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## 'Death, sin' taxes proposed by State Democrats

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OLYMPIA -- Senate Democrats yesterday detailed plans to increase taxes by \$482 million in the coming biennium, unveiling a budget that would resurrect the "death tax" and up the penance on smokers and drinkers through reinvigorated "sin taxes."

The Senate budget builds on Gov. Christine Gregoire's proposal for class-size reductions called for by voter Initiative 728. It accomplishes that by restoring the estate tax and increasing the tax on cigarettes to 60 cents a pack.

The \$26 billion spending plan would also increase the tax on liquor by \$1 a liter, levy a sales tax on extended warranties for products such as cars, computers and home appliances, and reinstate a business tax on meat processing.

Senate Ways and Means Chairwoman Margarita Prentice, D-Renton, said the additional revenue was needed to maintain quality schools, healthy families and strong communities. "We've got to start making some decisions and asking some tough questions," Prentice said. "But we believe that we pointed ourselves in the direction that I believe the citizens of this state want."

The Senate plan, which relies on more than twice the new tax revenue than Gregoire's proposed budget, in many ways mirrors the priorities Gregoire outlined. Most of the additional tax revenue would go toward increasing investment in the state employees' pension program. Gregoire recommended deferring the pension payments. She said again yesterday that she believed deferring the payments was a fiscally responsible way to decrease costs. "The Senate budget includes a couple hundred million more than I proposed in new tax revenue, but they use it to address concerns that both Republicans and Democrats have about funding the state pension system," Gregoire said in a statement.

Ed Penhale, a spokesman for Gregoire, said that although the governor is more comfortable with a \$200 million tax increase, she was not ruling out the Senate proposal. Republicans were less accommodating.

Senate Minority Leader Bill Finkbeiner, R-Kirkland, said fully funding the pension system should be a top priority, but that it could be done without new taxes. And although Democrats did not propose a general tax increase, Finkbeiner said the targeted taxes would still hurt some people.

He said the proposed taxes on cigarettes and liquor run counter to the principle of tax fairness often promoted by Democrats.

"There's this constant refrain about the regressivity of our tax system, and then they decide to go out and tax cigarettes and booze," Finkbeiner said. "If you are going to tell me that is going to be paid more by upper income folks, I'm not going to believe that." Overall, Finkbeiner said the Senate budget "represents the most minimal of cuts and a huge inclination to raise taxes."

Senate Majority Leader Lisa Brown, D-Spokane, said the proposed tax increases must be considered in the context of a budget shortfall exceeding \$1.5 billion and other circumstances. "We're barely back to where we were at the beginning of the session," Brown said, referring to two state Supreme Court rulings that nullified the estate tax and a tax on chili. Consequently, the state lost more than \$500 million in tax revenues.

House Democrats will release their spending plan next week. Though it might be impossible to persuade Republicans to vote for nearly a half-billion tax increase, the Senate plan went a long way toward finding common ground with House Appropriations Chairwoman Helen Sommers, D-

Seattle.

Sommers fought to maintain investment in the pension fund as a public policy priority throughout her three decades in the Legislature.

"What the Senate has proposed is to maintain our 20-year record of fully funding the pension system," Sommers said. "It would also include that kind of a contribution increase by the employees and the two together make up a fully funded system." She said Washington needs to protect its social safety net, bond ratings and quality of education.

"These are high-level responsibilities," Sommers said. "We must recognize that they must be funded. I think the Senate budget reflects that." But social-service advocates and the state teachers union objected to lower levels of funding in some programs as outlined by the Senate.

Tony Lee, spokesman for the Fremont Public Association, said he thought the additional revenue the Senate proposed would stave off some cuts. "The Senate put a cap on the number of people who qualify for a program that's designed to keep people out of nursing homes," he said. "That was very disappointing. He said he was also disheartened by the Senate proposal that followed Gregoire's by increasing eligibility requirements for a Medicaid program that provides help with daily living activities such as cooking for and bathing people with disabilities.

The public association is part of a coalition of social-service agencies that encouraged lawmakers to make no cuts and to choose new taxes instead. The Senate proposal to require a \$3 per-prescription co-payment was also troubling to advocates for the poor.

Shawn Cantrell, director of Washington Citizen Action, a social advocacy group, said that although the Senate budget pays for important programs such as the Basic Health Program, the co-payment proposal represents a huge hole for the state's most vulnerable. He said many of those people need multiple prescriptions each month. "Real people will drop out of the programs; experience shows that," Cantrell said.

#### **HIGHLIGHTS OF THE DEMOCRATS' BUDGET**

**HIGHER EDUCATION:** \$3 billion, including \$63 million to add enrollment slots.

**K-12:** \$11.5 billion, including \$138 million for reducing class sizes and \$139 million for increased teacher pay.

**HEALTH AND HUMAN SERVICES:** \$7.7 billion, including \$32.6 million to increase enrollment in Medicaid by making it easier to qualify, which would add about 25,000 children to state health care rolls.

**TAXES:** Like Gov. Christine Gregoire's proposed \$203 million tax increase, the Senate measure does not suggest any general tax increases. The Senate plan -- which is more than double the size of Gregoire's -- includes a two-step, 80-cent boost in the tax on a pack of cigarettes and a \$1-per-liter increase in the tax on hard alcohol. The Senate restores an estate tax on the affluent. The Senate also supports a 5 percent tax on card rooms.