

Sample Client Issues Update

September 2005

Energy Prices	<p>In response to rapidly increasing fuel prices, Governor Gregoire and House and Senate leaders have called for legislative hearings around the state to hear citizens concerns about the issue. The first hearing was held in Tri-Cities on Friday, September 30th; it focused on ag industry impacts caused by high fuel prices. On Monday, October 3rd a hearing on gas prices will be held in Seattle, and on Thursday, October 20th a hearing on alternative fuels and biodiesel will be held in Seattle.</p>
Estate Tax	<p>The Legislature passed and Governor Gregoire signed into law in 2005 a bill that creates a new Washington State Estate Tax.</p> <p>Summary: The intent of the law is to create a stand-alone state estate tax that is not affected by changes in federal law after 2005. The tax does not apply to estates valued at \$1.5 million or less for persons dying in 2005 and at \$2.0 million or less thereafter.</p> <p>A table is put into statute to calculate the taxes on the value of the estate after applicable deductions are taken. The rates range between 10 percent and 19 percent.</p> <p>A deduction is allowed for qualified farm property plus the value of any tangible personal property used primarily for farming purposes on the farm. Fifty percent of the estate must be property used for farming, that the decedent or decedent's family must have materially participated in the operation of the farm, and that the property must pass to a family member. However, no requirement of continued use for farming is placed on the heirs, and special valuation need not be elected for federal purposes.</p> <p>The tax on residents and nonresidents is consolidated. The tax is equal to the federal credit multiplied by a fraction, the numerator of which is the value of the property located in Washington and the denominator of which is the value of the decedent's gross estate. Intangible personal property of a resident is presumed to be located in Washington.</p> <p>Administrative provisions are made to allow the Department of Revenue to administer the stand-alone estate tax.</p> <p>The generation-skipping transfer tax is repealed.</p> <p>The revenue generated from the tax is deposited into the education legacy trust account.</p>
Gas Tax Repeal	<p>I-912 would repeal the 9-1/2 cent per gallon increase in the state's gas tax that the Legislature approved during the 2005 session.</p> <p>I-912 was certified for the November ballot by Secretary of State Sam Reed on August 8th. Proponents of the initiative collected 420,000 signatures in 32 days using only volunteer signature gatherers, almost twice the number of signatures required for</p>

	the ballot.
General Election	<p>Only one legislative race will be on the November General Election Ballot. Rep. Dean Takko (D-19th District) is standing for election, because he was appointed late last year to fill a vacancy created by Sen. Mark Doumit's ascension to the Senate.</p> <p>Takko has two opponents, Dawn Courtney (R) and Judi Fiest (L), but is expected to easily win the race in this rural, but heavy blue-collar district in SW Washington.</p>
Liability Reform Ballot Measures	<p>Dueling liability reform initiatives will be on the November ballot.</p> <p>I-330 is sponsored by physicians. For medical malpractice suits, it includes caps on economic damages between \$350,000 and \$1,050,000 depending on the number of individual and institutional defendants. It returns a greater portion of settlements and jury verdicts to patients by applying limitations on attorney contingency fees.</p> <p>I-336 is sponsored by trial lawyers. It would require notices and hearings on insurance rate increases, establish a supplemental malpractice insurance program, require license revocation proceedings after three malpractice incidents, and limit the number of expert witnesses in a lawsuit.</p>
Odessa Aquifer	<p>On September 21st, Governor Gregoire earmarked \$600,000 for plans to deal with depletion of the Odessa Aquifer. Deep well irrigation was developed in the 1970's as an interim measure to bridge water needs for 170,000 acres of agricultural land, which eventually was to be watered by development of the second half of the Columbia Basin Project. As a result of this mining, of the Odessa Aquifer, is that water levels have been dropping as much as 10 feet per year, and this year at least five wells were impaired by reduced flows.</p> <p>The \$600,000 grant is the first installment by the state in a cost-sharing effort with the federal government to find water-delivery solutions in the central Columbia Basin. The combined potential economic loss to the region, if a solution isn't found, is \$630 million annually and 3,600 jobs.</p>
Off Road Fuel Sales Tax	<p>House Democrats intend to offer a proposal in the 2006 Legislative Session that will help mitigate recent high fuel prices by making it sales tax exempt. Currently, off-road fuel is exempt from the "gas tax" but not the sales tax. If approved, the measure will effectively save farmers eight cents on every dollar they pay for fuel.</p>
Unemployment Insurance	<p>A contributing factor to Washington's uncompetitive business environment is its high unemployment insurance costs. Currently, Washington's UI costs are 297 percent of the national average.</p> <p>New information just released by the U.S. Department of Labor shows that a part of the problem is that Washington overpaid benefits last year to the tune of \$118 million or 10.3 percent. Most of the overpayments were due to employer fraud. There were also a small number of underpayments, reducing the net overpayment of benefits to \$115.9 million.</p> <p>The Joint Task Force on UI Benefits Equity will meet according to the following schedule, with a report due to the legislature by January 2006:</p>

