

HB 2164 -23, -24 STAFF MEASURE SUMMARY

Joint Committee On Tax Expenditures

Prepared By: Chris Allanach, Legislative Revenue Officer

Meeting Dates: 6/11, 6/18

WHAT THE MEASURE DOES:

Directs the Legislative Revenue Office to produce a report on tax reform

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

-23 Replaces bill. Extends several tax expenditures for six years. Extends and increases the Earned Income Tax Credit by one percentage point. Extends and reduces the threshold for the political contributions tax credit. Makes modifications and clarifications to the Corporate Activities Tax created in HB 3427.

-24 Identical to the -23 except for changes to the political contributions tax credit. This amendment simply extends the tax credit, whereas the -23 reduces the eligibility threshold in addition to extending the tax credit

BACKGROUND:

The bill/amendment is comprised of two themes: tax expenditures and the Corporate Activity Tax. The first half of the bill represents what has become known as the "tax credit omnibus bill" or "tax expenditure omnibus bill". The core of the affected tax credits are those that are scheduled to sunset during the 2019-21 biennium. These tax credits are generally extended six years and the EIC is increased by one percentage point. The political contributions tax credit is handled differently in the -23 compared to the -24. Two new tax credits are created though the 529 credit replaces the 529 subtraction. Two property tax expenditures have their sunsets extended whereas the food processing equipment property tax expenditure is extended with modification.

The second half of the bill/amendment is a series of modifications and clarifications to the Corporate Activity Tax. These changes generally have no revenue impact or a minimal impact compared to the estimates provided for HB 3427. The one policy with an impact is the exclusion for certain labor payments made by qualified general contractors.