

State of
Washington
House of
Representatives



July 6, 2017

Hand-Delivered

Honorable Jay Inslee, Governor
Legislative Building, Second Floor

Re: Opposition to Partial Veto Request – Senate Bill 5977 (Concerning Revenue)

Dear Governor Inslee:

An historic budget agreement was reached last week, but it has been followed by a remarkable attempt by some to renege on that agreement and pressure you to do likewise by vetoing Part II of SB 5977—the lower standard tax rate for manufacturing. We trust you will honor the agreement and approve the measure in its entirety, as agreed by the negotiators. We have accomplished much this year, but there is still more to come as we complete our work during the ongoing Special Session, and a veto would greatly undermine those efforts.

Each caucus sent negotiators they, themselves, chose to represent their interests and values into the negotiations, and representatives of your office closely monitored the negotiations and weighed in. Surely, you recognize that future negotiations would become impossible if parties to the deal were allowed to unilaterally reconstruct the deal on terms more favorable to their party's base by pressuring you to veto isolated terms of a comprehensive agreement. In short, we hope you will consider the ramifications to the Legislature as an institution, if you were to side with those House Democrats against the deal struck by the negotiators they chose, and veto the new standard B&O tax rate for manufacturing. We believe they are requesting you to set a dangerous and unacceptable precedent.

According to the National Association of Manufacturers, there are approximately 290,000 manufacturing employees in Washington State, earning an average of \$84,000 in annual income. A lower manufacturing tax rate is unquestionably a landmark achievement for the middle-class employees of these firms. Their labor is the backbone of the middle-class in Washington—Republicans fought for a lower tax rate so that their firms could hire more and pay even better right here in Washington, despite numerous pressures on the regulatory side.

Additionally, we ask you to consider the impact that setting the standard manufacturing rate at the aerospace rate can have on ongoing World Trade Organization dispute resolution. As reported by the *Seattle Times* on June 9, 2017, the preferential B&O rate for aerospace is the sole remaining violation in a long-running dispute about state subsidies between Boeing and Airbus. Part II of Senate Bill 5977, which House Democrats urge you to veto, eliminates the offending preferential rate.

Honorable Jay Inslee, Governor

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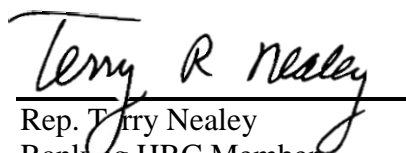
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Moreover, tax relief for manufacturing was proposed in Senate Bill 5888, and a full fiscal note for that bill was available on March 30, 2017. This policy passed the Senate Ways & Means Committee after a public hearing in early April. It is misleading for certain House Democrats to characterize this policy as one for which little information was publicly available.

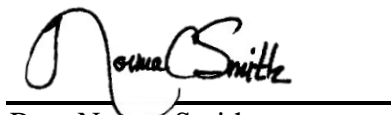
Finally, we think the strong vote on SB 5977, of which the manufacturing tax rate reduction was fully 2/3 of the fiscal value over four years, reflects a consensus and conviction grounded in lived experience in this State. That consensus and that conviction is that advanced manufacturing jobs are critical for the middle class, for upward mobility, and for confidence and optimism in Washington's future.

Thank you for your consideration. If we may answer any questions or provide any assistance, please do not hesitate to contact any one of us.


Sincerely,



Rep. Terry Nealey
Ranking HRC Member,
House Committee on Finance



Rep. Norma Smith
Ranking HRC Member,
House Committee on
Technology & Economic
Development



Rep. Brandon Vick
Ranking HRC Member,
House Committee on
Business & Financial
Services