

2021 in Olympia Budget, Taxes and Banning Credit Scoring

By Bill Stauffacher

As all of us know, the financial chaos resulting from the COVID-19 crisis has extended into every facet of the state's economy. With the high unemployment and severe business disruptions and closures, state government is now experiencing its own challenges due to a significant decline in tax revenues.

That means budget issues – and potential tax increases – will be the most critical policy and political item that lawmakers will address when they return to Olympia in January for the 2021 legislative session. However, there is still a possibility that Governor Jay Inslee may call the legislature into a special session just after the November elections to begin addressing budget issues.

For IABW, that means fighting against tax increases on commissions and the creation of a state capital gains tax will once again be the association's top legislative priority. Since COVID, state tax revenues have declined \$8.8 billion against a \$52 billion two-year budget. About \$4.5 billion in lost revenue is for the period between now and June 30, 2021, which is the end of the state's current biennial budget. About \$4.3 billion applies to the 2021-2023 two-year budget, which runs from July 1, 2021 through June 30, 2023.

Democrats will remain in control of both the House and the Senate – which means the philosophy will be to increase taxes to address the budget shortfall before making significant cuts in state government spending. Legislative Democrats are already working to develop tax options with a strong desire to pursue taxes that are progressive (capital gains taxes, "payroll" taxes, and sales taxes on certain business services) rather than regressive (sales taxes and "sin" taxes).

Practically speaking, after lawmakers access the state's \$3 billion Rainy Day Fund, there is a budget gap of \$5.8 billion. Additionally, Democrats are hopeful that the next federal COVID rescue plan will include bailout money for state governments, bringing money into the state's coffers to help minimize the magnitude of cuts in the state budget.

In the end, the legislature is likely to pass a budget that includes one or possibly two new progressive taxes and a combination of increases on current tax rates and significant cuts to state spending. That is why it's IABW's goal to keep tax increases on commissions off the table and to work together with other small business organizations to successfully defeat the effort to create a new capital gains tax.

While budget will be the major issue of the legislative session, there will be a number of insurance-specific issues IABW will be working. Kriedler has already said he will seek a ban in the use of credit by auto, property, renters and life insurers during the 2021 legislative session. IABW supports the use of credit by insurers.

Kriedler wrote in *The Seattle Times* that "The use of credit scores in insurance is discriminatory and unjustly targets people of color, those with lower incomes and individuals and businesses struggling during the coronavirus pandemic. The insurance industry claims that people with lower credit scores are more likely to file future insurance claims. I believe it's inherently abhorrent, unfair and unjust. There's

plenty of information an insurer can use to determine your premium. They don't need to use credit information to build up their profits.”

Throughout the course of his 20 years of service as Insurance Commissioner, Kreidler has sought unsuccessfully to ban credit use in insurance on several occasions. IIABW has worked with the OIC to make changes to state law to make the use of credit scoring more fair. This time there are different political dynamics at play during the forthcoming debate. During such a time of civil unrest, there will be complex discussions that insurance-related credit use unfairly harms people of color. It's a debate that requires respectful understanding and listening, and a fair discussion of data presented both by proponents of the ban and the industry. IIABW will be at the table advocating for our members and your customers.

Heading into the 2021, the impacts of COVID will continue to weigh heavily on people and business owners. State government will react to the resulting uncertainty. In my 32 years of working at Capitol, I believe now more than ever before that the public debate can be shaped by your communications with your own legislators. When IIABW asks you to take a few minutes to contact your elected representatives about industry-specific issues, please do so. You can make a real difference.