

League of Women Voters Spokane Area - Ballot Issues (September 2010)

Initiative Measure 1098

Establishing a state income tax and reducing other taxes

The Law as it Presently Exists: The state does not currently impose an income tax or an excise tax on income. The state does impose a business and occupation tax (imposed on the gross income of the business) on various business activities.

The state, cities, counties, and other local jurisdictions are authorized to impose a property tax in varying amounts. The state property tax is just one component of a property owner's total property tax bill.

The Effect of the Proposed Measure if Approved:

This measure would impose a tax on the receipt of taxable income beginning in 2012.

The tax imposed would apply to adjusted gross income, as determined under the federal internal revenue code. Employers would withhold estimated tax and pay it to the state.

For a married individual filing a joint return:

Taxable Income	Tax
\$0-\$400,000	\$0
\$400,001-\$1,000,000	5% of the amount above \$400,000
\$1,000,001 and above	\$30,000 plus 9% of the amount above \$1,000,000

For every individual, other than a surviving spouse:

Taxable Income	Tax
\$0-\$200,000	\$0
\$200,001-\$500,000	5% of the amount above \$200,000
\$500,001 and above	\$15,000 plus 9% of the amount above \$500,000

This measure would increase the credit against the B&O tax up to to \$4,800 a year. The measure would also reduce the state property tax levy by 20%. The reduction would not apply to taxes imposed by other jurisdictions.

After replacing the loss to the general fund resulting from the reductions in the B&O tax and state property tax, 70% percent of the remainder goes to the education legacy trust account, with the remaining 30% going to health care services.

Fiscal Impact: This income tax and tax relief are estimated to generate a net increase in revenue of \$11.16 billion over 5 years. State implementation costs are estimated at \$39.3 million over five 5 years; one-time start-up costs are estimated at \$50,000 for the state and each university and local government with employees subject to the income tax.

Those who want you to vote for I-1098 say...

- I-1098 will cut taxes for the middle class and help our economy;
- cut the state property tax on homeowners and businesses by \$357 million;
- eliminates B&O tax for 81% of the smallest businesses; income tax is limited to the richest 3%.
- By law, there will be no income tax on income under \$400,000 a year for couples (\$200,000 for individuals).
- Requires a public vote for any change to the income tax.
- Washington ranks dead last in tax fairness. Middle class families pay 4 times the tax rate of the rich. I-1098 restores fairness.

Those who want you to vote against I-1098 say...

- A simple majority of the legislature could extend this income tax to everyone in two years.
- Once in place, income tax rates would go up just like the sales tax.
- Income tax revenues will be spent as the legislature pleases. Supporters claim the revenue will be used for education and health programs, but the opponents say the money can be spent by the legislature on anything it wishes.
- Olympia raids "trust accounts" in the budget all the time.
- The modest business and property tax cuts in 1098 can be swept away in just two years, as well.

Initiative Measure 1107

Repealing certain 2010 taxes

The Law As It Presently Exists: In 2010...

- the legislature amended the law to remove candy and bottled water from the sales tax exemption for food. Bottled water became subject to the sales tax effective June 1, 2010, and ends July 1, 2013. The legislature also enacted an amendment that the sales tax would continue to apply to bottled water after July 1, 2013, if the voters approve Referendum 52 at the November 2010 general election.
- the legislature enacted a tax on the sale of certain carbonated beverages. The tax took effect July 1, 2010, and expires on July 1, 2013. The tax is calculated at the rate of 2 cents per 12 oz. The tax does not apply to the first ten million dollars of beverages sold by any bottler.
- the legislature amended the B&O tax so that a tax rate of 0.138% applies to the value of the manufactured perishable meat products and a tax rate of 0.484% applies to the value of the manufactured nonperishable meat products.
- the legislature granted a B&O tax exemption for manufactured fruit and vegetable products that contain only fruits, vegetables, or both. When the exemption expires on July 1, 2012, manufactured fruit and vegetable products will be taxed at the rate of 0.138% of the value of the manufactured product, rather than at the usual rate of 0.484%.

