State of Washington
Joint Legislative Audit & Review Committee (JLARC)

2013 Expedited Tax Preferences

May 2013

This report contains information on 48 tax preferences selected for expedited review. The information is primarily from the Department of Revenue (DOR), but also may include information on preferences previously reviewed by JLARC staff.

Upon request, this document is available in alternative formats for persons with disabilities.

Joint Legislative Audit and Review Committee

1300 Quince St SE

PO Box 40910

Olympia, WA 98504

(360) 786-5171

(360) 786-5180 Fax

www.jlarc.leg.wa.gov

Audit Authority

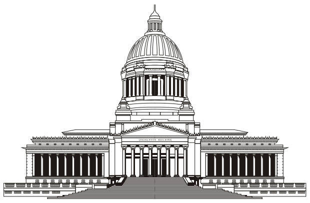
The Joint Legislative Audit and Review Committee (JLARC) works to make state government operations more efficient and effective. The Committee is comprised of an equal number of House members and Senators, Democrats and Republicans.

JLARC's non-partisan staff auditors, under the direction of the Legislative Auditor, conduct performance audits, program evaluations, sunset reviews, and other analyses assigned by the Legislature and the Committee.

TABLE OF CONTENTS

2013 Expedited Tax Preferences

May 2013



STATE OF WASHINGTON

JOINT LEGISLATIVE AUDIT AND REVIEW COMMITTEE

STUDY TEAM
Mary Welsh
Dana Lynn
Peter Heineccius

PROJECT SUPERVISOR
John Woolley

LEGISLATIVE AUDITOR
Keenan Konopaski

Copies of Final Reports and Digests are available on the JLARC website at:

www.jlarc.leg.wa.gov

or contact

Joint Legislative Audit & Review Committee
1300 Quince St SE
Olympia, WA 98504-0910
(360) 786-5171
(360) 786-5180 FAX

REPORT SUMMARY

What Is a Tax Preference?

Tax preferences are exemptions, exclusions, or deductions from the base of a state tax; a credit against a state tax; a deferral of a state tax; or a preferential state tax rate. Washington has over 630 tax preferences.

Why a JLARC Review of Tax Preferences?

Legislature Creates a Process to Review Tax Preferences

In 2006, the Legislature enacted Engrossed House Bill 1069 (RCW 43.136) to establish an orderly process for the review of tax preferences. The Legislature expressly stated that periodic reviews of tax preferences are needed to determine if their continued existence or modification serves the public interest.

Specific roles in the process are assigned to two different entities. The responsibility of scheduling tax preferences, holding public hearings, and commenting on the reviews is assigned to the Citizen Commission for Performance Measurement of Tax Preferences. The responsibility for conducting the reviews under performance audit standards is assigned to the staff of the Joint Legislative Audit and Review Committee (JLARC).

Citizen Commission Sets the Schedule

Statue directs the Citizen Commission to develop a schedule to accomplish a review of tax preferences at least once every ten years. The Commission is directed to omit certain tax preferences from the schedule, such as those required by constitutional law.

As it establishes the review schedule, the Commission may group preferences for review by type of industry, economic sector, or policy area. The Commission also schedules tax preferences that have a statutory expiration date before the preference expires.

Statute permits the Commission to recommend an *expedited review* process for any tax preference. Such reviews are based primarily on information provided by the Department of Revenue. In some instances, JLARC staff may have previously reviewed the preference. For these previously reviewed preferences, the information contained in this report comes from the JLARC staff reviews and is noted as such.

2013 Expedited Reviews

In September 2012, the Commission adopted its sixth ten-year schedule for the tax preference reviews. The schedule for 2013 includes a total of 71 tax preferences under the business and occupation tax, sales tax, use tax, property tax, leasehold excise tax, insurance premium tax, real estate excise tax, watercraft excise tax, oil spill tax, and the enhanced food fish tax. Of these tax preferences, the Commission scheduled 48 tax preferences for the expedited review process. This report addresses those 48 tax preferences. JLARC's full reviews of the remaining tax preferences as scheduled by the Commission are included in a separate report, scheduled for release in July 2013.

