



CITY OF KIRKLAND
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MEMORANDUM

To: Kurt Triplett, City Manager

From: Lorrie McKay, Intergovernmental Relations Manager

Date: October 8 2015

Subject: RESOLUTION OPPOSING INITIATIVE MEASURE NO. 1366, CONCERNING STATE TAXES AND FEES ON THE NOVEMBER 2015 GENERAL ELECTION BALLOT

RECOMMENDATION:

City Council hold a public hearing and consider the attached Resolution expressing opposition to Initiative Measure No. 1366, concerning state taxes and fees (Attachment A), which will be on the general election ballot in November 2015.

BACKGROUND:

Initiative 1366 is an anti-tax initiative advanced by Tim Eyman, which qualified for the November ballot. The initiative proposes to drop the state retail sales tax by one percent unless the State Legislature forwards to the voters a constitutional amendment requiring two-thirds legislative approval or voter approval to raise taxes and majority legislative approval for fee increases. In other words, according to an analysis conducted by the State Office of Financial Management, the initiative presents the Legislature with a choice that leads to two possible and mutually exclusive scenarios.

Scenario 1 – The Legislature does not refer a constitutional amendment to voters prior to April 15, 2016. On April 15, 2016, the state retail sales tax rate would decrease from 6.5 percent to 5.5 percent.

Scenario 2 – The Legislature refers a constitutional amendment to voters prior to April 15, 2016. The constitutional amendment would appear on the November 2016 general election ballot.

The certified ballot title for Initiative Measure No. 1366 reads as follows:

Initiative Measure No. 1366 concerns state taxes and fees. This measure would decrease the sales tax rate unless the legislature refers to voters a constitutional amendment requiring two-thirds legislative approval or voter approval to raise taxes, and legislative approval for fee increases.

Should this measure be enacted into law?

() Yes

() No

The Law As It Presently Exists

Washington law charges a sales tax on most retail sales made in the state. Generally, a retail sale is the sale of goods or services, but there are certain exceptions defined by law. There are also certain goods and services that are exempt from the retail sales tax, such as most groceries, over the counter and prescription drugs, and newspapers. The state retail sales tax is currently 6.5% of the selling price on each retail sale. This rate does not include local sales taxes that may also be charged by cities, counties, and other taxing jurisdictions.

Another state law provides that most fees charged by the government are allowed only if they are approved by more than half of the members of each house of the legislature.

The Washington State Constitution states that no bill may become law unless it receives a yes vote by more than half of the members of each house of the legislature. The Washington State Supreme Court has explained that this voting requirement cannot be changed by a regular law. This means that neither the legislature, nor the people through the initiative process, can pass a law that requires more votes in order for certain types of bills to pass. The only way to increase the number of votes needed for a bill to become a law is to amend the constitution.

The constitution can only be amended if two-thirds of the members of each house of the legislature vote to propose the amendment. The amendment must then be approved by a majority of the voters at the next general election.

The Effect of the Proposed Measure If Approved

This measure would cut the state retail sales tax from 6.5% to 5.5% on April 15, 2016, unless the legislature first proposes a specific amendment to the state constitution. The proposed amendment must require that for any tax increase, either the voters approve the increase or two-thirds of the members of each house of the legislature approve the increase. It must also require the legislature to set the amount of any fee increases.

If the legislature proposes the constitutional amendment before April 15, 2016, then the state retail sales tax would stay at 6.5%.

If the legislature does not propose the constitutional amendment and the state retail sales tax is reduced to 5.5%, that would cut the amount of taxes that individuals and businesses pay for goods and services. It would also lower the State's revenue for government services.

The measure would also define "raises taxes" and "majority legislative approval for fee increases" as those phrases are used in state law.

Fiscal Impact Statement for Initiative 1366

The Secretary of State's general election voters' guide includes a Fiscal Impact Statement for Initiative 1366 (Attachment B) that was prepared by the Office of Financial Management

OUTREACH TO CAMPAIGNS "FOR" AND "AGAINST":

The Secretary of State's general election voters' guide includes arguments "For" and "Against" Initiative Measure No. 1366 (Attachment C).

Staff reached out to representatives of the Vote Yes 1366 Campaign (supporting I-1366) and to representatives of the No on 1366 Campaign (opposing I-1366), in an effort to both gather information from both perspectives, and to invite representatives to the Oct. 20 public hearing.

www.voteeyes1366.com is the web site for Vote Yes 1366. This web site provides information about the initiative (Attachment D).

www.No1366.org is the web site for No on I-1366. This web site provides information about the initiative (Attachment E).

On October 12, the Spokane City Council passed a resolution opposing I-1366 and urging a "No" vote November 3rd (Attachment F). The Spokane City Council's vote was 5 yeas, 1 abstention and 1 absent.

COUNCIL ACTION:

Under RCW 42.17A.555, the Council may vote on a resolution to support or oppose a ballot proposition "so long as

- (a) any required notice of the meeting includes the title and number of the ballot proposition, and
- (b) members of the legislative body or members of the public are afforded an approximately equal opportunity for the expression of any opposing view;..."

