



KEY POINTS

- *Design and construction sectors are the hardest hit in the recession.*
- *B&O tax rate is already three times higher for professional services.*
- *The pass through nature of the B&O puts an extra burden on architecture firms.*
- *Creates new personal liability for corporate officers and employees for a company's unpaid taxes.*
- *Higher taxes will harm already struggling firms*

PLEASE OPPOSE SHB 3191 & SSB 6143

INCREASING B&O TAX ON ARCHITECTS & HOLDING EMPLOYEES PERSONALLY LIABLE FOR COMPANY TAXES

(SHB 3191 SECTIONS 12 & 20 / SSB 6143 SECTIONS 7 & 20)

SHB 3191 - Inhibits Firm's Economic Recovery & Targets the Environment

Part 12 of this bill will make it difficult for Washington firms to recruit and retain qualified employees and partners. This will inhibit architecture firms from rebounding from the economic crisis. Section 12 does this by making firm officers and employees liable for unpaid taxes "regardless of fault or whether the individual was or should have been aware of the unpaid tax liability." This is an unfair and overly broad provision.

Part 20 of this bill increases the Business & Occupation (B&O) tax rate to 2.0% for environmental consulting services. Architects act as the prime consultant on design projects. They bring together many different disciplines under a single contract to provide a complete set of services. Architects are already taxed on the fees passed through to sub-consultants. It's nearly impossible to separate out environmental consulting services from the other services provided in the contract.

SSB 6143 - Unfairly Targets Small Architecture Firms & Drives Firms Out State

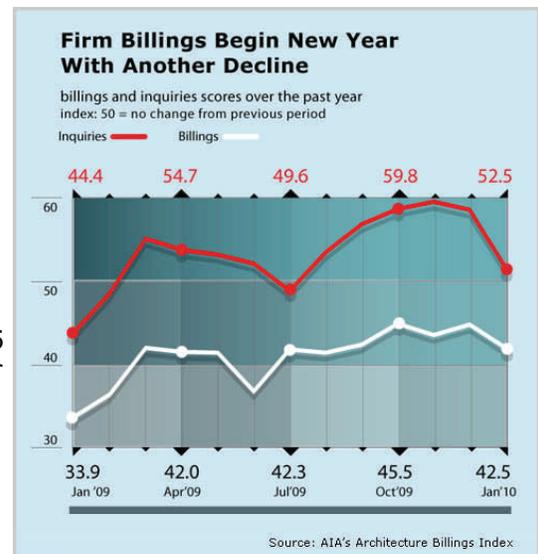
Part 7 of this bill also creates new personal liability for corporate officers and key employees for unpaid taxes. Under current law, the state may go after business owners for unremitted sales tax. But, they cannot go after employees who did not know and could not have known about the tax liabilities. Not only does this bill make it more expensive to operate and more difficult for architecture firms to pay their bills, it also makes firm employees personally liable for taxes if the firm fails!

Part 20 of SSB 6143 directly increases the B&O Tax rate for architecture firms to 1.75%. Architectural firms already pay the highest B&O tax rate of 1.5% on gross revenues. Increasing the tax burden on the service sector may bring unfortunate yet predictable results – architectural firms relocating out of state. This part also unfairly targets small firms as large multi-state firms already have the option to outsource projects; small and medium firms do not.

Architecture Firm's Revenue In Decline

Billings at U.S. architecture firms fell again in January, beginning the third year of continuous decline in revenue at these firms. The January decline was steeper than in previous months, as the AIA's Architecture Billings Index (ABI) dropped to 42.5. By sector, firms that concentrate in the residential sector appear to be nearing a bottom in revenue, while commercial/ industrial and institutional firms are still declining.

The ABI fell almost three points to a level of 42.5 in January, down from a revised 45.4 reading for December and 44.1 in November. Any score below 50 indicates a decline in business activity from the prior month across the architecture profession, so architecture firms still face eroding revenue positions at their firms, with steady declines since January 2008.



