022, and the 10-year forecast shows that foregone revenue growing to **\$86.1 million per year by 2027**.

Thank you for your consideration. We are also asking for a conference call to discuss this request with you further, before you make your decision on whether or not to veto this section.

Signed,

Handwritten signature of Noel Frame in cursive.

Noel Frame
State Representative
36th Legislative District

Handwritten signature of Joe Fitzgibbon in cursive.

Joe Fitzgibbon
State Representative
34th Legislative District

Handwritten signature of Sherry Appleton in cursive.

Sherry Appleton
State Representative
23rd Legislative District

Handwritten signature of Steve Bergquist in cursive.

Steve Bergquist
State Representative
11th Legislative District

Handwritten signature of Eileen Cody in cursive.

Eileen Cody
State Representative
34th Legislative District

Handwritten signature of Beth Doglio in cursive.

Beth Doglio
State Representative
22nd Legislative District

Handwritten signature of Jake Fey in cursive.

Jake Fey
State Representative
27th Legislative District

Handwritten signature of Drew Hansen in cursive.

Drew Hansen
State Representative
23rd Legislative District

Handwritten signature of Laurie Jinkins in cursive.

Laurie Jinkins
State Representative
27th Legislative District

Handwritten signature of Ruth Kagi in cursive.

Ruth Kagi
State Representative
32nd Legislative District

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Shelley Kloba

Shelley Kloba
State Representative
1st Legislative District

Strom Peterson

Strom Peterson
State Representative
21st Legislative District

Cindy Ryu

Cindy Ryu
State Representative
32nd Legislative District

David Sawyer

David Sawyer
State Representative
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Javier A. Valdez

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Nicole Macri

Nicole Macri
State Representative
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Gerry Pollet

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Sharon Tomiko Santos

Sharon Tomiko Santos
State Representative
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Mike Sells

Mike Sells
State Representative
38th Legislative District

Derek Stanford

Derek Stanford
State Representative
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Sharon Wylie

Sharon Wylie
State Representative
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Mia Gregerson

Mia Gregerson
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