Following the public hearing, Council may: approve or reject the proposed resolution; modify the resolution; ask staff to provide additional information for action at a later date; or take no action on the resolution.

- Attachments:
- A. Full text of Initiative Measure No. 1366.
 - B. Voter Pamphlet Arguments (For and Against)
 - C. OMB Fiscal Impact Statement for I-1366
 - D. Yes on 1366 Information (Campaign Information)
 - E. No on 1366 Information (Campaign Information)
 - F. Copy of Spokane City Council's Resolution, Passed Oct. 12
Resolution expressing opposition to Initiative 1366

2/3 CONSTITUTIONAL AMENDMENT

COMPLETE TEXT

AN ACT Relating to taxes and fees imposed by state government; amending RCW 82.08.020, 43.135.031, and 43.135.041; adding new sections to chapter 43.135 RCW; creating new sections; and providing a contingent expiration date.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF WASHINGTON:

INTENT

NEW SECTION. **Sec. 1.** Over the past twenty years, the taxpayers have been required to pay increasing taxes and fees to the state, hampering economic growth and limiting opportunities for the citizens of Washington.

The people declare and establish that the state needs to exercise fiscal restraint by either reducing tax burdens or limiting tax increases to only those considered necessary by more than a bare majority of legislators.

Since 1993, the voters have repeatedly passed initiatives requiring two-thirds legislative approval or voter approval to raise taxes and majority legislative approval for fee increases. However, the people have not been allowed to vote on a constitutional amendment requiring these protections even though the people have approved them on numerous occasions.

This measure provides a reduction in the burden of state taxes by reducing the sales tax, enabling the citizens to keep more of their own money to pay for increases in other state taxes and fees due to the lack of a constitutional amendment protecting them, unless the legislature refers to the ballot for a vote a constitutional amendment requiring two-thirds legislative approval or voter approval to raise taxes and majority legislative approval for fee increases. The people want to ensure that tax and fee increases are consistently a last resort.

REDUCE THE SALES TAX UNLESS...

Sec. 2. RCW 82.08.020 (Tax imposed--Retail sales--Retail car rental) and 2014 c 140 s 12 are each amended to read as follows:

(1) There is levied and collected a tax equal to (~~six~~) five and five-tenths percent of the selling price on each retail sale in this state of:

(a) Tangible personal property, unless the sale is specifically excluded from the RCW 82.04.050 definition of retail sale;

(b) Digital goods, digital codes, and digital automated services, if the sale is included within the RCW 82.04.050 definition of retail sale;

(c) Services, other than digital automated services, included within the RCW 82.04.050 definition of retail sale;

(d) Extended warranties to consumers; and

(e) Anything else, the sale of which is included within the RCW 82.04.050 definition of retail sale.

(2) There is levied and collected an additional tax on each retail car rental, regardless of whether the vehicle is licensed in this state, equal to five and nine-tenths percent of the selling price. The revenue collected under this subsection must be deposited in the multimodal transportation account created in RCW 47.66.070.

(3) Beginning July 1, 2003, there is levied and collected an additional tax of three-tenths of one percent of the selling price on each retail sale of a motor vehicle in this state, other than retail car rentals taxed under subsection (2) of this section. The revenue collected under this subsection must be deposited in the multimodal transportation account created in RCW 47.66.070.

(4) For purposes of subsection (3) of this section, "motor vehicle" has the meaning provided in RCW 46.04.320, but does not include:

(a) Farm tractors or farm vehicles as defined in RCW 46.04.180 and 46.04.181, unless the farm tractor or farm vehicle is for use in the production of marijuana;

(b) Off-road vehicles as defined in RCW 46.04.365;

(c) Nonhighway vehicles as defined in RCW 46.09.310; and

(d) Snowmobiles as defined in RCW 46.04.546.

(5) Beginning on December 8, 2005, 0.16 percent of the taxes collected under subsection (1) of this section must be dedicated to funding comprehensive performance audits required under RCW 43.09.470. The revenue identified in this subsection must be deposited in the performance audits

of government account created in RCW 43.09.475.

(6) The taxes imposed under this chapter apply to successive retail sales of the same property.

(7) The rates provided in this section apply to taxes imposed under chapter 82.12 RCW as provided in RCW 82.12.020.

...UNLESS THE LEGISLATURE REFERS TO THE BALLOT FOR A VOTE A CONSTITUTIONAL AMENDMENT REQUIRING TWO-THIRDS LEGISLATIVE APPROVAL OR VOTER APPROVAL TO RAISE TAXES AND MAJORITY LEGISLATIVE APPROVAL FOR FEE INCREASES

NEW SECTION. **Sec. 3.** (1) Section 2 of this act takes effect April 15, 2016, unless the contingency in subsection (2) of this section occurs.

(2) If the legislature, prior to April 15, 2016, refers to the ballot for a vote a constitutional amendment requiring two-thirds legislative approval or voter approval to raise taxes as defined by voter-approved Initiatives 960, 1053, and 1185 and section 6 of this act and majority legislative approval for fee increases as required by voter-approved Initiatives 960, 1053, and 1185 and codified in RCW 43.135.055 and further defined by subsection (a) of this section, section 2 of this act expires on April 14, 2016.

