
HOUSE BILL 1703

State of Washington

66th Legislature

2019 Regular Session

By Representatives Pollet, Paul, Tarleton, Valdez, Gregerson, Orwall, Stanford, Ryu, Santos, Doglio, Pettigrew, Thai, Kloba, Wylie, Goodman, Bergquist, Senn, Peterson, Fitzgibbon, Riccelli, Lekanoff, Tharinger, Jinkins, Frame, Mead, Ramos, Shewmake, Appleton, Fey, Dolan, Walen, and Macri

1 AN ACT Relating to increasing tax exemption transparency and
2 accountability; amending RCW 43.06.400, 43.88.030, 43.88.055,
3 43.136.045, and 43.136.065; adding new sections to chapter 43.88 RCW;
4 and creating new sections.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 NEW SECTION. **Sec. 1.** (1) Hundreds of tax exemptions and special
7 tax preferences have been granted to special interests by the
8 legislature without requiring assessment of whether those exemptions
9 and preferences would create jobs or result in increased economic
10 activity which increases state revenues. These exemptions and
11 preferences result in the entire tax system being less fair for
12 people who do not have special exemptions and preferences, and
13 increase the taxes on all other taxpayers in order to fund education
14 and other state services.

15 (2) Tax expenditures reduce revenues collected from the tax base
16 and provide preferential treatment to some at the expense of those
17 not getting a tax expenditure. Almost as much money as is collected
18 in tax revenues is not collected and is given out as tax
19 expenditures. While every expenditure of revenue must be authorized
20 and appropriated in the state budget approved by the legislature, the
21 massive amounts of funding for these tax preferences and exemptions

1 continue without any readoption by the legislature in each budget.
2 These exemptions and preferences are, therefore, tax expenditures,
3 most of which continue without any legislative action year after year
4 while the state seeks other funding to meet constitutional duties to
5 fund education and other services and obligations.

6 (3) Off-budget spending in the form of tax expenditures has
7 resulted in out of control state spending that is depleting the state
8 of needed revenue to fund essential state services like education and
9 health care. Tax expenditures as off-budget spending lack the
10 accountability of other state spending programs because they have not
11 been included in the state biennial budget process and are not
12 subject to the same biennial scrutiny.

13 (4) This measure would create a discretionary tax expenditure
14 budget as part of the biennial budget adopted by the legislature.
15 This measure reforms the tax expenditure process by including in a
16 discretionary tax expenditure budget in the biennial state budget
17 process those tax expenditures that do not have an expiration date
18 established in law or tax expenditures that the legislative auditor
19 has recommended should be terminated or reviewed and clarified. The
20 measure is intended to improve transparency and accountability by
21 requiring that those tax preferences that have no expiration date in
22 law or have been recommended for review and clarification: Receive a
23 review, clarification, performance measures, and expiration date; are
24 readopted every two years as part of the budget process; or expire.
25 This brings tax expenditures into the state budget process to protect
26 the public's interest, makes them more transparent and accountable,
27 and helps ensure the tax expenditures are producing the results
28 intended when they were adopted by the legislature. The legislature
29 finds that it has not acted to review and clarify or terminate most
30 tax preferences that the legislative auditor and joint legislative
31 audit and review committee have recommended for review and
32 clarification or termination by the legislature. It is the
33 legislature's intent to add weight to such findings and
34 recommendations by recognizing that these are tax expenditures and
35 requiring those discretionary preferences to be reviewed and
36 clarified, terminated, or readopted in the biennial budget if they
37 are to be continued.