The Effect Of The Proposed Measure If Approved

The measure repeals the 2010 law applying the sales tax to candy. It also repeals the law applying the sales tax to bottled water beginning June 1, 2010, and expiring July 1, 2013, and repeals the 2010 law providing that, if the voters approve Referendum Measure 52 at the November 2010 general election, the sales tax would continue to apply to bottled water after July 1, 2013.

The measure repeals the 2010 law enacting a temporary excise tax on carbonated beverages, and repeals the law that limits to perishable meat products at the 0.138% B&O tax rate.

The measure repeals the 2010 law that limits the B&O tax exemption relating to manufacturing fruit and vegetable products, and the law that limits a 0.138% B&O tax rate on manufacturing fruit and vegetable products applicable after the exemption expires in 2012.

Fiscal Impact Statement: Over 5 years, the General Fund revenue is reduced by \$352 million and state performance audit revenue by \$359,000. Revenue for local jurisdictions is reduced by \$83 million over 5 years. Taxpayer noncompliance and confusion could result in additional state and local government revenue decreases up to \$8.7 million and \$1.8 million, respectively, in 2011. State costs to administer the tax revisions are an estimated \$98,200 over 5 years.

Those who want you to vote for I-1107 say...

- I-1107 ends the arbitrary taxes imposed in the last hours of a special session. These taxes on bottled water, soda, candy and certain processed foods will cost consumers \$300 million over the next three years.
- That tax hurts Washington food producers, bottlers, grocers and consumers — especially middle and lower income families, who can least afford higher grocery bills.
- None of these taxes are dedicated to anything. They go into the general fund for the politicians to spend however they want.

Those who want you to vote against I-1107 say...

- I-1107 harms schools and kids. It strips \$300 million that funds schools, kids' health and other basic services by eliminating small, mostly temporary taxes on non-essential items like gum, soda and candy.
- The taxes on candy and soda were a part of a balanced solution to the economic crisis, which included \$4 in cuts for every \$1 in new revenue. Repealing them now will mean even deeper cuts.
- Across the country, states are taking the same, balanced approach as Washington did because it is the responsible thing to do.

Referendum Bill 52

Bonding for school reconstruction, funded by extending bottled water tax

The Law as it Presently Exists

The state constitution limits the amount of money the state can borrow, except for debt approved by the voters. The sales tax currently applies to bottled water. Current law also provides that the sales tax on bottled water will expire July 1, 2013.

The Effect of the Proposed Measure if Approved

This measure asks the voters to extend the tax beyond July 1, 2013, and to approve the state's issuance of general obligation bonds, up to \$505 million, to improve energy efficiency in public schools and in higher education buildings.

Grants to public schools and colleges would be awarded in competitive rounds, with at least 5% of the money awarded to small public school districts with fewer than 1000 students. Each project would be weighted, based

on: (a) the availability of non-state money to assist in funding the project; (b) the energy savings to be achieved by the project; and (c) how quickly the project could be ready to proceed. The dollar amounts awarded for each project would be determined in order to fund the maximum number of projects with the greatest energy and cost benefit. Only 85% of projects for which applications are submitted could be funded in each round, until the last round.

This measure amends state law to remove the expiration date for the sales tax on purchases of bottled water. This would continue the tax after July 1, 2013.

Fiscal Impact Statement: Referendum 52 authorizes the issuance of \$505 million in state general obligation bonds. Twenty-nine-year debt service costs are estimated at \$937 million, for an average annual state cost of \$32.3 million. Other costs are estimated to be \$2.2 million annually through 2015. The sales tax on bottled water increases revenues \$39.8 million annually and increases local government revenues \$14.9 million annually.

Those who want you to vote for Ref 52 say...

- Kids deserve safe, healthy learning environments and that the aging dilapidated schools need to be fixed
- Ref 52 will create \$505 million in bonding capacity to repair public schools - resulting in \$139 million annual savings in energy costs.
- New improvements mean new jobs -- 30,000 new construction jobs.

Those who want you to vote against Ref. 52 say...