(a) "Majority legislative approval for fee increases" means only the legislature may set a fee increase's amount and must list it in a bill so it can be subject to the ten-year cost projection and other accountability procedures required by RCW 43.135.031.

STATUTORY REFERENCE UPDATES

Sec. 4. RCW 43.135.031 (Bills raising taxes or fees – Cost analysis – Press release – Notice of hearings – Updated analyses) and 2013 c 1 s 5 are each amended to read as follows:

(1) For any bill introduced in either the house of representatives or the senate that raises taxes as defined by (~~RCW 43.135.034~~) section 6 of this act or increases fees, the office of financial management must expeditiously determine its cost to the taxpayers in its first ten years of imposition, must promptly and without delay report the results of its analysis by public press release via e-mail to each member of the house of representatives, each member of the senate, the news media, and the public, and must post and maintain these releases on its web site. Any ten-year cost projection must include a year-by-year breakdown. For any bill

containing more than one revenue source, a ten-year cost projection for each revenue source will be included along with the bill's total ten-year cost projection. The press release shall include the names of the legislators, and their contact information, who are sponsors and cosponsors of the bill so they can provide information to, and answer questions from, the public.

(2) Any time any legislative committee schedules a public hearing on a bill that raises taxes as defined by (~~RCW 43.135.034~~) section 6 of this act or increases fees, the office of financial management must promptly and without delay report the results of its most up-to-date analysis of the bill required by subsection (1) of this section and the date, time, and location of the hearing by public press release via e-mail to each member of the house of representatives, each member of the senate, the news media, and the public, and must post and maintain these releases on its web site. The press release required by this subsection must include all the information required by subsection (1) of this section and the names of the legislators, and their contact information, who are members of the legislative committee conducting the hearing so they can provide information to, and answer questions from, the public.

(3) Each time a bill that raises taxes as defined by (~~RCW 43.135.034~~) section 6 of this act or increases fees is approved by any legislative committee or by at least a simple majority in either the house of representatives or the senate, the office of financial management must expeditiously reexamine and redetermine its ten-year cost projection due to amendment or other changes during the legislative process, must promptly and without delay report the results of its most up-to-date analysis by public press release via e-mail to each member of the house of representatives, each member of the senate, the news media, and the public, and must post and maintain these releases on its web site. Any ten-year cost projection must include a year-by-year breakdown. For any bill containing more than one revenue source, a ten-year cost projection for each revenue source will be included along with the bill's total ten-year cost projection. The press release shall include the names of the legislators, and their contact information, and how they voted on the bill so they can provide information to, and answer questions from, the public.

(4) For the purposes of this section, "names of legislators, and their contact information" includes each legislator's position (senator or representative), first name, last name, party affiliation (for example,

Democrat or Republican), city or town they live in, office phone number, and office e-mail address.

(5) For the purposes of this section, "news media" means any member of the press or media organization, including newspapers, radio, and television, that signs up with the office of financial management to receive the public press releases by e-mail.

(6) For the purposes of this section, "the public" means any person, group, or organization that signs up with the office of financial management to receive the public press releases by e-mail.

Sec. 5. RCW 43.135.041 (Tax legislation – Advisory vote – Duties of the attorney general and secretary of state – Exemption) and 2013 c 1 s 6 are each amended to read as follows:

(1)(a) After July 1, 2011, if legislative action raising taxes as defined by (~~RCW 43.135.034~~) section 6 of this act is blocked from a public vote or is not referred to the people by a referendum petition found to be sufficient under RCW 29A.72.250, a measure for an advisory vote of the people is required and shall be placed on the next general election ballot under this chapter.

(b) If legislative action raising taxes enacted after July 1, 2011, involves more than one revenue source, each tax being increased shall be subject to a separate measure for an advisory vote of the people under the requirements of this chapter.

(2) No later than the first of August, the attorney general will send written notice to the secretary of state of any tax increase that is subject to an advisory vote of the people, under the provisions and exceptions provided by this chapter. Within five days of receiving such written notice from the attorney general, the secretary of state will assign a serial number for a measure for an advisory vote of the people and transmit one copy of the measure bearing its serial number to the attorney general as required by RCW 29A.72.040, for any tax increase identified by the attorney general as needing an advisory vote of the people for that year's general election ballot. Saturdays, Sundays, and legal holidays are not counted in calculating the time limits in this subsection.

(3) For the purposes of this section, "blocked from a public vote" includes adding an emergency clause to a bill increasing taxes, bonding or contractually obligating taxes, or otherwise preventing a referendum on a bill increasing taxes.

(4) If legislative action raising taxes is referred to the people by the legislature or is included in an initiative to the people found to be sufficient under RCW 29A.72.250, then the tax increase is exempt from an advisory vote of the people under this chapter.

NEW SECTION. **Sec. 6.** A new section is added to chapter 43.135 RCW and reads as follows:

For the purposes of this chapter, "raises taxes" means any action or combination of actions by the state legislature that increases state tax revenue deposited in any fund, budget, or account, regardless of whether the revenues are deposited into the general fund.