38 NEW SECTION. **Sec. 2.** A new section is added to chapter 43.88
39 RCW to read as follows:

1 (1) The omnibus operating appropriations act enacted by the
2 legislature must include a discretionary tax expenditure budget
3 detailing all discretionary state tax expenditures. The four-year
4 outlook required to be balanced in RCW 43.88.055 may utilize revenues
5 from expenditures that will expire absent legislative re adoption in
6 the next biennial budget pursuant to section 4(4) of this act, and
7 which are listed in the discretionary tax expenditure report prepared
8 by the department of revenue pursuant to RCW 43.06.400, for the
9 purposes of calculating available resources for the next ensuing
10 fiscal biennium, provided that the omnibus operating appropriations
11 act identifies the expiring tax expenditures.

12 (2) The discretionary tax expenditure budget must include an
13 estimate of the state revenue impact associated with each
14 discretionary state tax expenditure.

15 (3) For the purposes of this section, "discretionary state tax
16 expenditure" means a tax preference, as defined in RCW 43.136.021,
17 which:

18 (a) Impacts revenues appropriated in the omnibus operating
19 appropriations act;

20 (b) Has no expiration date established in law, or has been
21 recommended by the legislative auditor and the joint legislative
22 audit and review committee for review and clarification, but for
23 which the legislature has not clarified and adopted new performance
24 measures and an expiration date pursuant to RCW 82.32.805 and
25 82.32.808; and

26 (c) Is not required by the state Constitution, United States
27 Constitution, or federal law.

28 **Sec. 3.** RCW 43.06.400 and 2013 c 225 s 605 are each amended to
29 read as follows:

30 (1) Beginning in ~~((January 1984, and in January of every fourth))~~
31 December 2020, and in December of every second year thereafter, the
32 department of revenue must submit to the legislature prior to the
33 regular session a report with a listing of the amount of reduction
34 for the current and next biennium in the revenues of the state or the
35 revenues of local government collected by the state as a result of
36 tax ~~((exemptions))~~ expenditures. ~~((The listing must include an
37 estimate of the revenue lost from the tax exemption, the purpose of
38 the tax exemption, the persons, organizations, or parts of the
39 population which benefit from the tax exemption, and whether or not~~

1 ~~the tax exemption conflicts with another state program. The listing~~
2 ~~must))~~ The report must include a summary of results of any review by
3 the joint legislative audit and review committee and the citizen
4 commission for performance measurement of tax expenditures pursuant
5 to RCW 43.136.065. The report must be made readily available on the
6 department's web site and include links to relevant reports or
7 recommendations of the joint legislative audit and review committee
8 and the citizen commission for performance measurement of tax
9 expenditures. The report must also include but not be limited to the
10 following revenue sources:

- 11 (a) Real and personal property tax exemptions under Title 84 RCW;
- 12 (b) Business and occupation tax exemptions, deductions, and
13 credits under chapter 82.04 RCW;
- 14 (c) Retail sales and use tax exemptions under chapters 82.08,
15 82.12, and 82.14 RCW;
- 16 (d) Public utility tax exemptions and deductions under chapter
17 82.16 RCW;
- 18 (e) Food fish and shellfish tax exemptions under chapter 82.27
19 RCW;
- 20 (f) Leasehold excise tax exemptions under chapter 82.29A RCW;
- 21 (g) Motor vehicle and special fuel tax exemptions and refunds
22 under chapter 82.38 RCW;
- 23 (h) Aircraft fuel tax exemptions under chapter 82.42 RCW;
- 24 (i) Motor vehicle excise tax exclusions under chapter 82.44 RCW;
- 25 and
- 26 (j) Insurance premiums tax exemptions under chapter 48.14 RCW.

27 (2) The department of revenue must prepare the (~~listing~~) report
28 required by this section with the assistance of any other agencies or
29 departments as may be required.

30 (~~3) (The department of revenue must present the listing to the~~
31 ~~ways and means committees of each house in public hearings.~~

32 (~~4) Beginning in January 1984, and every four years thereafter~~
33 ~~the governor is requested to review the report from the department of~~
34 ~~revenue and may submit recommendations to the legislature with~~
35 ~~respect to the repeal or modification of any tax exemption. The ways~~
36 ~~and means committees of each house and the appropriate standing~~
37 ~~committee of each house must hold public hearings and take~~
38 ~~appropriate action on the recommendations submitted by the governor.~~

39 (~~5~~)) As used in this section, "tax (~~exemption~~) expenditure"
40 means an exemption, exclusion, or deduction from the base of a tax; a

1 credit against a tax; a deferral of a tax; or a preferential tax
2 rate.

