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January 25, 2022

Sen. Mark Mullet, chair
Washington State Senate
Business, Fin. Services & Trade Committee
Post Office Box 40405
Olympia, WA 98504

Sen. Perry Dozier, ranking member
Washington State Senate
Business, Fin. Services & Trade Committee
Post Office Box 40416
Olympia, WA 98504

RE: **SB 5769, Reforming the state tax system by providing tax relief to residents, employees, and employers.**

Dear Chair Mullet and Sen. Dozier:

Thank you for the opportunity to submit these written comments to expand upon NFIB's testimony in committee this morning.

There is much to commend this bill, and it helps to advance the conversation about meaningful tax reform in our state.

We do, however, have a few concerns about Parts I and II of the bill.

NFIB supports Parts III and IV of this legislation.

Part I

We certainly don't begrudge homeowners property tax relief.

We must caution that without also passing Senate Joint Resolution 8206, this bill would likely cause a tax shift to commercial and industrial properties.

That shift, coupled with a large and growing number of other residential property tax preferences, may move us further toward a split roll property tax system, which NFIB opposes.

And, just like residential property tax and valuation increases drive higher rents, and can make homeownership unaffordable, so too does increasing that same burden on commercial and industrial properties push rents and leases higher, particularly for small-business tenants.



If we want to maintain vibrant, diverse downtowns, we must be mindful about tax increases and tax shifts onto commercial and industrial properties. Small businesses in too many of our communities are already finding it exceedingly difficult, if not impossible, to afford brick-and-mortar locations in our downtowns and other urban centers.

Part II

Similarly, tax relief for our manufacturing sector sounds enticing.

With significant supply chain issues highlighting weaknesses in our manufacturing sector, any incentive that may help “on-shore” some of our lost manufacturing base, and encourage growth in that sector — with its traditionally higher wage base and multiplier effect — is an attractive prospect.

But we must keep in mind that businesses in other sectors, particularly small businesses, have also suffered tremendous job losses. Far too many small retail, hospitality, and service firms are still struggling just to survive.

Exempting manufacturing from the B&O tax might eventually spur some job and economic growth in our state. Sadly, it does nothing in the near term to help tens of thousands of small businesses in other sectors endure and recover from this pandemic.

Moreover, a sector-wide exemption from the B&O will, at some point, almost certainly result in higher taxes on businesses in every other sector.

NFIB recognizes that there are several more bills under consideration that could provide some measure of relief to businesses in other sectors. While some may be helpful, taken together this approach is simply creating more disparity and greater inconsistency in our tax code.

Rather than the state picking winners and losers through this and other tax preferences, our state’s job creators would be far better served by a broader, more holistic examination and modification of Washington’s business tax structure.

For these reasons, we urge the committee to carefully consider whether this particular legislation is the right approach at the right time.

Respectfully submitted,

A handwritten signature in black ink that reads "Patrick L. Connor". The signature is fluid and cursive, with a large initial "P" and "C".

Patrick Connor
NFIB Washington State Director

cc: Senate Business, Financial Services & Trade Committee members