CONSTRUCTION CLAUSE

NEW SECTION. **Sec. 7.** The provisions of this act are to be liberally construed to effectuate the intent, policies, and purposes of this act.

SEVERABILITY CLAUSE

NEW SECTION. **Sec. 8.** If any provision of this act or its application to any person or circumstance is held invalid, the remainder of the act or the application of the provision to other persons or circumstances is not affected.

TITLE OF THE ACT

NEW SECTION. **Sec. 9.** This act is known and may be cited as the "Taxpayer Protection Act."

-- END --

Washington Secretary of State, Elections Division

November 3, 2015 General Election

State Measures

[Initiative Measure No. 1366, Concerns state taxes and fees](#)

Argument For	Argument Against
<p>Five Times the Voters Have Approved Initiatives Requiring Either a Two-Thirds Vote of the Legislature...</p> <p>...or majority vote of the people to raise taxes. Five times. In 2012, 64% of voters approved it. Voters clearly want tax increases to be an absolute last resort.</p> <p>Nonetheless, Olympia won't listen to the people unless we pass I-1366. Recent history shows why.</p> <p>For the Two Years Following Voter's Approval in 2007, I-960 Worked Exactly as Voters Intended</p> <p>With I-960, tax increases were a last resort and Olympia balanced its budgets without raising taxes. In 2010, they suspended I-960 and increased taxes a whopping \$6.7 billion, a huge betrayal of the public trust. KING 5's poll: 68% thought it was the wrong thing to do. This year's Legislature, without the two-thirds requirement in effect, increased taxes a jaw-dropping \$17.5 billion. Passing I-1366 sends a clear message: we need protection from Olympia's insatiable tax appetite.</p> <p>We Need Certainty in Tough Economic Times</p> <p>We need an economic climate where families feel confident, employers expand, and job growth is positive. I-1366's protections provide a stable future, giving families and employers the certainty they need to prosper.</p> <p>Olympia Faces Another Big Deficit Because Unsustainable Spending has Once Again Outstripped Revenue</p> <p>We simply can't afford to have it all. When voters pass I-1366, Olympia will be prodded to reform government, prioritize spending and re-evaluate existing programs. If voters reject I-1366, Olympia will resort to job-killing, family-budget-busting tax increases. Hold Olympia accountable for your tax dollars – vote yes.</p>	<p>Tim Eyman's I-1366 forces lawmakers to either change our Constitution—allowing a handful of ideological legislators to dictate the agenda for all of our State— or face \$8 billion in unnecessary cuts to essential services over six years. It's a false choice that takes Washington backward.</p> <p>A Roadblock to Reform</p> <p>Washington has the most regressive tax system in the nation, unfairly harming middle and lower income households, startups, and small businesses. Under 1366, as few as 17 ideological legislators from either party, out of 147 total, can block reforms that could make state government work better for us all.</p> <p>Steep Cuts We Cannot Afford</p> <p>By holding lawmakers — and taxpayers — hostage to a constitutional change, 1366 would force deep, unnecessary cuts to K-12 schools, higher education, public safety, and healthcare. Our kids would lose from rolling back bipartisan gains in school funding with increased class sizes, out-of-date textbooks and technology, and fewer good teachers.</p> <p>Constitutionally Flawed</p> <p>I-1366 is so flawed it will likely be found unconstitutional, wasting millions in legal fees that could be better spent on law enforcement, healthcare, and other basics. Let's reject the politics of hostage taking, and protect our Constitutional tradition of passing legislation by majority vote, by saying no to 1366.</p> <p>Bipartisan Leaders and Organizations Agree: Vote No!</p> <p>Washington State Democrats; retired Republican Secretaries of State Sam Reed, Ralph Munro; WA Education Association; WA State Labor Council; League of Education Voters; WA Council of Fire Fighters; WA Conservation Voters; NAMI of WA; League of Women Voters.</p>

Rebuttal of Argument Against	Rebuttal of Argument For
<p>Politicians raised taxes a jaw-dropping \$17.5 billion this year. They simply can't control themselves. I-1366 is the Taxpayer Protection Act – its intent is protecting taxpayers from Olympia's insatiable tax appetite, either by reducing their crushing tax burden or letting the people vote on a tougher-to-raise-taxes constitutional amendment. The initiative prods the Legislature to confront the critical issue of overtaxation. Olympia will continue to ignore the people unless voters pass I-1366. Vote yes.</p>	<p>The Tri-City Herald sums up 1366: "The initiative is an extortion measure wrought with problems. If approved, it would devastate the state budget unless the Legislature bows to the will of Eyman and his backers." Unless lawmakers change our state Constitution, 1366 would cut \$8 billion over six years, destroying bipartisan investments in K-12 schools and higher education. Businesses oppose 1366 because it would worsen our business climate and damage our economy. Vote No.</p>