3 ~~((6) For purposes of the listing due in January 2012, the
4 department of revenue does not have to prepare or update the listing
5 with respect to any tax exemption that would not be likely to
6 increase state revenue if the exemption was repealed or otherwise
7 eliminated.))~~

8 (4) The department of revenue must submit the tax expenditure
9 report to the governor at the time biennial budget requests are due
10 under RCW 43.88.030. The governor is requested to review the tax
11 expenditure report from the department of revenue and submit it as
12 part of the biennial budget documents under RCW 43.88.030.

13 NEW SECTION. Sec. 4. A new section is added to chapter 43.88
14 RCW to read as follows:

15 (1) (a) The discretionary tax expenditure report must be prepared
16 by the department of revenue and transmitted to the governor pursuant
17 to RCW 43.06.400, and the governor must transmit a proposed
18 discretionary tax expenditure budget to the legislature with the
19 governor's proposed operating budget document or documents with
20 recommendations for ending or continuing each discretionary tax
21 expenditure that either:

22 (i) Has no expiration date established in law;

23 (ii) Has been recommended by the legislative auditor and the
24 joint legislative audit and review committee for review and
25 clarification, but for which the legislature has not clarified and
26 adopted new performance measures and an expiration date pursuant to
27 RCW 82.32.805 and 82.32.808; or

28 (iii) Has a revenue reduction of less than fifty thousand dollars
29 per fiscal year or one hundred thousand dollars per biennium as
30 estimated in the report prepared by the department of revenue
31 pursuant to RCW 43.06.400.

32 (b) The discretionary tax expenditure budget must include an
33 estimate of the state revenue impact associated with each
34 discretionary state tax expenditure. The discretionary tax
35 expenditure budget is not required to address tax expenditures
36 required under the state Constitution, United States Constitution, or
37 federal law.

38 (2) The governor also may submit other recommendations to the
39 legislature with respect to the repeal or modification of any tax

1 expenditure. The fiscal committees of the house of representatives
2 and the senate and the appropriate standing committees of the house
3 of representatives and the senate must hold public hearings and must
4 adopt a discretionary tax expenditure budget as part of the omnibus
5 appropriations act. Any discretionary tax expenditure that is
6 required to be part of the submitted discretionary tax expenditure
7 budget under this section by reason of not having an expiration date
8 established in law or not having been reviewed and clarified by the
9 legislature following a recommendation to do so from the joint
10 legislative audit and review committee or citizen commission for
11 performance measurement of tax preferences, but which is not included
12 in the discretionary tax expenditure budget in the adopted omnibus
13 appropriations act, expires at the end of the calendar year in which
14 the budget is adopted.

15 (3) For the purposes of this section, "tax expenditure" means an
16 exemption, exclusion, or deduction from the base of a tax; a credit
17 against a tax; a deferral of a tax; or a preferential tax rate.

18 (4) Each biennium the discretionary tax expenditure budget must
19 be included in the omnibus operating appropriations act enacted by
20 the legislature.

21 (a) Tax expenditures in the discretionary tax expenditure budget
22 must:

23 (i) Be treated as any other state expenditure and must be
24 reauthorized with each biennial budget, until such time as the
25 expenditure otherwise expires; and

26 (ii) Have an expiration date of no greater than ten years
27 established in law or have been clarified if recommended by the joint
28 legislative audit and review committee or the citizen commission for
29 performance measurement of tax preferences review to be clarified.

30 (b) No new or existing tax expenditure may be approved or
31 reauthorized by the legislature for more than ten years.

