

HB 2164 A STAFF MEASURE SUMMARY**Joint Committee On Tax Expenditures****Action Date:** 06/18/19**Action:** Do pass the A-Eng bill.**Senate Vote****Yeas:** 3 - Hass, Riley, Taylor**Nays:** 1 - Boquist**Exc:** 1 - Bentz**House Vote****Yeas:** 5 - Hernandez, Marsh, Nathanson, Reschke, Smith G**Nays:** 1 - Findley**Exc:** 1 - Smith Warner**Fiscal:** Has minimal fiscal impact**Revenue:** Revenue impact issued**Prepared By:** Chris Allanach, Legislative Revenue Officer**Meeting Dates:** 6/11, 6/18**WHAT THE MEASURE DOES:**

Extends several tax expenditures for six years: cultural trust contributions credit, manufactured dwelling park capital gain subtraction, manufactured dwelling park closure credit, retirement income credit, volunteer rural emergency medical services providers credit, employer provided scholarships credit, agriculture workforce housing construction credit, crop donation credit. Extends and increases the Earned Income Tax Credit by one percentage point. Extends and reduces the eligibility threshold for the political contributions tax credit. Increases the credit percentage for IDA contributions. Creates a new tax credit for short-line railroads. Converts the existing subtraction for 529 contributions to a tax credit. Extends property tax exemptions for low-income rental housing and historic property. Extends the property tax exemption for food processing equipment and provides local control over the exemption parameters. Extends the exemption from motor carrier and fuel taxes related to emissions research and development. Makes modifications and clarifications to the Corporate Activities Tax created in HB 3427. Excludes qualifying subcontractor payments from the Corporate Activity Tax. Takes effect on the 91st day following adjournment sine die.

ISSUES DISCUSSED:

- Modifications and clarifications to the Corporate Activity Tax (CAT) created in HB 3427
- Tax credit review process
- Tax expenditures scheduled to sunset during the 2019-21 biennium
- Cost of extending tax expenditures within budget parameters
- Ability to increase the Earned Income tax credit
- Exclusion for qualifying subcontractor payments
- Potential changes to the CAT for the agriculture sector

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

The bill 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

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the affected tax credits are those that are scheduled to sunset during the 2019-21 biennium. These tax credits are generally extended six years. The EIC is increased by one percentage point and the income eligibility threshold for the political contributions tax credit is lowered. 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 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.