Argument Prepared By	Argument Prepared By
<p>Erma Turner, retired hairdresser, businesswoman, our favorite supporter, Cle Elum; Darryl Ehlers, farmer, husband, father, poet, gathered 1255 signatures, Lynden; Jack Fagan, retired policeman, retired navy, grandfather, bowler, fisherman, hunter; Jerry Klingele, retired small business owner, active in community, Yakima; Brad Carlson, family small business owner, Evergreen Memorial Gardens, Vancouver; Suzie Burke, businesswoman, Fremont's biggest small business advocate, Seattle.</p>	<p>Ann Murphy , President, League of Women Voters of WA; Kelly Fox, President, WA Council of Fire Fighters; Sam Reed, retired Secretary of State; Kim Mead, WA Education Assn President and middle school teacher; Andrew Villeneuve; Bellevue College business student; Tami O'Marro, Spokane Registered Nurse</p>

Fiscal Impact Statement for Initiative 1366

Summary

If the Legislature does not refer a constitutional amendment to voters for consideration at the November 2016 general election, over the next six fiscal years, sales tax revenue for the state General Fund would decrease \$8 billion. Sales tax revenue for the state Performance Audit Account would decrease \$12.8 million. State business and occupation (B&O) tax revenue would increase \$39.9 million. Local tax revenue would increase \$226.1 million. State expenditures would be \$598,000. If an amendment is referred to voters, fiscal year 2017 state election expenditures would increase \$101,000. There would be an unknown increase in local government election expenditures.

General Assumptions

- The effective date of the initiative is December 3, 2015.
- Estimates use the state's fiscal year of July 1 through June 30. Fiscal year 2016 is July 1, 2015, to June 30, 2016.
- As the phrase is used in Section 3(2) of the initiative, "prior to April 15, 2016, refers to the ballot" means that the Legislature passes the constitutional amendment described in Section 3(2) of the initiative before April 15, 2016, and submits it to the voters for their consideration on the November 2016 general election ballot.

Analysis

The initiative presents the Legislature with a choice that leads to two possible and mutually exclusive scenarios. The Office of Financial Management (OFM) cannot predict how the Legislature will act. For the purposes of this fiscal impact statement, OFM describes the fiscal impact of each scenario.

Scenario 1 – The Legislature does not refer a constitutional amendment to voters prior to April 15, 2016. On April 15, 2016, the state retail sales tax rate would decrease from 6.5 percent to 5.5 percent.

State and Local Government Revenue Assumptions

Changes in the state retail sales tax rate could affect the amount of goods consumers purchase, which would affect state and local tax revenue. The Department of Revenue (DOR) prepared the revenue estimates assuming a price elasticity of 0.99. Price elasticity is a method used to calculate the change in consumption of a good when price increases or decreases.

State Revenue

Reducing the state retail sales tax from 6.5 percent to 5.5 percent would decrease revenues deposited in two funds: the state General Fund and the state Performance Audit Account.

Table 1 provides estimates of the retail sales tax reductions over the next six fiscal years to the state General Fund. State revenues deposited in the state General Fund may be used for any government purpose such as education; social, health and environmental services; and other general government activities.

Table 1 – Reductions in state retail sales tax revenue deposited in the state General Fund

FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
(\$163,804,000)	(\$1,432,025,000)	(\$1,504,173,000)	(\$1,571,928,000)	(\$1,653,576,000)	(\$1,686,820,000)

Table 2 provides estimates of the retail sales tax reductions over the next six fiscal years to the state Performance Audit Account. State revenues deposited in the state Performance Audit Account are used by the Washington State Auditor to conduct comprehensive performance audits required under RCW 43.09.470.

Table 2 – Reductions in state retail sales tax revenue deposited in the state Performance Audit Account

FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
(\$263,000)	(\$2,295,000)	(\$2,411,000)	(\$2,519,000)	(\$2,650,000)	(\$2,703,000)

Table 3 provides estimates of the increases in state B&O taxes deposited in the state General Fund over the next six fiscal years. The state B&O tax is a gross receipts tax. It is measured on the value of products, gross proceeds of sales or gross income of the business. Due to price elasticity, state B&O tax revenue could increase with the change in the state retail sales tax rate.

Table 3 – Increases in state B&O tax revenue deposited in the state General Fund

FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
\$818,000	\$7,149,000	\$7,509,000	\$7,847,000	\$8,255,000	\$8,421,000

Local Government Revenue

Due to price elasticity, local B&O tax revenue and local retail sales tax revenue could increase with the change in the state retail sales tax rate. Table 4 provides estimates of the increased local revenues collected over the next six fiscal years.

Table 4 – Increases in local B&O tax and local sales tax revenue

FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
\$4,623,000	\$40,414,000	\$42,451,000	\$44,363,000	\$46,667,000	\$47,605,000

State Expenditure Assumptions

- The effective date of the retail sales tax decrease is April 15, 2016.

State Expenditures

To implement a reduced retail sales tax rate that takes effect on April 15, 2016, DOR expenditures would increase an estimated \$598,000 over the first six fiscal years. Table 5 provides cost estimates by fiscal year, rounded to the nearest thousand.

Table 5 – DOR implementation costs

FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
\$315,000	\$167,000	\$51,000	\$51,000	\$7,000	\$7,000

The timing of the rate change and the number of businesses affected by the rate change contribute to DOR’s costs. A change in the state retail sales tax rate would affect about 200,000 businesses that file monthly, quarterly or annual tax returns. These businesses collect retail sales tax from customers and then pass the sales tax revenue to the state when filing a return.

