

ATTACHMENT A. POTENTIAL PUBLIC HEALTH FINANCING OPTIONS

I. Local Option Revenue Authority – 6 options

The State Legislature could grant counties the authority to raise the revenues listed in this category.

Description	Preliminary Revenue Estimate	Process/Authorities	Considerations	Comparisons
<p>1. Countywide Real Estate Excise Tax</p> <p>This revenue source is in <i>addition</i> to the ½ of 1% that most cities and counties currently levy for parks.</p>	<p>Based on 2007 collections: Statewide \$ @ 1% = \$770 million, of which King County \$ @ 1% = \$340 million</p> <p><u>Growth</u> REET collections vary with the value of real estate sold and thus can be quite volatile year-to-year, but generally grow robustly over time.</p>	<ul style="list-style-type: none"> - Counties have authority to levy, with voter approval, a 1% REET for purchase and maintenance of conservation areas. - Counties that levy the 1% for conservation areas can also levy an additional ½ of 1% for affordable housing. - The State has already given counties the authority to raise this revenue, but requires its use for purposes other than public health. By majority vote, the State legislature could expand allowable use of this revenue source to Public Health. 	<ul style="list-style-type: none"> - Only one county (San Juan) has levied the 1% REET for conservation areas since it was established in 1990. - No county has levied the ½ of 1% for affordable housing. - Mitigation could be built in for 1st time home buyers. - County could impose less than the full 1% (e.g., ¼ of 1%). 	<ul style="list-style-type: none"> - Current REET in most jurisdictions is 1.78%, levied on the sale of real property: <ul style="list-style-type: none"> - The State imposes a 1.28% REET statewide. - The County and most cities in the County impose ½ of 1% REET that is dedicated to parks capital needs.

Local Option - Con't.

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<p>2. Countywide Public Health District with independent property tax authority</p>	<p>Countywide \$ Every 1¢ raises about \$3.2 million</p> <p>5¢ = \$16.2 million 10¢ = \$32.4 million 15¢ = \$48.7 million 20¢ = \$65.0 million 25¢ = \$80.0 million</p> <p><u>Growth</u></p> <ul style="list-style-type: none"> - Typically about 3% annually (1% plus new construction) - Voters can authorize higher growth rates (e.g., medical rate of inflation). <p>Initial levy rate can be established to cover growth in costs over a several year time horizon</p>	<ul style="list-style-type: none"> - State would have to authorize creation of public health districts and property tax authority for them, similar to current authorities for public hospital districts. - The State could authorize the district board to enact taxes or could require a vote of the people. - A district board would have to be created that provide equal representation on the Board of all people in the district. 	<ul style="list-style-type: none"> - Other levies will be on the ballot in 2009 (e.g., Seattle Pike Place Market, Seattle Parks, regional sales tax increase for Sound Transit). - Median residential assessed value/typical property tax in: Seattle: \$429K/\$4,128 Issaquah: \$460K/\$4,584 Shoreline: \$336K/\$4,042 Kent: \$268K/\$3,170 - On a \$350K home, a 10¢ levy would increase property tax \$35 annually. - Increases in the King County levy can sometimes bump junior taxing districts and lessen their collections while effectively limiting the total tax assessment on individual households 	<p>2008 County levies: EMS levy = 30¢ (through 2013) Parks = 5¢ (2013) Zoo/Open Space/Trails = 5¢ Vets/Human Services = 4¢ (2011) AFIS = 5¢ (2012)</p> <p>Flood District = 10¢ Ferry District = 5.5¢</p>

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<p>3. Countywide Utility Tax</p>	<p>Countywide \$ \$40 million @ 1% on utilities countywide <u>Growth</u> Collections would grow with expenditures on utilities countywide, reflecting usage, population, cost, and economic growth.</p>	<ul style="list-style-type: none"> - Requires majority vote of the State Legislature. - The State could require that the local tax authority be councilmanic or voter approved 	<ul style="list-style-type: none"> - Would be applied on top of city utility taxes. 	<p>City utility taxes vary both in terms of which utilities are taxed and the rates. Many cities impose a 6% tax, the statutory limit for most utilities.</p>
<p>4. Motor Vehicle Excise Tax</p>	<p>Countywide \$ \$122 million in 2001 <u>Growth</u> Grows with growth in number and value of vehicles licensed.</p>	<ul style="list-style-type: none"> - Requires majority vote of the State Legislature. - The State could require that the local tax authority be councilmanic or voter approved - Could also be a Statewide source of revenue for public health 	<ul style="list-style-type: none"> - Repeal of the MVET led to a loss of \$10 million in Public Health, \$6 million in criminal justice, and \$106 million in transit. - State provided 0.2% local sales tax option for transit in lieu of MVET (King County voter approved). - State backfilled \$9.5 million in public health, but amount has not grown. 	<p>Existing vehicle fees for non-commercial cars:</p> <ul style="list-style-type: none"> - \$30 tab renewal fee - \$10 weight-based fee for most cars - Filing fee \$3.75 - RTA tax in King/Pierce/Sno counties: 0.3% of car value. On a 2006 Honda Element, this is about \$60.