32 (c) Any new tax expenditure is subject to the same audit and
33 review procedures as existing tax expenditures are required to meet.
34 New tax expenditures enacted as part of the discretionary tax
35 expenditure budget in the omnibus appropriations act but which were
36 not reviewed under all provisions of RCW 43.136.045 or 43.136.055
37 prior to enactment must be prioritized for review.

38 (d) The legislature may expire a tax expenditure earlier than its
39 authorized term by either:

1 (i) A majority vote as provided under Article II, section 22 of
2 the state Constitution; or

3 (ii) As part of the budget process in the same manner as any
4 other expenditure is approved or denied in the omnibus appropriations
5 act by a majority vote of the members of the house of representatives
6 and the senate.

7 **Sec. 5.** RCW 43.88.030 and 2006 c 334 s 43 are each amended to
8 read as follows:

9 (1)(a) The director of financial management (~~shall~~) must
10 provide all agencies with a complete set of instructions for
11 submitting biennial budget requests to the director at least three
12 months before agency budget documents are due into the office of
13 financial management.

14 (b) The budget document or documents (~~shall~~) must consist of
15 the governor's budget message which (~~shall~~) must be explanatory of
16 the budget and (~~shall~~) must contain an outline of the proposed
17 financial policies of the state for the ensuing fiscal period, as
18 well as an outline of the proposed six-year financial policies where
19 applicable, and (~~shall~~) must describe in connection therewith the
20 important features of the budget.

21 (i) The biennial budget document or documents (~~shall~~) must also
22 describe performance indicators that demonstrate measurable progress
23 towards priority results.

24 (ii) The message (~~shall~~) must set forth the reasons for salient
25 changes from the previous fiscal period in expenditure and revenue
26 items and (~~shall~~) must explain any major changes in financial
27 policy. Attached to the budget message (~~shall~~) must be such
28 supporting schedules, exhibits and other explanatory material in
29 respect to both current operations and capital improvements as the
30 governor (~~shall~~) deems to be useful to the legislature.

31 (iii) The budget document or documents (~~shall~~) must set forth a
32 proposal for expenditures in the ensuing fiscal period, or six-year
33 period where applicable, based upon the estimated revenues and
34 caseloads as approved by the economic and revenue forecast council
35 and caseload forecast council or upon the estimated revenues and
36 caseloads of the office of financial management for those funds,
37 accounts, sources, and programs for which the forecast councils do
38 not prepare an official forecast. Revenues (~~shall~~) must be
39 estimated for such fiscal period from the source and at the rates

1 existing by law at the time of submission of the budget document,
2 including the supplemental budgets submitted in the even-numbered
3 years of a biennium. However, the estimated revenues and caseloads
4 for use in the governor's budget document may be adjusted to reflect
5 budgetary revenue transfers and revenue and caseload estimates
6 dependent upon budgetary assumptions of enrollments, workloads, and
7 caseloads. All adjustments to the approved estimated revenues and
8 caseloads must be set forth in the budget document.

9 (c) The governor may additionally submit, as an appendix to each
10 supplemental, biennial, or six-year agency budget or to the budget
11 document or documents, a proposal for expenditures in the ensuing
12 fiscal period from revenue sources derived from proposed changes in
13 existing statutes.

14 (d) The budget document or documents (~~(shall)~~) must also contain:

15 ~~((a))~~ (i) Revenues classified by fund and source for the
16 immediately past fiscal period, those received or anticipated for the
17 current fiscal period, and those anticipated for the ensuing
18 biennium;

19 ~~((b))~~ (ii) The discretionary tax expenditure budget prepared
20 under RCW 43.06.400;

21 (iii) The undesignated fund balance or deficit, by fund;

22 ~~((c))~~ (iv) Such additional information dealing with
23 expenditures, revenues, workload, performance, and personnel as the
24 legislature may direct by law or concurrent resolution;

