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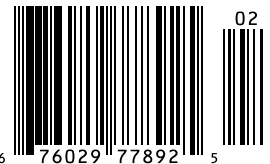
THEY ARE DRIVING
THE U.S. ECONOMY
RIGHT NOW

Threats Are
Lurking

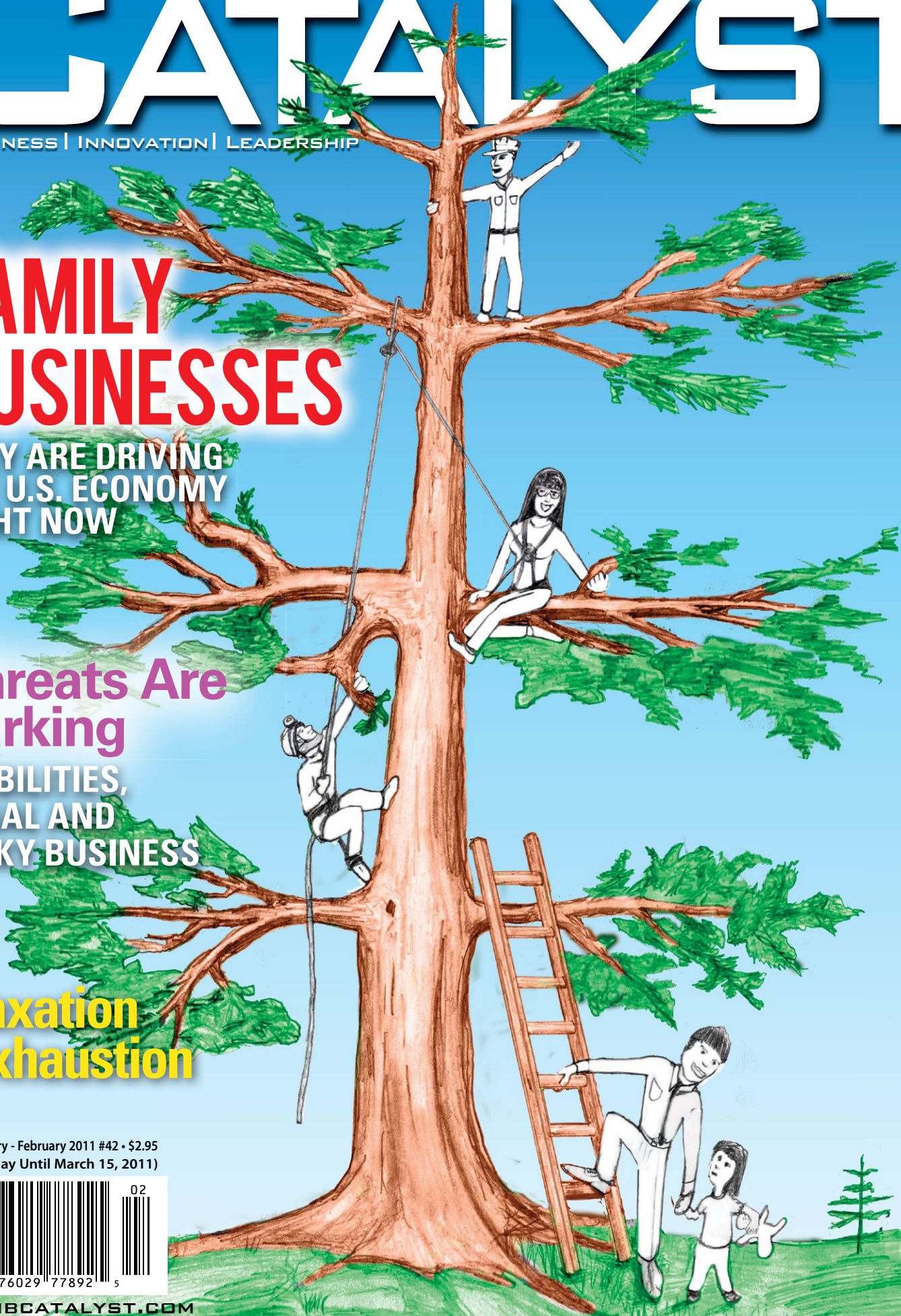
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Voters' election message to business owners

By Chris Cargill

THE EVERGREEN STATE EARNS mixed reviews when it comes to the business climate. In recent surveys, we have ranked as high as third in small business start-ups. But when it comes to small business failures, Washington ranks second highest in the nation. Business owners frustrated by inaction by the state legislature, sought to remedy some of the business climate challenges via the ballot box last November. But all didn't go as planned. Here's a rundown.

Initiative 1053, the measure to restore the legislature's two-thirds vote requirement to raise taxes, passed overwhelmingly. It's the fourth time voters have said raising taxes should be a last resort. Yet the legislature has continually suspended the measure and raised taxes anyway. Last session, lawmakers increased taxes on everything from 911 service to the business and operation tax. The total tax increase was \$6.7 billion over 10 years. I-1053 doesn't make tax increases on business impossible, but it does make them less likely for the next two years.

Initiative 1082, the measure that would have brought competition to the worker's compensation system in Washington, failed. This means a monopoly system that has raised L&I premiums 52 percent over the past five years will stay in place. The state has already announced plans to increase premiums in 2011 by 12 percent, even though officials say they really want a 17.8 percent hike. State Auditor Brian Sonntag recently said one of the main worker's comp funds could be insolvent within two years. Market competition would have helped alleviate that stress. In West Virginia, allowing private worker's comp insurance has produced a 68 percent drop in claim protests, a 43 percent drop in

premium costs, and 90 percent of the claims are completed within 30 days. Washington's average exceeds 280 days.

Initiative 1098, to impose a state income tax on many small business owners, failed overwhelmingly. Washington's tax burden on businesses is already high—they pay 51 percent of the total bill. The prospect of an income tax was especially troubling for those small business owners who file as S-corporations.

Initiatives 1100 and 1105, measures to privatize state liquor sales, were both rejected. While ads warned of hard alcohol being sold at every convenience store, it is difficult to determine whether that really would have happened due to strict state regulation of liquor licenses. For now, the state will continue to be in the business of selling hard liquor and making money, when it should be concentrating on enforcement.

Initiative 1107, the measure to repeal taxes on candy, soda and bottled water, passed overwhelmingly. The approval saves state taxpayers more than



Taxes

\$400 million over the next five years. It also saves small business owners the headache of implementing the new taxes—specifically, knowing which 11,000 different candies needed to be taxed, and which 1,300 were exempt. **IBC**

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