Next Steps

Each year, the Commission holds meetings to consider all tax preference reviews. For 2013, meetings are scheduled in May, August, September, and October. After analyzing preference reviews and taking public testimony, the Commission may elect to add specific comments to any of the 71 preferences under review. Those comments will be formally adopted and incorporated into the reviews in October.

ALTERNATIVE FUEL VEHICLES (SALES AND USE TAX)

Current statutes: RCW 82.08.809; 82.12.809

Department of Revenue 2012 Tax Exemption Report (p. 211):

Description: Retail sales & use tax does not apply to sales of new passenger cars and light duty trucks which are powered exclusively by a clean-burning, alternative fuel such as natural gas, propane, hydrogen or electricity. In 2010 the exemption was expanded to include qualifying used passenger cars, light duty trucks and medium duty passenger vehicles which were modified after the initial purchase to be exclusively powered by a clean alternative fuel. This exemption is scheduled to expire on July 1, 2015.

Purpose: To encourage the sale of alternative fuel vehicles.

Category/Year Enacted: Other. 2005, modified in 2010

Primary Beneficiaries: Firms that sell, and customer that purchase, alternative fuel vehicles.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000):

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	$ 238	$ 243	$ 249	$ 255
Local taxes	$ 83	$ 85	$ 87	$ 89

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes.

BASEBALL STADIUMS (LEASEHOLD EXCISE TAX)

Current statute: RCW 82.29A.130(14)

Department of Revenue 2012 Tax Exemption Report (p. 24):

Description: Leasehold tax exemption is allowed for all interests in the public or entertainment areas of a professional baseball stadium located in Seattle. The facility must have natural turf, a retractable roof, seating capacity of at least 40,000, be located in King County, and have been completed after January 1, 1995, to be eligible for the exemption. The exemption does not extend to nonpublic areas of the stadium such as locker rooms and private offices used exclusively by the lessee.

Purpose: To encourage construction and operation of Safeco Field.

Category/Year Enacted: Business incentive. 1995

Primary Beneficiaries: The Seattle Mariners.

Possible Program Inconsistency: Other leases of publicly owned sports facilities are subject to leasehold tax if the lessee has exclusive use of the facility. However, many leases of sports facilities are considered as a license to use the facility rather than an exclusive lease, and therefore leasehold tax does not apply.

Taxpayer Savings ($000):

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	$ 55	$ 56	$ 57	$ 58
Local taxes	$ 48	$ 49	$ 50	$ 51

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes

BASEBALL STADIUMS (SALES AND USE TAX)

Current statute: RCW 36.100.090

Department of Revenue 2008 Tax Exemption Report (p. 265):

Description: State/local retail sales/use tax was deferred on construction of a public baseball stadium. The stadium must be owned and operated by a public facilities district, and the facility must have a retractable roof and natural turf. Deferred sales tax on construction is repayable over a ten year period, starting on the fifth year after completion. Safeco Field was completed in January, 2000 and the repayments of deferred sales/use tax began in FY 2006.

Purpose: To encourage construction of a stadium for professional baseball in King County.

Category/Year Enacted: Business incentive. 1995

Primary Beneficiaries: The public facilities district that operates Safeco Field and the professional baseball team that plays its home games in the stadium.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000):

	FY 2008	FY 2009	FY 2010	FY 2011
State tax	$ (2,473)	$ (2,473)	$ (2,473)	$ (2,473)
Local taxes	$ (799)	$ (799)	$ (799)	$ (799)

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

No; the deferred taxes are already being repaid

BIODIESEL AND ALCOHOL FUEL PRODUCTION FACILITIES (LEASEHOLD EXCISE TAX)

Current statute: RCW 82.29A.135(1)(a)-(d),(2)

JLARC 2008 Tax Preference Reviews (p. 139):

Description: Provides a leasehold excise tax exemption for property used primarily in manufacturing alcohol fuel, biodiesel fuel, and biodiesel feedstock. The preference was originally scheduled to expire December 31, 2009, but the Legislature extended the expiration date to December 31, 2015.