25 ~~((d))~~ (v) Such additional information dealing with revenues and
26 expenditures as the governor (~~(shall)~~) deems pertinent and useful to
27 the legislature;

28 ~~((e))~~ (vi) Tabulations showing expenditures classified by fund,
29 function, and agency;

30 ~~((f))~~ (vii) The expenditures that include nonbudgeted,
31 nonappropriated accounts outside the state treasury;

32 ~~((g))~~ (viii) Identification of all proposed direct expenditures
33 to implement the Puget Sound water quality plan under chapter 90.71
34 RCW, shown by agency and in total; and

35 ~~((h))~~ (ix) Tabulations showing each postretirement adjustment
36 by retirement system established after fiscal year 1991, to include,
37 but not be limited to, estimated total payments made to the end of
38 the previous biennial period, estimated payments for the present
39 biennium, and estimated payments for the ensuing biennium.

1 ~~((2))~~ (e) The budget document or documents ~~((shall))~~ must
2 include detailed estimates of all anticipated revenues applicable to
3 proposed operating ~~((or))~~, capital, and tax expenditures and
4 ~~((shall))~~ must also include all proposed operating ~~((or))~~, capital,
5 and tax expenditures. The total of beginning undesignated fund
6 balance and estimated revenues less working capital and other
7 reserves ~~((shall))~~ must equal or exceed the total of proposed
8 applicable expenditures.

9 (f) The budget document or documents ~~((shall))~~ must further
10 include:

11 ~~((a))~~ (i) Interest, amortization and redemption charges on the
12 state debt;

13 ~~((b))~~ (ii) Payments of all reliefs, judgments, and claims;

14 ~~((c))~~ (iii) Other statutory expenditures;

15 ~~((d))~~ (iv) Expenditures incident to the operation for each
16 agency;

17 ~~((e))~~ (v) Revenues derived from agency operations;

18 ~~((f))~~ (vi) Expenditures and revenues ~~((shall))~~ must be given in
19 comparative form showing those incurred or received for the
20 immediately past fiscal period and those anticipated for the current
21 biennium and next ensuing biennium;

22 ~~((g))~~ (vii) A showing and explanation of amounts of general
23 fund and other funds obligations for debt service and any transfers
24 of moneys that otherwise would have been available for appropriation;

25 ~~((h))~~ (viii) Common school expenditures on a fiscal-year basis;

26 ~~((i))~~ (ix) A showing, by agency, of the value and purpose of
27 financing contracts for the lease/purchase or acquisition of personal
28 or real property for the current and ensuing fiscal periods; and

29 ~~((j))~~ (x) A showing and explanation of anticipated amounts of
30 general fund and other funds required to amortize the unfunded
31 actuarial accrued liability of the retirement system specified under
32 chapter 41.45 RCW, and the contributions to meet such amortization,
33 stated in total dollars and as a level percentage of total
34 compensation.

35 ~~((3))~~ (2) The governor's operating budget document or documents
36 ~~((shall))~~ must reflect the statewide priorities as required by RCW
37 43.88.090.

38 ~~((4))~~ (3) The governor's operating budget document or documents
39 ~~((shall))~~ must identify activities that are not addressing the
40 statewide priorities.

1 ~~((5))~~ (4)(a) A separate capital budget document or schedule
2 ~~((shall))~~ must be submitted that will contain the following:

3 ~~((a))~~ (i) A statement setting forth a long-range facilities
4 plan for the state that identifies and includes the highest priority
5 needs within affordable spending levels;

6 ~~((b))~~ (ii) A capital program consisting of proposed capital
7 projects for the next biennium and the two biennia succeeding the
8 next biennium consistent with the long-range facilities plan.
9 Insomuch as is practical, and recognizing emergent needs, the capital
10 program ~~((shall))~~ must reflect the priorities, projects, and spending
11 levels proposed in previously submitted capital budget documents in
12 order to provide a reliable long-range planning tool for the
13 legislature and state agencies;

