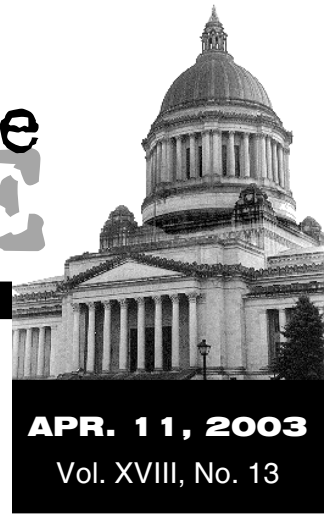




# Legislative UPDATE

A weekly report from the Washington State Labor Council, AFL-CIO



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## NO MORE TAX EXEMPTIONS!

This week a hard-hitting television ad began airing in certain states (not in Washington) with images of soldiers in Iraq juxtaposed with paunchy CEOs in three-piece suits at a tropical resort. The voice-over: "In the sands of Iraq, our soldiers risk their lives for our country. At the same time, big corporations are abandoning our country and setting up phony tax shelters in the sands of Bermuda."

At a time of soaring federal budget deficits, state fiscal crises and a war costing \$75 billion and counting, corporations like Halliburton and Tyco and wealthy expatriates are costing the nation over \$70 billion a year through tax shelters that allow them to avoid paying their fair share. In fact, quite a few U.S. corporations—and not just the ones with a Bermuda P.O. Box—don't pay *any* federal taxes thanks to the creative-but-legal ways they pursue "tax avoidance."

But we, the unwashed masses, dutifully file our tax returns (by next Tuesday!) that pay for the homeland security, the transportation and education systems and all the other government services to which corporations also avail themselves. For us, tax avoidance means shopping in Oregon.

As we've noted more than once, Corporate Washington is the principal recipient of 430 state tax exemptions that cost our state more than \$13 billion in deferred revenue every year. This patchwork of exemptions has evolved over time to become a system everyone—even business interests, in their big-picture moments—agree is broken, unfair and unsustainable.

As we've quoted more than once, columnist Molly Ivins' First Rule of Holes is, "When you're in one, you should stop digging." But with its extreme all-cuts budget, our State Senate has already made clear it will not put away the shovels. The Senate budget includes \$116 million in new and extended business tax exemptions, including a new \$20 million break for temporary staffing agencies.

Washington's Business and Occupation Tax is a policy routinely scorned by corporate interests for taxing gross receipts before their accountants even have a chance to figure out what should be declared as profits. A new study of Department of Revenue data estimates that nearly half (48.5%) of all B&O taxes are exempted and never collected. The business owners most angry about the B&O tax have good

reason to be: *they're among the unlucky half still paying it.*

Ignoring the forest and focusing on the trees of state tax policy is the stock in trade of the corporate lobbyists. Targeting specific questionable tax policies and pushing solutions that (surprise!) cut their taxes is still a lucrative enterprise, despite a \$2.6 billion budget hole.

This week, the legislature sent HB 2030 to Gov. Gary Locke's desk. It's a priority bill for the Association of Washington Business aiming to end "double taxation" (a phrase gaining in popularity among today's hippest tax-cutters). The effect will be to reduce local B&O tax receipts for our already cash-strapped city governments. The City of Tacoma stands to lose about \$5 million a year, and officials there say it will force cuts in law enforcement and other areas.

Like almost every single aspect of this state's goofy tax structure, the policy HB 2030 aims to reform probably deserves reforming. The problem is not just their bad timing, it is the cumulative effect of the reforms—a continuing shift of the tax burden from corporations we strive to make "competitive" to the state's citizens.

The other problem is that corporate interests have lobbying organizations with the power to go to Olympia and surgically remove their tax bugaboos. All that we still-unwashed masses have to address our tax grievances is the dull (but never *dull*) ax of Tim "Not Legally a Horse's Ass" Eyman. No wonder taxpayers are pissed off.

At some point, state legislators need to say, "STOP!" We just can't afford to pass any more tax breaks until we get out of this mess. Not for Microsoft, not for WaferTech, and certainly not for Labor Ready.

We say that point is now.

Those of you who've made it this far into the rant have probably figured out that there is little to report this week in terms of budget developments. Things remains in a holding pattern as everyone awaits the House's operating budget. It is expected to be unveiled next week.

We are hoping the Democrat-controlled House seizes the opportunity to make a strong statement to—and for—the

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people of Washington. One that says we will not punish the very people hurt the worst by this weak economy—seniors, the uninsured, the working poor—with an all-cuts budget. And likewise, we will not demand our school and state employees bear a disproportionate burden in solving this problem through wage freezes and benefit cuts. We insist on spreading the pain by combining service cuts with new revenue because we are all in this together.