A rate change that occurs on April 15, 2016, would be reflected on tax returns due May 25, 2016. These tax returns should reflect a sales tax rate of 6.5 percent for transactions that occur April 1 to April 14, 2016. Transactions that occur April 15, 2016, or later should reflect a sales tax rate of 5.5 percent. Based on experience, returns filed immediately after a rate change have more errors than other returns. It is assumed that a high number of tax returns submitted in May 2016 will contain errors. DOR staff must manually process and resolve each return that is in error, is out-of-balance or amends a previous return.

In addition to increased labor costs for processing a higher number of incorrect returns, DOR would experience other expenditures, as follows.

Fiscal year 2016:

- Programming and testing computer system changes.
- Printing and mailing a special notice to affected taxpayers.
- Updating other notices, publications and webpages.

Fiscal years 2016 through 2021:

- Preparing additional refunds and assessments.
- Responding to more questions from affected taxpayers submitted through normal processes and a secure DOR system.

Scenario 2 – The Legislature refers a constitutional amendment to voters prior to April 15, 2016. The constitutional amendment would appear on the November 2016 general election ballot.

State and Local Government Expenditure Assumptions

- The state would not pay the cost of including a constitutional amendment on the ballot.
- County governments would pay the cost of including a constitutional amendment on the ballot.
- The amendment and other required information would be included in the state Voters’ Pamphlet and Online Voters’ Guide.

State Expenditures

The Office of the Secretary of State's expenditures for the 2016 general election Voters' Pamphlet could increase by as much as \$101,000.

Voters' Pamphlet costs are based on the number of pamphlets printed, the number of pages in each regional edition of the pamphlet, layout and composition work, distribution, postage, translating the pamphlet into minority languages as required by federal law and producing the pamphlet in accessible formats for voters with disabilities. The content required by Chapter 29A.32 RCW also contributes to the expense. For constitutional amendments, the Secretary is required to include the text of the amendment, pro and con arguments, the legal identification of the amendment, the official ballot title, an explanatory statement prepared by the Attorney General and the total number of votes cast for and against the amendment in the Legislature.

Based on historical Voters' Pamphlet expenses, the estimated cost of the 2016 Voters' Pamphlet is \$12,625 per page. Due to constraints in the printing process and the minimum contents required by state and federal law, the Secretary generally assumes each amendment or measure will use eight pages in the pamphlet. If the amendment described in this initiative uses eight pages, it would add \$101,000 to the total cost of the pamphlet.

Local Government Expenditures

County governments will experience greater expenditures for the 2016 general election. The cost to county governments cannot be estimated prior to the election.

The 39 counties in Washington incur costs for conducting elections, including printing ballots and ballot materials, distributing blank ballots, and canvassing and tabulating voted ballots. A jurisdiction with candidates or measures on the ballot reimburses counties for its prorated share of election costs. However, as provided for in RCW 29A.04.420, the state reimburses counties only for its share of election costs when federal and state races or state measures and constitutional amendments appear on the ballot in an odd-numbered year.

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- HOME
- TAX SAVINGS TOTALS
- ARCHIVES
- PETITION DOWNLOAD
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- OUR RESUME
- NOTES FROM SUPPORTERS
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Monday, September 14th 2015

To: Our thousands of supporters throughout the state (cc'd to the media, house & senate members, and Governor)

From: Tim Eyman, Jack Fagan, & Mike Fagan, Fighting for Taxpayers for 16 years, 425-493-9127, tim_eyman@comcast.net, www.VotersWantMoreChoices.com

RE: Passage of 1366 best way to kill newest threat of state income tax/capital gains tax

Powerful voices are pushing Olympia to impose a new state income tax/capital gains tax. Governor Jay Inslee, liberal legislators and activists, government unions, the state supreme court, newspaper editorial boards, and many others are all pushing the Legislature to ignore what the people want and create massive new taxes OVER AND ABOVE WHAT WE ALREADY PAY.

In yesterday's Olympian newspaper, their Sunday editorial lionized our liberal state treasurer because of his current efforts to enact a new state income tax: "We think state Treasurer Jim McIntire, a Democrat and former state legislator, is on the right track. Like a secret agent on an impossible mission, he's been talking quietly over the past year with business, labor and other interests about our state's outdated tax system. ... A 5 percent income tax ... could generate a net \$4 billion of new revenue."

Why is he "talking quietly?" Because everyone knows the voters hate it.

Why is he only talking with special interest groups? Because they've got the political muscle to shroud this income tax effort in secrecy.

It's not a coincidence that opponents of 1366 want a new state income tax/capital gains tax (the Washington State Democratic Party is a prominent example). One of the biggest reasons opponents of 1366 were so desperate to prevent the people from voting on our initiative was because they knew its' passage will hurt their clandestine tax hiking schemes. Their plotting and planning only works in political darkness. But initiative campaigns like 1366 shine the brightest spotlight imaginable on the tax issue and give the average taxpayer an equal voice in the process.

Passage of 1366 is best way to kill the growing threat of a new state income tax/capital gains tax.