Purpose: The Legislature did not state a public policy objective for this preference. JLARC infers that the policy objective may have been to 1) promote production of renewable fuels in Washington; 2) reduce air pollution and greenhouse gas emissions; and 3) develop new, alternative markets for Washington oilseeds.

Year Enacted: 1980

2008 Legislative Auditor Recommendation: Continue and modify expiration date because the preference is beginning to meet the inferred public policy objectives of encouraging new production of biofuels in Washington and developing new markets for oilseeds.

2008 Citizen Commission Comment: Endorses without comment.

Estimated Beneficiary Savings: $559,000 in the 2009-11 Biennium

BIODIESEL AND ALCOHOL FUEL PRODUCTION FACILITIES (PROPERTY TAX)

Current statute: RCW 84.36.635

JLARC 2008 Tax Preference Reviews (p. 139):

Description: Provides a property tax exemption for building, machinery, equipment, and other personal property used in manufacturing alcohol fuel, biodiesel fuel, and biodiesel feedstock. The preference was originally scheduled to expire December 31, 2009, but the Legislature extended the expiration date to December 31, 2015.

Purpose: The Legislature did not state a public policy objective for this preference. JLARC infers that the policy objective may have been to 1) promote production of renewable fuels in Washington; 2) reduce air pollution and greenhouse gas emissions; and 3) develop new, alternative markets for Washington oilseeds.

Year Enacted: 2003

2008 Legislative Auditor Recommendation: Continue and modify expiration date because the preference is beginning to meet the inferred public policy objectives of encouraging new production of biofuels in Washington and developing new markets for oilseeds.

2008 Citizen Commission Comment: Endorses without comment.

Estimated Beneficiary Savings: $264,000 in the 2009-11 Biennium

BIODIESEL AND E85 FUEL DISTRIBUTION (SALES AND USE TAX)

Current statutes: RCW 82.08.955; 82.12.955

Department of Revenue 2012 Tax Exemption Report (p. 213):

Description: Exemption from retail sales/use tax is allowed for machinery and equipment which is used directly to facilitate the retail sale of biodiesel blend or E85 motor fuel. Biodiesel is derived from vegetable oils or animal fats. E85 is a blend of ethanol and hydrocarbon in which the ethanol portion is comprised of from 75 to 85 percent denatured fuel ethanol. The exemption also includes fuel delivery vehicles, as well as labor or services for repairing such vehicles and repair and replacement parts. This exemption is scheduled to expire on July 1, 2015.

Purpose: To encourage fuel dealers to sell biodiesel and alcohol fuels.

Category/Year Enacted: Business incentive. 2003

Primary Beneficiaries: Dealers and distributors of alternative fuels.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000):

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	$ 10	$ 10	$ 10	$ 10
Local taxes	$ 4	$ 4	$ 4	$ 4

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes

BIODIESEL AND E85 FUEL SALES (B&O TAX)

Current statute: RCW 82.04.4334

Department of Revenue 2012 Tax Exemption Report (p. 93):

Description: Deduction from B&O tax is provided for income from the sale or distribution of biodiesel or E85 motor fuel. Biodiesel fuel is derived from vegetable oils or animal fats. E85 fuel is a blend of ethanol and hydrocarbon in which the ethanol portion is comprised of from 75 to 85 percent denatured fuel ethanol. This deduction is scheduled to expire on July 1, 2015.

Purpose: To encourage the production and sale of alternative fuels.

Category/Year Enacted: Business inventive. 2003, amended in 2006.

Primary Beneficiaries: Dealers of alternative fuels.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000):

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	$ 88	$ 91	$ 94	$ 97
Local taxes - not considered.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes

BOATS UNDER 16 FEET (WATERCRAFT EXCISE TAX)

Current statute: RCW 82.49.020(3)

Department of Revenue 2012 Tax Exemption Report (p. 32):

Description: Certain vessels are exempt from the 0.5 percent state watercraft excise tax: military or other boats owned by the federal government; state/local government vessels; boats with less than 10 horsepower motors; boats < 16 feet in length with no motor; all human-powered boats; vessels in the state temporarily for repair; and documented vessels that are primarily engaged in interstate commerce.