Or something like that.

## Senate GOP leaders killing popular drug bill

On Wednesday, we sent out a Call to Action asking people to contact their State Senators and tell them to demand a fair vote on HB 1214, the real prescription drug bill. By all accounts that effort, combined with those of the AARP and other labor, consumer, senior, doctor and pharmacist organizations to generate pressure, resulted in hundreds of phone calls and e-mails this week in support of HB 1214.

At this point, it appears to be a lost cause.

The bill is mired in Senate Ways and Means Committee where the chairman, Sen. Dino "Rising Star" Rossi (R-Sammamish), reportedly said it will not be voted upon.

Not satisfied with dealing entirely in rumor or innuendo, *Legislative Update* called Sen. Rossi himself to confirm this. His response: "It's identical to the one we passed out, Senator Deccio's prescription drug bill that we included in the budget. It's the same bill... No reason to do two of them."

If Sen. Rossi hadn't returned the call while *Legislative Update* was out to lunch (insert joke here), we would have pointed out to him that we are well aware that HB 1214 was gutted last week by the Senate Health Care Committee. That panel *amended* it by replacing the entire bill with language identical to SB 5904, the GOP "placebo" bill to which he refers. We would have mentioned the state budget office projection that, at most, 6,000 Washingtonians will enroll and save no more than 2.7% under that bill. We would have told him there's still time to fix HB 1214 and restore it to its original form. But alas, a newsletter's gotta eat.

Let's face it, the writing's been on the wall for a while now that HB 1214 never had a chance in the New Senate.

One effective way to measure the prospects of a bill to restrain skyrocketing drug costs is simply to watch what the pharmaceutical industry lobbyists are doing. Last year at this time they were in full panic mode, signifying the bill may very well pass. It had already cleared the Senate 28-20 and the popular bill faced almost-certain passage if a floor vote happened in the Democrat-controlled House.

So the drug companies pulled out the stops: flying in dozens of bonus lobbyists from across the country, running full-page newspaper ads statewide under phony organizational names like Seniors Who'll Be Killed If This Bill Passes, bussing in angry people that they had convinced the

bill was racially discriminatory, claiming it will be a biotech JobKiller™ in this state (although that marketing concept wasn't perfected until this year). It was no-holds-barred, and it worked. There was no House vote.

This year, the pharmaceutical industry seems to have the situation under control. They're letting the local stable of lobbyists do the job—a mere 46 of them now forced to whine and dine three whole legislators apiece! They opposed, but didn't OPPOSE, the bill in the House this year. And naturally, it sailed right through on a bipartisan vote.

But in the Senate, they have a ringer in Majority Leader Jim "Whiner-Whippin" West (R-Spokane). He and his committee chairs have obviously committed to preventing a vote. And while they are willing to make trades—"I'll give you your up-skirt photography ban for my medical malpractice limits and one Newt Gingrich rookie card"—it appears to be wishful thinking to believe HB 1214 will be on the table.

If word got out, there'd be 46 calls placed to D.C., and that would be the end of that.

## Career, technical programs get a boost

OK, OK. This one goes out to all the *Legislative Update* subscribers out there who have demanded some good news from Olympia. (We swear we look for it every single day.)

The House and Senate have passed SB 5505, sponsored by Sen. Don Carlson (R-Vancouver), which requires high schools to offer programs for students who want to pursue work or technical training. Currently, high schools tend to offer counseling and coursework that assumes the pursuit of four-year academic degrees. Under SB 5505, they must also provide a program offering exploratory and preparatory opportunities for students who, after graduation, want to work for a living. (Kidding! Just kidding there.)

The idea is that career and technical programs provide hands-on educational experiences that help kids connect to learning. Apparently, state legislators agree that career and technical education programs need to have the same emphasis and value as college preparation programs. They passed SB 5505 without a single dissenting vote, and Thursday it was sent to the governor's desk for signature.

## Times running out, but there's plenty of time

Now, back to the bad news. The legislative session is scheduled to end in a little over two weeks. Given the inexplicably widening gulf between the two houses' transportation plans, and what we hope and pray will be an even wider gulf between their operating budgets, we could be headed for overtime. But that is infinitely preferable to what the *Seattle Post-Intelligencer* today speculated may happen: a "cut-and-run" budget agreement that avoids the tough negotiations necessary to raise some revenue. Like the *P-I*, we say: Don't do it. Legislators have a job to do, not a clock to beat.