But the corollary is also true: the rejection of 1366 would pour gasoline on the flickering flame being fanned by income tax fanatics, turning it into a raging inferno.

As we pointed out late last week, Olympia reacts consistently to how voters vote on our tax initiatives: if our tax initiative passes, the following legislative session is good for taxpayers, if our initiative doesn't pass, the following legislative session is horrible for taxpayers.

The vote on 1366 is a proxy vote on a state income tax: if you oppose a state income tax, vote yes on 1366, if you support a state income tax, vote no on 1366.

This year's Legislature raised taxes a jaw-dropping \$17.5 billion. The passage of Initiative 1366 is the most effective way to protect taxpayers from Olympia's insatiable tax appetite.



Now that I-1366 has qualified for the November ballot, we need a financial war-chest for the fall campaign to counter our opponents' threats, lies, and scare tactics about I-1366. To ensure the success of the 2/3-For-Taxes Constitutional Amendment Initiative in November, please send us a donation for \$10, \$25, \$50, \$100, \$250, \$500, \$1000, \$2500, \$5000 or more (there are no limits on how much can be given). You can [make a secure on-line contribution](#) by PayPal or VISA or M/C. OR, you can print this form, fill it out, and return it with a check or credit card information.

We've done so many amazing things over the past 16 years, but that's only been possible thanks to successful benefactors like you. We ask you to please help us help taxpayers.

Please donate TODAY. Thank you.

Tim Eyman, Jack Fagan, & Mike Fagan, Fighting for Taxpayers for 17 years

P.S. There are thousands of politicians, bureaucrats, lobbyists, and special interest groups working each and every day to raise your taxes. Shouldn't there be at least one person, one team, one organization that fights to lower your taxes? Please help us so we can continue our successful efforts on behalf of taxpayers.

"Nothing ventured, nothing gained" ~ Ben Franklin



VOTE NO ON INITIATIVE 1366

INITIATIVE 1366 IS ANOTHER BAD IDEA FROM TIM EYMAN and his wealthy benefactors designed to force lawmakers to either change our Constitution—allowing a handful of ideological legislators to dictate the agenda for all of our State—or face **\$8 billion in harmful cuts** to essential services over six years.

INITIATIVE 1366 IS A FALSE CHOICE THAT TAKES WASHINGTON BACKWARD.

X MASSIVE CUTS TO EDUCATION AND ESSENTIAL SERVICES

I-1366 will cause more partisan gridlock and **create an \$8 billion hole in our state's operating budget** over the next 6 years, leading to devastating cuts to our schools, colleges and other programs families and the vulnerable depend upon.

X AN UNFAIR HURDLE TO TAX REFORM

I-1366 would prevent changes to our state's regressive tax system and allow extremists from either party to block attempts to make taxes more equitable for middle and low income families, or to help small businesses by replacing outdated business & occupation taxes.

X CONSTITUTIONALLY FLAWED AND COSTLY TO TAXPAYERS

Tim Eyman's latest idea is so flawed that it will likely be found unconstitutional; costing our state millions that could be spent on our schools and other vital services.

A BIPARTISAN COALITION OPPOSES I-1366:

AARP Washington State | Washington State Democrats | Mainstream Republicans of Washington | League of Women Voters of Washington | Sam Reed and Ralph Munro, retired Republican Secretaries of State | Dan Evans, retired Republican Governor | King County Executive Dow Constantine | Senate Democratic Leader Sharon Nelson | Washington State Labor Council | League of Education Voters | Washington Council of Fire Fighters | Washington Conservation Voters

LEARN MORE AT NO1366.ORG



RESOLUTION NO. 2015-0111

A resolution declaring opposition to I-1366 that would eliminate eight billion dollars from the State of Washington Operating Budget over the next six years which would cause drastic cuts to vital public services, including schools, colleges, and other programs families in Spokane depend on by decreasing the state sales tax, unless, by April 2016, the Washington State Legislature approves a constitutional amendment requiring a two-thirds vote to raise revenue or recover revenue for the state treasury.

WHEREAS, our state's founders, and after much debate and deliberation, wrote a Constitution for Washington requiring that bills pass by a majority vote, understood to mean *greater than fifty percent* – no more and no less; and

WHEREAS, any higher or lower threshold for the passage of legislation results in power being concentrated in the hands of a few, rather than the many, such as one-third of one-house of the Legislature when I-601 and its successors I-960, I-1053, and I-1185 were illegitimately in effect; and

WHEREAS, I-1366 is being falsely promoted as a constitutional amendment to reinstate the unconstitutional supermajority requirement that was struck down by the Washington State Supreme Court in February of 2013 in *League of Education Voters v. State of Washington*, when in fact it is an initiative to the people attempting to force state lawmakers to submit an amendment to the people that would overturn the LEV decision by holding funding for higher education and other vital programs hostage; and

WHEREAS, allowing tax exemptions to be created by a majority vote, but repealed only with a vote of two-thirds or greater represents an unfair double standard that would make it nearly impossible to reform our outdated and regressive tax system; and

WHEREAS, I-1366 could further violate Article IX of the Washington State Constitution by making it more challenging for the state to fulfill its paramount duty of educating Washington's youth; and