- More debt and taxes aren't the answer. Debt service has grown faster than education spending. R-52 exacerbates the problem.
- Debt expenses consume 84% more taxpayer dollars now than 12 years ago.
- R-52 sidesteps constitutional debt limit that protects taxpayers and authorized debt outside the Article 8 Section 1 constitutional limit.

Initiative Measure 1053

Concerning the process for tax and fee increases imposed by state government

The Law as it Presently Exists: Washington laws currently impose conditions on tax increases, but the legislature has temporarily suspended their effect. Under these laws, any action tax increase must be approved by a two-thirds vote of each house of the legislature. These laws require expenditures in excess of the expenditure limit be approved by the people at a November election. The 2010 session of the legislature amended these laws to suspend their effect until July 1, 2011.

The Effect of the Proposed Measure, if Approved:

This measure reverses the action of the 2010 legislature by replacing the current statute regarding tax increases and the expenditure limit with a new section reading the same as the pre-2010 version of the law and restates that any action by the legislature that raises taxes may be taken only if approved by at least two-thirds legislative approval in both the House of Representatives and the Senate. Consequently, those requirements would be not be suspended.

Fiscal Impact Statement - Initiative 1053 would have no direct fiscal impact on state and local revenues, costs, expenditures or indebtedness.

continued next page

Those who want you to vote for I-1053 say...

- Three times the voters have approved initiatives requiring either two-thirds vote of the legislature or majority vote of the people to raise taxes.
- With I-960 in force for 2 years, tax increases were a last resort and Olympia balanced its budgets without raising taxes.
- This year without I-960, Olympia increased taxes \$6.7 billion (cost over first 10 years says state's budget office).
- With I-1053, Olympia will finally be forced to reform government, prioritize spending and re-evaluate existing programs. Without I-1053, the government will resort to tax increases.

Those who want you to vote against I-1053 say...

- I-1053 is a prescription for partisan gridlock.
- 17 legislators (out of 147) on the far left or right could block a balanced proposal to close Washington's budget deficit.
- Nobody likes taxes, but they pay for important services like providing a quality education for kids, caring for seniors and public safety.
- If I-1053 had been in place this year, we would have cut 70,000 people from the Basic Health Plan, coverage for another 16,000 kids, slashed nursing home funding, and eliminated thousands of teachers.

Senate Joint Resolution 8225

Concerns the limitation on state debt

The Constitutional Provision as it Presently Exists:

The state constitution sets a limit on the debt the state may assume. The debt cannot exceed an amount for which the payments of principal and interest in any fiscal year exceed 9% of the average general state revenues for the previous three fiscal years.

The Effect of the Proposed Amendment if Approved:

The amendment would not change the debt limit, but

would modify the calculation used to determine the state's debt. The amendment would require the state, in calculating the amount required for interest on its general obligation debt, to subtract scheduled federal payments to be received each year in respect of bonds, notes, or other evidences of indebtedness. Therefore, subtraction of federal payments to be credited against interest on the debt could affect the amount of aggregate debt that the state may incur.

Fiscal Impact Statement: Not required by law

Those who want you to vote for SJR 8225 say...

- This Constitutional Amendment will reduce the cost to state taxpayers by reducing the net interest rate paid on General Obligation Bonds. The federal government has changed the way it subsidizes interest rates for bonds issued by state and local governments.
- Amendment changes the definition of "interest" in our State Constitution, to make State General Obligation Bonds eligible for this new federal subsidy.
- At present, state transportation bonds and local government bonds are using this benefit. Doing the same with state General Obligation Bonds would save taxpayers more than \$100 million during the next two years alone.

Those who want you to vote against SJR 8225 say...

- The state's constitutional debt limit protects the integrity of our economy by preventing the state from borrowing more than it can reasonably pay back. Any changes to this could challenge the integrity of our state's economy.
- If approved, SJR 8225 would allow the treasurer to take on more debt. Now is not the time to run the risk of over-extending the state's credit. Adding too much debt could have a devastating effect on the rest of Washington's investments and place enormous financial burdens on taxpayers and their children.