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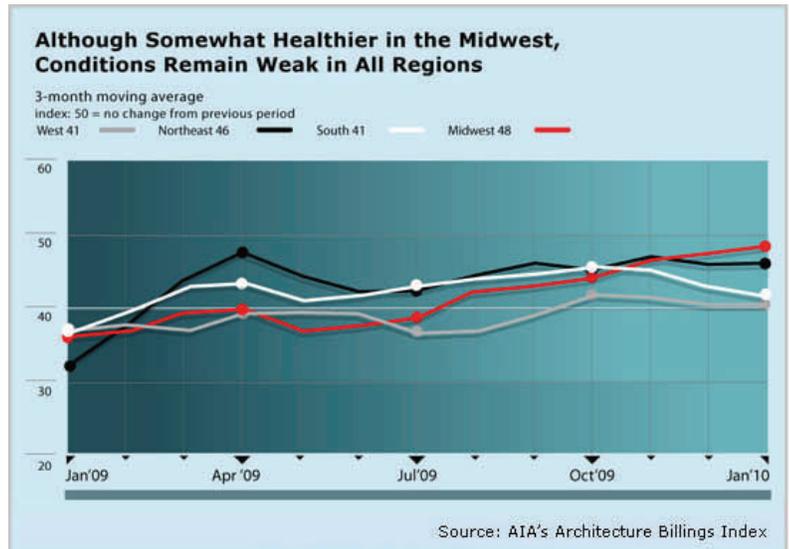
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No region of the country seems poised for an upturn. Scores are the healthiest for firms in the Midwest, reflecting some recent positive trends in the manufacturing sector of the economy.

Even in the apparently recovering residential sector, large inventories of unsold homes and empty rental units, coupled with still high rates of mortgage delinquencies and foreclosures, point to further adjustments in this sector before a strong recovery can get underway.

Commercial/ industrial and institutional firms are still facing weak market conditions. Though stimulus funding programs have helped some segments of the institutional market, ongoing financial problems within state and local governments have limited new project opportunities.

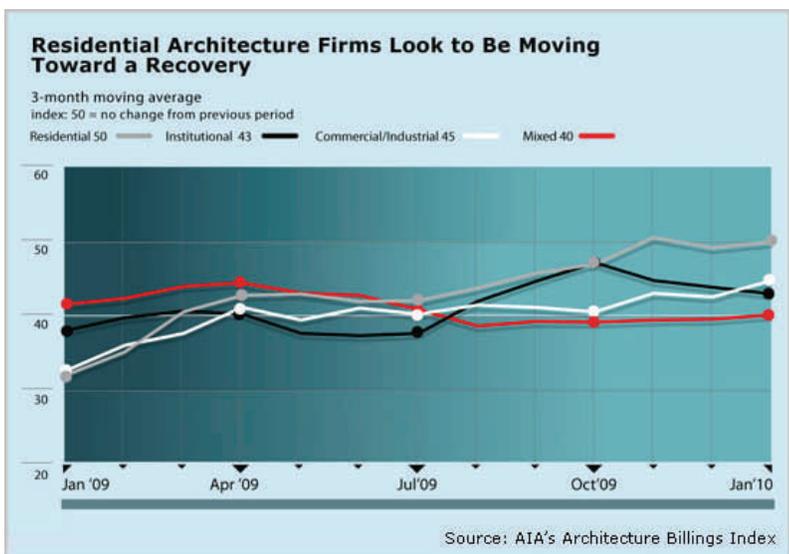


Design and Construction Hardest Hit Sectors

The economy remains on the mend, even though the design and construction sectors continue to be mired in recession. After growing 2.2% in the third quarter of last year, the U.S. Commerce Department recently reported that our economy grew by 5.7% in the fourth quarter when seasonally adjusted and annualized, the strongest pace of growth since the third quarter of 2004. Businesses are still downsizing, although the pace of job losses has moderated substantially.

However, these losses pale by comparison to those experienced by the design and construction sectors so far during this downturn. Through this past December, engineering and drafting firms have lost over 78,000 positions; which accounts for 8.2% of all payroll positions in these businesses.

Architecture firms have lost almost 51,000 positions (23.0% of all positions) and landscape architecture firms almost 20,000 (40.1%). Construction firms have been hit just as hard, if not harder, than design firms. Construction payrolls have declined by 2.1 million positions since their high for this cycle, accounting for 27.2% of all payrolls at these firms.



The Architecture Profession Needs Your Help

Architects have been hit hard by the current economic recession. In fact, the profession's unemployment rates are much higher than the state's average.

These unfair and overly broad portions of these bills make it difficult for Washington firms to recruit and retain qualified employees, target small architecture firms, will make it even harder for a struggling industry to bounce-back from the economic downturn, and will drive business out of state.

PLEASE VOTE TO REMOVE PARTS 12 & 20 OF SHB 3191 AND PARTS 7 & 20 OF SSB 6143. IF THESE PROVISIONS ARE NOT REMOVED, PLEASE VOTE AGAINST SHB 3191 AND SSB 6143.