WHEREAS, I-1366 could impact state appropriations for Spokane's medical school and expansion of biomedical research in Spokane; and

WHEREAS, I-1366 could negatively impact funding to other higher education institutions like Eastern Washington University and the Community Colleges of Spokane, which could mean higher tuition or fewer class offerings; and

WHEREAS, I-1366 could impact state appropriations for mental health services at Eastern State Hospital; and

WHEREAS, I-1366 could remove an estimated \$2.7 million from the Performance Audit Account, hindering the Washington State Auditor's Office from performing local audits on the City of Spokane's programs; and

WHEREAS, I-1366 could impact state appropriations to the Spokane Regional Health District to support public health services, including public health nursing; and

WHEREAS, I-1366 could impact state appropriations that provide continuum of care services for children in Spokane who have experienced abuse or neglect and their families; and

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL FOR THE CITY OF SPOKANE that the City Council opposes I-1366 and encourages voters to return their ballots by November 3, 2015.

ADOPTED BY THE CITY COUNCIL ON October 12, 2015.

Sen. H. Pfeister
City Clerk

Approved as to form:

Pat Deleh
Assistant City Attorney





Spokane City Council says no to I-1366

Author: [John Hendricks](#), Multimedia Journalist, johnh@kxly.com

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SPOKANE, Wash. -

The Spokane City Council took a stand against I-1366 Monday night. The council voted 5-0 to oppose the initiative that would make it tougher for legislators to raise taxes.

If approved I-1366 state sales tax would drop by one percent unless the state legislature refers a constitutional amendment to the ballot that requires a two thirds vote or vote of the people to raise any taxes.

Spokane City Council Amber Waldref brought forward the resolution stating the council opposes the initiative. She says if passed it would have devastating consequences for the state.

Waldref told council that passage of I-1366 the state would lose eight billion in Revenue over the next six years. She adds it would affect schools, government programs, transportation and the new WSU Med School.

Councilor Mike Fagan is a co-sponsor of the initiative and says that it is needed. He adds this puts in a safe guard for tax payers and puts the government in check when it comes to spending.

The issue not doubt had many in attendance taking to the podium at Monday nights meeting.

"I hope it does pass because the fact that it will force the state to live within it's means and believe me we are not doing that at this particular time," John Ahern said.

"It is attempting to hold our kids hostage and it is a bad deal and why is it a bad deal it is a bad deal for voters because it would be a road block to making government fair for local families and businesses," Rep. Marcus Riccelli said.

Several years ago voters passed an initiative that called for a two thirds vote to raise taxes. In 2013 however, the State Supreme court ruled it unconstitutional.

Ballots for the November election go in the mail later this week.

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RESOLUTION R-5157

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF KIRKLAND
OPPOSING INITIATIVE MEASURE NO. 1366, CONCERNING STATE
TAXES AND FEES.

1 WHEREAS, Initiative Measure (I-1366) will be presented to the
2 voters of the State of Washington at the general election on November
3 3, 2015; and
4

5 WHEREAS, this measure would cut the state retail sales tax from
6 6.5 percent to 5.5 percent on April 15, 2016, unless the legislature first
7 proposes a specific amendment to the state constitution; and
8

9 WHEREAS, under this measure, the proposed constitutional
10 amendment must require that for any tax increase, either the voters
11 approve the increase or two-thirds of the members of each house of the
12 legislature approve the increase; and
13

14 WHEREAS, the proposed constitutional amendment must also
15 require the legislature to set the amount of any fee increase; and
16

17 WHEREAS, if the legislature does not refer the constitutional
18 amendment to voters for consideration at the November 2016 general
19 election, the Washington Office of Financial Management estimates:
20 that over the next six fiscal years sales tax revenue for the state General
21 Fund would decrease \$8 billion and sales tax revenue for the state
22 Performance Audit Account decrease \$12.8 million; and
23

24 WHEREAS, these forced reductions in state revenues would
25 negatively affect the provision of vital public services, including schools
26 and colleges; and
27

28 WHEREAS, Kirkland's quality of life and economic vitality rests in
29 part on strong, high performing elementary, middle and secondary
30 schools provided by the Lake Washington School District; and
31

32 WHEREAS, the City Council believes that passage of I-1366
33 would result in years of litigation and uncertainty for the state
34 government and all school districts within the state, including the Lake
35 Washington School District in Kirkland, at a time the legislature must
36 comply with Supreme Court educational funding mandates; and
37

38 WHEREAS, pursuant to State law, RCW 42.17.130, the City
39 Council of Kirkland desires to show its opposition to I-1366.

40 NOW, THEREFORE, be it resolved by the City Council of the City
41 of Kirkland as follows:

42 Section 1. The City Council opposes Initiative No. 1366,
43 concerning state taxes and fees.

44
45 Section 2. The City Council urges Kirkland voters to vote no on
46 Initiative No. 1366.

47
48 Passed by majority vote of the Kirkland City Council in open
49 meeting this ____ day of _____, 2015.

50
51 Signed in authentication thereof this ____ day of _____,
52 2015.

MAYOR

Attest:

City Clerk