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<p>5. Bottled water/bottled beverage fee</p> <p>May be better considered as a new Statewide revenue.</p>	<p>Reportedly about \$6 million Statewide; requires further research.</p>	<ul style="list-style-type: none"> - Requires majority vote of the State Legislature. - The State could require that the local tax authority be councilmanic or voter approved - Could also be a Statewide source of revenue for public health - The ability to apply sales tax to bottled water is complicated by the Streamlined Sales & Use Tax compact. Rather than a retail sales tax, a fee would have to be applied at the wholesale level. 	<ul style="list-style-type: none"> - Prior to adoption of the product definitions in the Streamlined Sales and Use Tax compact, sales tax applied to bottled water in Washington State. 	<p>A litter fee is currently assessed on bottled beverages at the wholesale level.</p>
<p>6. Hazardous Substance Tax</p> <p>May be better considered as a new Statewide revenue.</p>	<p>At 0.7%, raises \$90 million statewide.</p>	<ul style="list-style-type: none"> - Requires majority vote of the State Legislature. - The State could require that the local tax authority be councilmanic or voter approved - Could also be a Statewide source of revenue for public health 	<ul style="list-style-type: none"> - Would apply on top of State tax. 	<p>The State Hazardous Substance Tax is administered by the Dept. of Ecology and is imposed on 8,000 petroleum, pesticide, and chemical products. Roughly half of the revenue goes for hazardous waste cleanup.</p>

II. Statewide Revenue Sources – 6 options

Under Initiative 960, any of these options requires: a 2/3 majority of the State Legislature, an advisory ballot of the people, and email notification to registered interested parties of any legislative action.

Description	Preliminary Revenue Estimate	Process/Authorities	Considerations	Comparisons
7. Product-Specific Sales Tax <ul style="list-style-type: none"> - Car rental - Cigarettes and Tobacco - Liquor - Insurance Premiums 	<p>Statewide \$</p> <p><i>Car Rental</i>: at current rental levels, an additional 1% = \$20m</p> <p><i>Cigarettes</i>: at current sales levels, 10¢ per pack = \$20m. Additional tax could be collected on other tobacco products.</p> <p><i>Liquor</i>: at current sales levels, a 10% increase in all liquor taxes = \$20m.</p> <p><i>Insurance premiums</i>: at current sales levels, an additional 1% tax = \$190m.</p> <p><u>Growth</u> Grows with underlying growth in each sector.</p>	<ul style="list-style-type: none"> - Requires 2/3 majority of State legislature - The Streamlined Sales & Use Tax compact limits the ability of the State impose product-specific sales taxes. Moreover, product-specific taxes must be Statewide; they are not available as local option sales taxes. 	<ul style="list-style-type: none"> - Most of these sectors already have additional sales tax rates applied to them. 	<p>Current tax rates on top of general sales tax:</p> <ul style="list-style-type: none"> - Car Rental: 9.7% - Cigarettes: \$2.025/pack State tax + 39¢ federal tax - Tobacco: 75% - Liquor: 20.5% for consumers; 13.7% for restaurants + \$3.77/liter, other taxes for wine and beer - Insurance premiums: 2%

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<p>8. Elimination of Sales Tax Exemption on Medical Services</p>	<p>State Revenue Share \$725 million, plus Local Revenue Share \$225 million, of which local jurisdictions in King County would receive \$75 million</p>	<p>- Requires 2/3 majority of State legislature</p>	<p>- Cannot be a local option.</p>	
<p>9. Elimination of Sales Tax Exemption on Prescription Drugs</p>	<p>State Revenue Share \$370 million, plus Local Revenue Share \$114 million, of which local jurisdictions in King County would receive \$38 million <u>Growth</u> Grows sales in prescription drugs, broadly reflecting population growth and economy</p>	<p>- Requires 2/3 majority of State legislature</p>	<p>- Cannot be a local option.</p>	
<p>10. Elimination of Sales Tax Exemption on Consumer Services (including detective, security, janitorial, custom software and securities broker services)</p>	<p>State Revenue Share \$362 million, plus Local Revenue Share \$137 million, of which local jurisdictions in King County would receive \$46 million <u>Growth</u> Grows sales in consumer services, broadly reflecting population growth and economy</p>	<p>- Requires 2/3 majority of State legislature</p>	<p>- Cannot be a local option. - Recommended by Washington State Tax Structure Study Committee (2002). Does not include professional, financial, and medical services.</p>	<p>Most states tax services in some form.</p>

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<p>11. Elimination of Sales Tax Exemption on Candy & Gum</p>	<p>State Revenue Share \$30 million, plus <u>Local Revenue Share</u> \$10 million, of which local jurisdictions in King County would receive \$3.5 million</p> <p>Growth Grows with sales in candy & gum, broadly reflecting population growth and economy</p>	<p>- Requires 2/3 majority of State legislature</p>	<p>- Cannot be a local option under the Streamlined Sales & Use Tax compact which requires that local rates be applied to the same tax base statewide.</p>	<p>29 other states tax candy & gum</p>
<p>12. Elimination of Sales Tax Exemption on Cosmetic Surgery</p>	<p>Requires more research</p>	<p>- See heading notes</p>	<p>- Same as above - Senator Keiser sponsored a bill to eliminate this exemption in the 2005 legislative session (SB5451).</p>	<p>New Jersey has a cosmetic surgery tax, estimated to raise \$25 million.</p>