



2022 Legislative Session Update

Remote Testimony



A video frame showing a man in a suit and tie speaking. The background is a dark blue wall with the Washington Policy Center logo repeated. A yellow banner at the bottom of the video frame contains the text: "HB 1772 GUBERNATORIAL PROCLAMATIONS" and "1/31/22". Below the banner, the man's name and affiliation are listed: "JASON MERCIER", "WASHINGTON POLICY CENTER", and "HOUSE STATE GOVERNMENT & TRIBAL RELATIONS CMTE.". A small "REC" icon is in the top left corner of the video frame. A circular logo with "TVW" is in the bottom right corner of the video frame.

REC

WASHINGTON POLICY CENTER

HB 1772 GUBERNATORIAL PROCLAMATIONS

1/31/22

JASON MERCIER
WASHINGTON POLICY CENTER
HOUSE STATE GOVERNMENT & TRIBAL RELATIONS CMTE.

TVW

Remote Testimony Rules

“Testimony registration will close 1 hour before the start time of the hearing. Anyone who does not register before this deadline will be unable to testify before the committee.”

“Ensure your registration information is accurate. It will be a part of the legislative record and used by TVW for online and television graphics.”

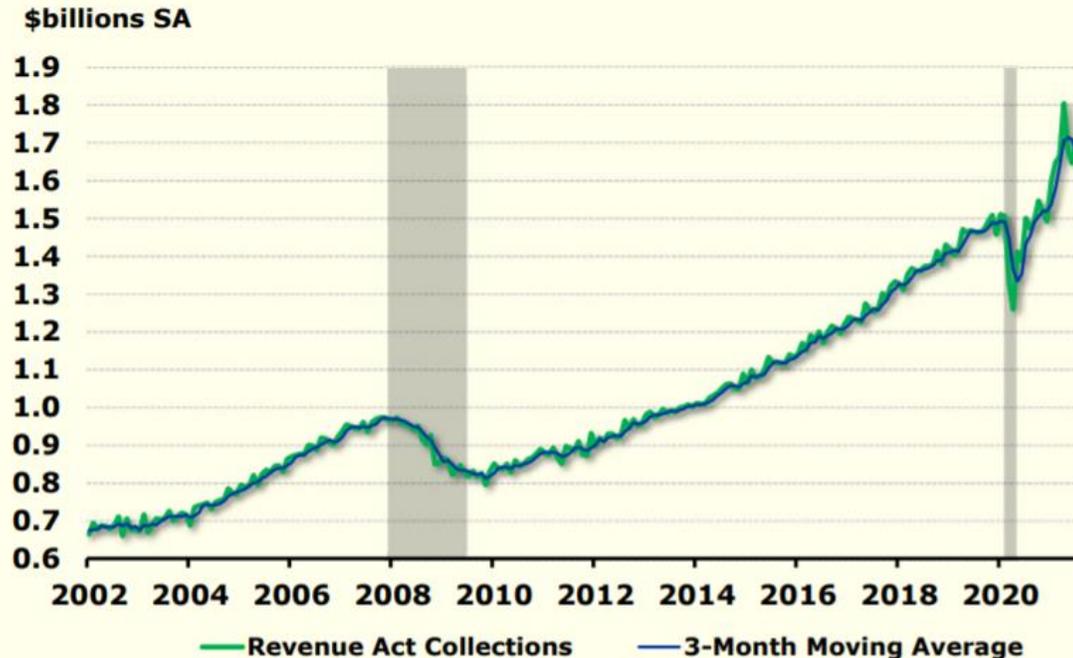
“You may participate via videoconference or phone.”

[Remote testimony sign in](#)

Time for Broad-Based Tax Cuts



Revenue Act collections remain strong;
year over year growth 13.4% for
September activity



Revenue Review
Nov. 19, 2021

Slide 16

* Adjusted for large one-time transactions, amnesty payments, reporting frequency change and deferred 2020 payments, current definition of Revenue Act
Source: DOR and ERFC; monthly data through September 2021 activity

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

Revenues Growing Substantially

Here are the state revenue forecast number changes since the 2021-23 budget was adopted last year:

March 2021 revenue forecast (current budget based on this forecast)

- 2021-23: \$56.615 billion
- 2023-25: \$59.906 billion

June 2021 forecast increase over four years – **\$4.043 billion increase**

- 2021-23: \$58.413 billion - \$1.798 billion increase
- 2023-25: \$62.151 billion - \$2.245 billion increase

Revenues Growing Substantially

September 2021 forecast increase over four years – **\$1.859 billion increase**

- 2021-23: \$59.341 billion - \$928 million increase
- 2023-25: \$63.082 billion - \$931 million increase

November 2021 forecast increase over four years – **-\$1.862 billion increase**

- 2021-23: \$60.238 billion – \$897 million increase
- 2023-25: \$64.047 billion – \$965 million increase

This means the total four-year increase in projected revenue since lawmakers adopted the 2021-23 budget is at least **\$7.764 billion**. Monthly tax collections continue to exceed those forecast expectations.