14 ~~((c))~~ (iii) A capital plan consisting of proposed capital
15 spending for at least four biennia succeeding the next biennium;

16 ~~((d))~~ (iv) A strategic plan for reducing backlogs of
17 maintenance and repair projects. The plan ~~((shall))~~ must include a
18 prioritized list of specific facility deficiencies and capital
19 projects to address the deficiencies for each agency, cost estimates
20 for each project, a schedule for completing projects over a
21 reasonable period of time, and identification of normal maintenance
22 activities to reduce future backlogs;

23 ~~((e))~~ (v) A statement of the reason or purpose for a project;

24 ~~((f))~~ (vi) Verification that a project is consistent with the
25 provisions set forth in chapter 36.70A RCW;

26 ~~((g))~~ (vii) A statement about the proposed site, size, and
27 estimated life of the project, if applicable;

28 ~~((h))~~ (viii) Estimated total project cost;

29 ~~((i))~~ (ix) For major projects valued over five million dollars,
30 estimated costs for the following project components: Acquisition,
31 consultant services, construction, equipment, project management, and
32 other costs included as part of the project. Project component costs
33 ~~((shall))~~ must be displayed in a standard format defined by the
34 office of financial management to allow comparisons between projects;

35 ~~((j))~~ (x) Estimated total project cost for each phase of the
36 project as defined by the office of financial management;

37 ~~((k))~~ (xi) Estimated ensuing biennium costs;

38 ~~((l))~~ (xii) Estimated costs beyond the ensuing biennium;

39 ~~((m))~~ (xiii) Estimated construction start and completion dates;

40 ~~((n))~~ (xiv) Source and type of funds proposed;

1 ~~((+e))~~ (xv) Estimated ongoing operating budget costs or savings
2 resulting from the project, including staffing and maintenance costs;

3 ~~((+p))~~ (xvi) For any capital appropriation requested for a state
4 agency for the acquisition of land or the capital improvement of land
5 in which the primary purpose of the acquisition or improvement is
6 recreation or wildlife habitat conservation, the capital budget
7 document, or an omnibus list of recreation and habitat acquisitions
8 provided with the governor's budget document, ~~((shall))~~ must identify
9 the projected costs of operation and maintenance for at least the two
10 biennia succeeding the next biennium. Omnibus lists of habitat and
11 recreation land acquisitions ~~((shall))~~ must include individual
12 project cost estimates for operation and maintenance as well as a
13 total for all state projects included in the list. The document
14 ~~((shall))~~ must identify the source of funds from which the operation
15 and maintenance costs are proposed to be funded;

16 ~~((+q))~~ (xvii) Such other information bearing upon capital
17 projects as the governor deems to be useful;

18 ~~((+r))~~ (xviii) Standard terms, including a standard and uniform
19 definition of normal maintenance, for all capital projects;

20 ~~((+s))~~ (xix) Such other information as the legislature may
21 direct by law or concurrent resolution.

22 (b) For purposes of this subsection ~~((+5))~~ (4), the term
23 "capital project" ~~((shall))~~ must be defined subsequent to the
24 analysis, findings, and recommendations of a joint committee
25 comprised of representatives from the house capital appropriations
26 committee, senate ways and means committee, legislative evaluation
27 and accountability program committee, and office of financial
28 management.

29 ~~((+6))~~ (5) No change affecting the comparability of agency or
30 program information relating to expenditures, revenues, workload,
31 performance, and personnel ~~((shall))~~ may be made in the format of any
32 budget document or report presented to the legislature under this
33 section or RCW 43.88.160(1) relative to the format of the budget
34 document or report ~~((which))~~ that was presented to the previous
35 regular session of the legislature during an odd-numbered year
36 without prior legislative concurrence. Prior legislative concurrence
37 ~~((shall))~~ must consist of:

38 (a) A favorable majority vote on the proposal by the standing
39 committees on ways and means of both houses if the legislature is in
40 session; or

1 (b) A favorable majority vote on the proposal by members of the
2 legislative evaluation and accountability program committee if the
3 legislature is not in session.