	<ul style="list-style-type: none"> • October 20, 2005 (Thursday) • November 17, 2005 (Thursday) • December 1, 2005 (Thursday evening) • December 14, 2005 (Wednesday) <p>A briefing paper on UI prepared by WashACE, a consortium of the Association of Washington Business, Washington Roundtable and Washington Research Council can be found at:</p> <p>http://researchcouncil.blogs.com/weblog/files/washace_brief_0508_final.pdf</p>
Workers' Compensation	<p>The Department of Labor and Industries (L&I) recently proposed increasing hourly workers' compensation insurance rates by an average of 3.8 percent in 2006.</p> <p>The agency will hold six hearings around the state beginning Oct. 11 for public comment on the proposed increase. L&I Director Gary Weeks will make the final decision on rates in mid-November. The new rates will take effect Jan. 1 and will show up on employers' first-quarter 2006 billing in April.</p> <p>Washington's workers' compensation system is divided into three funds:</p> <p>The Accident Fund pays partial wage-replacement and disability-award benefits when a worker is injured on the job and can't work. On average, this rate will go up 12.1 percent.</p> <p>The Medical Aid Fund pays for medical treatment and for vocational rehabilitation counseling. On average, this rate will stay the same in 2006.</p> <p>The Supplemental Pension Fund, which funds additional cost-of-living increases for workers receiving long-term wage-replacement payments, will go down by 16 percent.</p> <p>The proposed 3.8 percent increase is an average for all risk classifications. How the rate proposal will impact specific industries is available at www.LNI.wa.gov/ClaimsIns/Insurance/RatesRisk/Check/RatesHistory/.</p> <p>Schedule for rate hearings</p> <p>Spokane Tuesday, Oct. 11, 10 a.m. Airport Ramada Inn 8909 Airport Dr.</p> <p>Yakima Thursday, Oct. 13, 10 a.m. Red Lion Hotel Yakima Center 607 E. Yakima Ave.</p> <p>Mount Vernon Tuesday, Oct. 18, 10 a.m. Best Western CottonTree Inn</p>

	<p>Mt. Baker Room 2401 Riverside Dr.</p> <p>Vancouver Thursday, Oct. 20, 10 a.m. Red Lion at the Quay Port Side Room 100 Columbia St.</p> <p>Tukwila (added hearing) Monday, Oct. 24, 10 a.m. L&I Tukwila Office 12806 Gateway Drive</p> <p>Tumwater Tuesday, Oct. 25, 10 a.m. L&I auditorium 7273 Linderson Way S.W.</p> <p>Written comments on the proposed rate increase need to be submitted by the close of business Oct. 28. Send them to:</p> <p>Kathy Kimbel, Program Manager Employer Services Department of Labor and Industries P.O. Box 44140 Olympia, WA 98504-4140 Or e-mail comments to lanz235@LNI.wa.gov</p>
<p>For more information, contact:</p>	<p>Dan Coyne Coyne, Jesernig, LLC 111 Market Street NE, Suite 325 Olympia, WA 98513 Ph 360-786-8180 Fx 360-352-4507 Cell 360-951-5262 dancoyne@coynejesernig.com</p>