Sales Tax Cut

When it was first imposed in 1935, Washington's sales tax rate was 2.0%. Now it's 6.5%. The last time lawmakers and a governor cut the sales tax was in 1982, nearly 40 years ago.

SB 5932 is prime sponsored by Senate Democratic Majority Caucus Vice Chair Mona Das and has bipartisan co-sponsors. The bill would reduce the state's sales tax by a full 1%, taking the tax rate down from 6.5% to 5.5%. Based on previous estimates, this would provide approximately \$2 billion in tax relief per year for Washingtonians.

Emergency Powers Reform

State of Emergency

Declared by Governor
effective upon signature



Terminated by the Governor
when order has been restored

Emergency Orders

Issued by the Governor during a state of emergency

(1) To prohibit certain activities



Terminated by the Governor
when no longer necessary

(2) To waive or suspend certain
statutory provisions



Limited to 30 days unless
extended by the Legislature

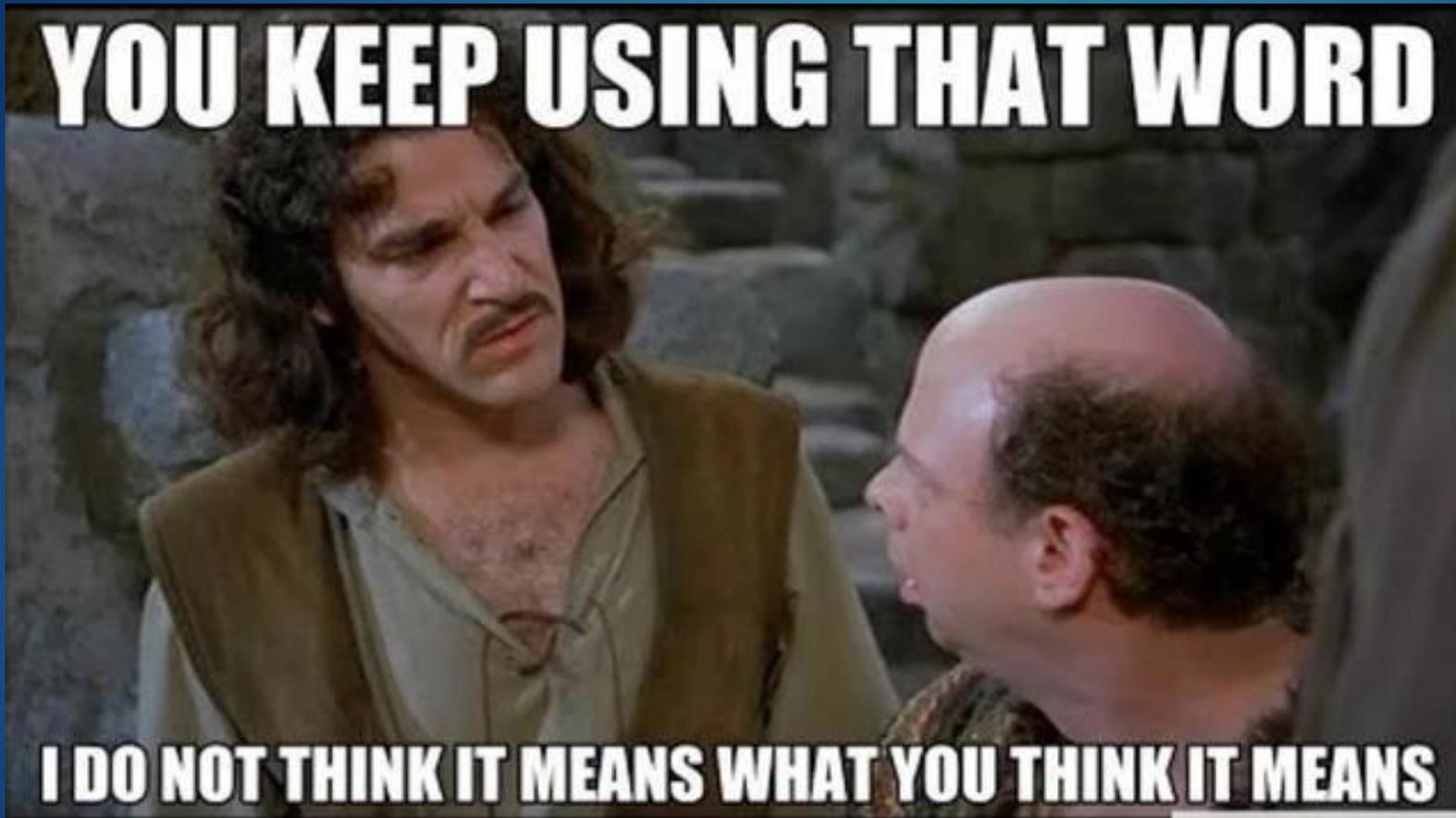
Emergency Powers Reform

National study: “Vermont, Washington, Ohio and Hawaii are among the worst-ranking states because they bestow on their governors the sole authority to determine when and where an emergency exists, and when an emergency ceases to exist.” <https://mainepolicy.org/project/emergency-powers/>

Emergency Powers Reform

It makes sense to provide the Governor the ability to respond swiftly to an emergency for a limited period of time. More than 700 days of power to set state policies without the involvement of the legislature, however, is not the way our government is supposed to work.