4 **Sec. 6.** RCW 43.88.055 and 2012 1st sp.s. c 8 s 1 are each
5 amended to read as follows:

6 (1) The legislature must adopt a four-year balanced budget as
7 follows:

8 (a) Beginning in the 2013-2015 fiscal biennium, the legislature
9 shall enact a balanced omnibus operating appropriations bill that
10 leaves, in total, a positive ending fund balance in the general fund
11 and related funds.

12 (b) Beginning in the 2013-2015 fiscal biennium, the projected
13 maintenance level of the omnibus appropriations bill enacted by the
14 legislature shall not exceed the available fiscal resources for the
15 next ensuing fiscal biennium.

16 (2) (~~For purposes of this section:~~) The definitions in this
17 subsection apply throughout this section unless the context clearly
18 requires otherwise.

19 (a) "Available fiscal resources" means the beginning general fund
20 and related fund balances and any fiscal resources estimated for the
21 general fund and related funds, adjusted for enacted legislation, and
22 with forecasted revenues adjusted to the greater of (i) the official
23 general fund and related funds revenue forecast for the ensuing
24 biennium, or (ii) the official general fund and related funds
25 forecast for the second fiscal year of the current fiscal biennium,
26 increased by 4.5 percent for each fiscal year of the ensuing
27 biennium;

28 (b) "Forecasted revenues" means the revenue estimate prepared by
29 the economic and revenue forecast council plus any discretionary tax
30 expenditures identified as not being reauthorized in the omnibus
31 operating appropriations act;

32 (c) "Projected maintenance level" means estimated appropriations
33 necessary to maintain the continuing costs of program and service
34 levels either funded in that appropriations bill or mandated by other
35 state or federal law, and the amount of any general fund moneys
36 projected to be transferred to the budget stabilization account
37 pursuant to Article VII, section 12 of the state Constitution, but
38 does not include in the 2013-2015 and 2015-2017 fiscal biennia the
39 costs related to the enhanced funding under the new definition of

1 basic education as established in chapter 548, Laws of 2009, and
2 affirmed by the decision in *Mathew McCleary et al., v. The State of*
3 *Washington*, 173 Wn.2d 477, 269 P.3d 227, (2012), from which the
4 short-term exclusion of these obligations is solely for the purposes
5 of calculating this estimate and does not in any way indicate an
6 intent to avoid full funding of these obligations;

7 ~~((e))~~ (d) "Related funds~~((r))~~" ~~((as used in this section,))~~
8 means the Washington opportunity pathways account and the education
9 legacy trust account.

10 (3) Subsection (1)(a) and (b) of this section does not apply to
11 an appropriations bill that makes net reductions in general fund and
12 related funds appropriations and is enacted between July 1st and
13 February 15th of any fiscal year.

14 (4) Subsection (1)(b) of this section does not apply in a fiscal
15 biennium in which money is appropriated from the budget stabilization
16 account.

17 **Sec. 7.** RCW 43.136.045 and 2011 c 335 s 2 are each amended to
18 read as follows:

19 (1) The citizen commission for performance measurement of tax
20 preferences must develop a schedule to accomplish an orderly review
21 of tax ~~((preferences))~~ expenditures at least once every ten years. In
22 determining the schedule, the commission must consider the order the
23 tax ~~((preferences))~~ expenditures were enacted into law, in addition
24 to other factors including but not limited to grouping
25 ~~((preferences))~~ expenditures for review by type of industry, economic
26 sector, or policy area. The commission ~~((may elect to include,~~
27 ~~anywhere in the schedule, a tax preference that has a statutory~~
28 ~~expiration date. The commission must omit from the schedule tax~~
29 ~~preferences that are required by constitutional law, sales and use~~
30 ~~tax exemptions for machinery and equipment for manufacturing,~~
31 ~~research and development, or testing, the small business credit for~~
32 ~~the business and occupation tax, sales and use tax exemptions for~~
33 ~~food and prescription drugs, property tax relief for retired persons,~~
34 ~~and property tax valuations based on current use, and may omit any~~
35 ~~tax preference that the commission determines is a critical part of~~
36 ~~the structure of the tax system. As an alternative to the process~~
37 ~~under RCW 43.136.055, the commission may recommend to the joint~~
38 ~~legislative audit and review committee an expedited review process~~
39 ~~for any tax preference))~~ must include, in a timely manner, in the

