

# Issue Brief

Association of Washington Business

## HB 2158 – AWB Opposes a Singling Out of Employers in the Service Industry to fund Higher Education

***New taxes are not needed. Existing resources are sufficient for a strong investment in higher education.***

AWB supports investments in postsecondary education such as college scholarships, increased capacity for certain high-demand fields, and increased compensation for community and technical college faculty. However, we believe this can be accomplished through a budget that prioritizes existing resources.

***We are concerned this bill singles out the service sector of the economy to pay for public good that benefits us all.***

Education is a public good that benefits society broadly, in its economic, political, and social life. As such, it should be funded through common efforts in broad-based taxes—not through a surcharge on one sector of the economy. The underlying and fundamental premise of the bill that one sector of the economy benefits more than others from higher education, is not one we accept.

***Within the service sector, this bill picks winners and losers.***

Competitors in sub-sectors of the economy do not receive the same treatment. For example, physicians organized in clinics pay a surcharge, but physicians providing healthcare through a hospital do not.

***We are concerned about a dedicated account.***

AWB does not support a dedicated account for certain aspects of higher education funding for multiple reasons: (1) diverting revenue away from the General Fund undermines the Rainy Day Fund, (2) fund sweeps and transfers will occur and there will be less clarity overtime about what fund is to be used to provide the resources for various aspects of higher education. The legislature has never held these accounts sacrosanct—funds have been swept from the Model Toxics Control Account, the Public Works Assistance Account, and the Education Legacy Trust Account.

***We are concerned about the increased complexity in tax administration.***

There are new industry definitions in this bill that are murky and will lead to inconsistent application. Many small business have multiple activities subject to different B&O categories, and if they have only some service activity will have difficulty determining if the surcharge applies to them. There is significant confusion among tax professionals and attorneys about who is subject to the surcharge. Importantly, the bill directs that any ambiguity be resolved in favor of application of the tax. Generally, the rule of construction for statutes imposing taxes is that ambiguity is strictly construed against the government and against application of the tax.

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# **AWB's concerns with the education and workforce training specifics in the bill:**

The Association of WA Business supports the implementation of education reform policies and funding that enhance student learning and support job skills training that is valuable to the state's employers and allows Washington students to compete for Washington jobs. We believe all education investments should demonstrably increase student achievement and continue to support consistent, clear, and challenging academic standards to improve student outcomes.

We encourage investments in Higher Education including fully funding the State Need Grant, increasing salaries for community and technical college instructors, and expanding programs at the state's institutions in high demand fields.

While HB 2158 fully funds the State Need Grant, and expands the eligibility, it restricts the ability of the higher ed institutions to direct funding to the areas where it is most needed to meet the needs of the employers in the regions that they serve.

AWB is supportive of the expansion of the apprenticeship learning model. However, HB 2158 restricts funding to registered apprenticeships which prevents innovation of the learning model in non-traditional industries such as health care and IT.