

POLICY NOTE

How state officials can help families and businesses recover when the economy opens up

By Mark Harmsworth, Director, Center for Small Business

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Key Findings

1. State officials need to provide clear guidance immediately so that when business owners are allowed to re-open they can do so quickly.
2. The criteria used for social distancing and safety requirements should be applied consistently across business sectors, without the state picking favorites.
3. Economic regulations and mandates should be reduced so business owners can focus on job creation and growth.
4. State and local officials should defer, reduce and cut property taxes for all or part of the year to allow families to recover.
5. State and local officials should defer, reduce or cut B&O taxes for part of the year to help jobs come back faster.
6. Providing tax relief now will reduce the time for businesses to recover and provide the long-term tax base needed to support public programs.

Introduction

It's difficult to think past the current situation of statewide quarantine we are facing with COVID-19, but the end of the lockdown and a return to normality, whatever that might look like, will eventually happen when Governor Inslee begins to lift restrictions. It is critical to start thinking about steps that should be taken once the economy begins to open again.

Over the last month, Washington Policy Center has published several policy recommendations and analysis highlighting key areas officials should focus on during the crisis. As public leaders begin the process of planning, WPC recommends that the following policies be included to allow people to return to work while maintaining public health standards.

Use consistent criteria for social distancing and safety across business sectors

Business owners who demonstrate that they can operate safely should be allowed to re-open. The state needs to be consistent in the criteria used in determining if a business can operate safely and not pick winners and losers through an arbitrary selection process. For example, many public sector employers have been allowed to work and receive full pay and benefits, while many private-sector businesses have been closed and their employees laid off.

The risk of COVID-19 infection is low in many businesses as many of the job functions operate either in isolation or within the social distancing guidelines issued by the government. Business managers have shown they can self-regulate and maintain a safe environment and can operate safely without little or no government oversight.

Additionally, several industry sectors have been diligent in working with employees to help them follow prevention guidelines issued by the federal Centers for Disease Control with little government oversight. Two examples of the types of private businesses that can operate within safety guidelines are car washes and home construction.^{1,2}

1 "Washington State says cleaning your car is not safe" by Mark Harmsworth, Washington Policy Center accessed on April 30th, 2020 at <https://www.washingtonpolicy.org/publications/detail/washington-state-says-cleaning-your-car-is-not-safe>.

2 "Public and Private Construction should be treated equally during the COVID-19 crisis" by Mark Harmsworth, Washington Policy Center accessed on April 30th, 2020 at <https://www.washingtonpolicy.org/publications/detail/public-and-private-construction-should-be-treated-equally-during-the-covid-19-crisis>.

Relax business regulations so that business owners can focus on jobs and growth

The governor and other state leaders should defer or cancel all new business and workplace regulations that limit peoples' ability to go back to work. With unemployment at the highest level since the 1930s, public officials should do everything they can to help people find productive work and earn a living.

Reducing friction in the economy by eliminating costly regulation will help entrepreneurs and workers focus on rebuilding business.

To encourage economic growth, officials should let people innovate and take advantage of the full range of their skills. That means reducing or repealing needless state certification requirements that block access to employment. People will disagree about the role of financial support from government and taxpayers, but at the very least government should not hinder the ability of people to create and find new work.^{3,4}

Defer, reduce or forgive property taxes for a period of time

Many homeowners are struggling with bills and are going into debt just to pay their mortgage and property taxes. The Legislature over the last few years has increased the property tax burden it imposes significantly. Combining those increases with the outbreak of COVID-19 and the subsequent loss of income has put a huge financial burden on the homeowner.

The Legislature and state should consider immediate relief by offering a property tax deferral, reduction in rate, or suspension of penalties in a similar fashion to the B&O tax-relief programs the governor's office recently announced.

Families are finding they cannot pay their property taxes through no fault of their own. Homeowners face a severe loss of income resulting from the economic lock-down policy that the governor announced in response to the health crisis. Given the source of the problem, public officials should account for people's inability to pay by forgiving all or part of property taxes due for the year.^{5,6}

Defer, reduce or forgive B&O tax obligations for part of the year

During the crisis government officials have ordered businesses to close and employees not to work. As a result, for many people business and household income has been reduced to zero, yet state and local government officials continue to impose the full tax burden, as if the economy were functioning normally.

3 "Legislators in Olympia want to make it harder for employees to work when they want" by Mark Harmsworth, Washington Policy Center accessed on April 30th, 2020 at <https://www.washingtonpolicy.org/publications/detail/legislators-in-olympia-want-to-make-it-harder-for-employees-to-work-when-they-want>.

4 "Remove regulatory friction to accelerate economic recovery" by Todd Myers, Washington Policy Center accessed on April 30th, 2020 at <https://www.washingtonpolicy.org/publications/detail/remove-regulatory-friction-to-accelerate-economic-recovery>.

5 "Saving Washington: The case for property tax relief" by Paul Guppy, Washington Policy Center accessed on April 30th, 2020 at <https://crosscut.com/2020/04/saving-washington-case-property-tax-relief>.

6 "Homeowners are struggling to pay their property taxes – is it time for the state to offer a break?" by Mark Harmsworth, Washington Policy Center accessed on April 30th, 2020 at <https://www.washingtonpolicy.org/publications/detail/homeowners-are-struggling-to-pay-their-property-taxes-is-it-time-for-the-state-to-offer-a-break>.



Mark Harmsworth was elected in 2014 to the Washington State House of Representatives where he served two terms. His focus was on transportation and technology, including serving as the ranking member on the House Transportation Committee.

Prior to the legislature, Mark served two terms on the Mill Creek City Council and was elected Mayor Pro-Tem in his last year.

He recently finish serving as a Director on the Everett Community College Foundation Board and currently serves as a Director on the Boys and Girls Club of Snohomish County.

Mark works in the technology industry and is an owner of a small business after completing a long career at Microsoft and Amazon.

Mark and his family live in Mill Creek, Washington.

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The governor and other state officials should defer, reduce or forgive Business and Occupation (B&O) taxes for the hardest hit businesses for the first two quarters of the year. A deferral of other taxes and a reduction in tax rates would kick start the economy after COVID-19 has run its course and would help small businesses attract customers when they will need it the most.

Lawmakers should consider reducing the tax rate and increasing the gross revenue limit significantly to allow businesses to grow and hire more workers quickly. The gross revenue limit is the dollar amount of activity a business can engage in before it begins to pay taxes.⁷

Conclusion

The people of Washington state, along with the rest of the world, face an unprecedented public health crisis. As a result, Governor Inslee, like most other public leaders, issued social distancing rules, stay-at-home orders and the closure of most businesses and workplaces.

This in turn has led to widespread economic hardship, particularly in the private sector, while the tax-funded public sector has been less affected. To make the burden of the health crisis more equitable, and to speed the economic recovery that will restore tax revenues, public officials should provide people with tax and regulatory relief.

While elected officials are always reluctant to cut taxes, short-term tax relief in 2020 will help families and business return to work, promote strong economic growth, and again provide the record-level revenues that public officials enjoyed before the crisis started.

⁷ “Washington State and Small Business – Now is the time to be working as a team” by Mark Harmsworth, Washington Policy Center accessed on April 30th, 2020 at <https://www.washingtonpolicy.org/publications/detail/washington-state-and-small-business-now-is-the-time-to-be-working-as-a-team>.