1 schedule, a tax expenditure that has a statutory expiration date. The
2 commission must omit from the schedule tax expenditures that are
3 required by constitutional law. As an alternative to the process
4 under RCW 43.136.055, the commission, as well as the governor or the
5 state legislature, may recommend to the joint legislative audit and
6 review committee an expedited review process for any tax expenditure
7 or group of expenditures.

8 (2) The commission must revise the schedule as needed each year,
9 taking into account newly enacted or terminated tax ((preferences))
10 expenditures. The commission must deliver the schedule to the joint
11 legislative audit and review committee by September 1st of each year.

12 (3) The commission must provide a process for effective citizen
13 input during its deliberations and must allow comments to be
14 submitted and posted online.

15 **Sec. 8.** RCW 43.136.065 and 2006 c 197 s 6 are each amended to
16 read as follows:

17 (1) ~~The joint legislative audit and review committee ((shall~~
18 ~~report its findings and recommendations for scheduled tax preferences~~
19 ~~to the citizen commission for performance measurement of tax~~
20 ~~preferences by August 30th of each year. The commission may review~~
21 ~~and comment on the report of the committee. The committee may revise~~
22 ~~its report based on the comments of the commission. The committee~~
23 ~~shall prepare a final report that includes the comments of the~~
24 ~~commission and submit the final report to the finance committee of~~
25 ~~the house of representatives and the ways and means committee of the~~
26 ~~senate by December 30th.~~

27 ~~(2) The joint legislative audit and review committee shall submit~~
28 ~~a special report reviewing all tax preferences that have statutory~~
29 ~~expiration dates between June 30, 2005, and January 1, 2007. For the~~
30 ~~special report, the committee shall complete a review under RCW~~
31 ~~43.136.055, and obtain comments of the citizen commission for~~
32 ~~performance measurement of tax preferences under subsection (1) of~~
33 ~~this section, to the extent possible. The committee shall submit the~~
34 ~~special report to the finance committee of the house of~~
35 ~~representatives and the ways and means committee of the senate by~~
36 ~~January 12, 2006.~~

37 ~~(3))~~ must report its findings and recommendations for scheduled
38 tax expenditures to the citizen commission for performance
39 measurement of tax preferences by July 30th of each even-numbered

1 year. The commission must review and comment on the report of the
2 committee. The committee may revise its report based on the comments
3 of the commission. The committee must prepare a final report that
4 includes the comments of the commission and submit the final report
5 to the finance committee of the house of representatives and the ways
6 and means committee of the senate, the department of revenue, and the
7 governor's office by September 30th of each even-numbered year. The
8 governor and the department of revenue must consider and incorporate
9 the findings of the final report in their preparation of their
10 discretionary tax expenditure budget required under section 2 of this
11 act.

12 (2) Following receipt of a report under this section, the finance
13 committee of the house of representatives and the ways and means
14 committee of the senate (~~shall~~) must jointly hold a public hearing
15 to consider the final report and any related data.

16 NEW SECTION. Sec. 9. If any provision of this act or its
17 application to any person or circumstance is held invalid, the
18 remainder of the act or the application of the provision to other
19 persons or circumstances is not affected.

20 NEW SECTION. Sec. 10. This act may be known and cited as the
21 tax exemption transparency and accountability act.

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