At some point the executive branch should be required to receive permission from the people's legislative branch to continue implementing far-reaching policies under an emergency order.



“Excise Tax” on Capital Gains?

What Type of Tax is a Capital Gains Tax? It is an Income Tax.



COMMUNICATIONS AND LIAISON

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

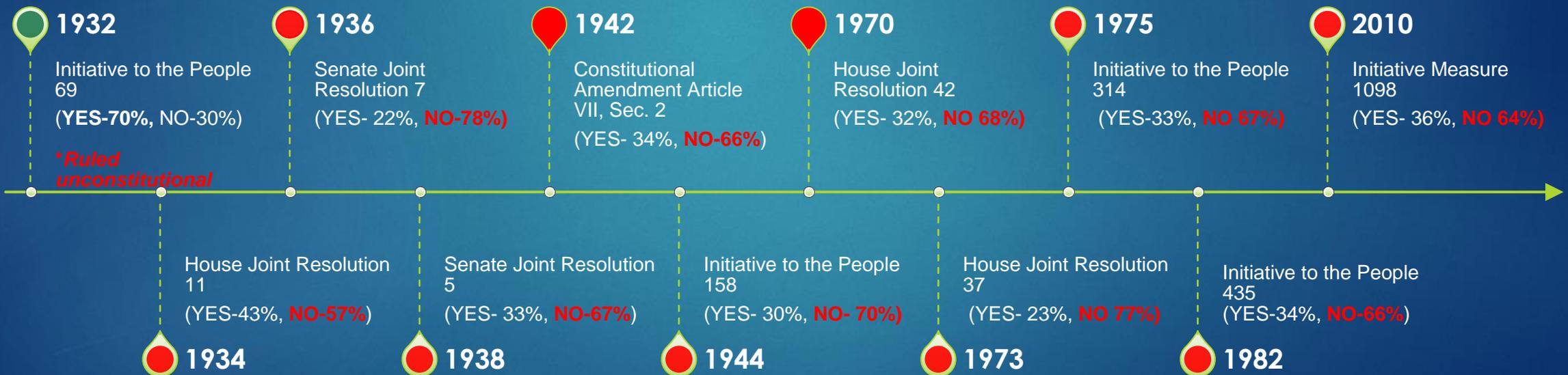
September 25, 2018

Rep. Dan Newhouse
1318 Longworth HOB
15 Independence Ave SE
Washington, D.C. 20515

Dear Representative Newhouse,

This is in response to your inquiry regarding the tax treatment of capital gains. You ask whether tax on capital gains is considered an excise tax or an income tax? It is an income tax. More specifically, capital gains are treated as income under the tax code and taxed as such.

Voters have rejected 10 straight income tax proposals, including 6 constitutional amendments



Setting Up Income Tax Lawsuit

From: Pedersen, Sen. Jamie
Sent: Saturday, December 15, 2018 3:09 PM
To: Paul Janos
Subject: RE: Copy of email to Inslee re capital gains tax

Dear Mr. Janos –

Thanks for your message and your support for an income tax. I personally believe that adopting a capital gains tax is one of the best things we could do to help advance the possibility of an income tax in our state, because it could help resolve the legal uncertainty about whether an income tax is a “property tax” subject to constitutional limitations. Until that happens, it would take 2/3 majorities in the legislature (and a vote of the people) to adopt an income tax, which makes it very unlikely to happen.

Best wishes, Jamie

Senator Jamie Pedersen
43rd Legislative District
jamie.pedersen@leg.wa.gov

Olympia Office
JAC 235
P.O. Box 40443

Capital Gains Income Tax Lawsuit

This Friday (2/4) at 10 a.m., Douglas County Superior Court will hold a summary judgment hearing on the capital gains income tax adopted last year. The state supreme court has consistently ruled that income is property and that a graduated/non-uniform tax on income is unconstitutional.

The Attorney General has asked the court to ignore and remove from the case record public records from the IRS and every state revenue department across the country describing a capital gains tax as an income tax.

State Supreme Court Ruling on Income Taxes in 1960:

"The argument is again pressed upon us that these cases were wrongly decided. The court is unwilling, however, to recede from the position announced in its repeated decisions. Among other things, the attorney general urges that the result should now be different because the state is confronted with a financial crisis. If so, the constitution may be amended by vote of the people. Such a constitutional amendment was rejected by popular vote in 1934."

Questions? Want to receive updates or a free 6-month WPC membership?

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