Purpose: The exemption of commercial vessels is intended to avoid creating an impermissible burden on interstate commerce and to recognize the prohibition against directly taxing the federal government. The exemption of small and human-powered boats is intended to minimize administrative costs.

Category/Year Enacted: Individuals. 1983

Primary Beneficiaries: Owners of small boats.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000)*:

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	$ 2,570	$ 2,663	$ 2,764	$ 2,869
Local taxes	$ 0	$ 0	$ 0	$ 0

*Estimates reflect only boats under 16 feet in length and human-powered boats.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes; however administration costs could be high to locate and register small, privately-owned watercraft

BONNEVILLE POWER ADMIN PROGRAM (B&O TAX)

Current statute: RCW 82.04.310(4)

Department of Revenue 2012 Tax Exemption Report (p. 47):

Description: B&O tax exemption is provided for amounts received in the form of credits against power contracts with the Bonneville Power Administration (BPA) or funds provided by the BPA for the purpose of implementing energy conservation programs. The credit expires for funds received after June 30, 2015.

Purpose: To encourage energy conservation.

Category/Year Enacted: Business incentive. 2010

Primary Beneficiaries: Washington electric utility companies.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000):

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	$ 340	$ 357	$ 313	$ 328
Local taxes - not considered.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes

COMPETITIVE TELEPHONE SERVICE (SALES AND USE TAX)

Current statute: RCW 82.04.050(1)(a)

Department of Revenue 2012 Tax Exemption Report (p. 170):

Description: Retail sales/use tax does not apply to purchases of tangible personal property made for the purpose of providing the property to consumers as part of a competitive telephone service.

Purpose: To avoid the possibility of double taxation of the same product.

Category/Year Enacted: Business incentive. 1981

Primary Beneficiaries: Providers of telecommunication services.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000):

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	$ 22,889	$ 23,347	$ 23,814	$ 24,290
Local taxes	$ 8,323	$ 8,490	$ 8,659	$ 8,833

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes

COMPREHENSIVE CANCER CENTERS (B&O TAX)

Current statute: RCW 82.04.4265

Department of Revenue 2012 Tax Exemption Report (p. 75):

Description: Receipts by comprehensive cancer centers are exempt from B&O tax to the extent the amounts are exempt from federal income tax.

Purpose: To encourage cancer research.

Category/Year Enacted: Nonprofit - health or social welfare. 2005

Primary Beneficiaries: One entity.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000): It is believed that only one entity benefits from this exemption and therefore the impact cannot be disclosed.

> If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
>
> Yes

COMPREHENSIVE CANCER CENTERS (SALES AND USE TAX)

Current statutes: RCW 82.08.808; 82.12.808

Department of Revenue 2012 Tax Exemption Report (p. 207):

Description: Exemption from retail sales/use tax is provided for the sale of medical supplies, chemicals, or materials to a comprehensive cancer center. The exemption does not extend to construction, office equipment, administrative supplies or vehicles.

Purpose: To encourage cancer research.

Category/Year Enacted: Nonprofit – health or social welfare. 2005

Primary Beneficiaries: One entity.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000): It is believed that only one entity benefits from this exemption and therefore the impact cannot be disclosed.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes

CORE DEPOSITS AND TIRE FEES (SALES AND USE TAX)

Current statutes: RCW 82.08.036; 82.12.038

Department of Revenue 2008 Tax Exemption Report (p. 258):

Description: The value of returnable products accepted by vendors for recycling or remanufacturing is exempt from retail sales/use tax. Also, the statute excludes from the measure of sales/use tax the amount of the $1.00 tire assessment imposed under RCW 70.95.510. (The tire tax was re-imposed for a five year period, starting July 1, 2005.)

Purpose: The exemption for core charges (items returned for recycling/remanufacturing) is unnecessary since these items are considered to be trade-ins which are already exempt. The exemption for the tire fee affirms that the sales tax was not intended to apply to receipts that represent payment of another tax.

Category/Year Enacted: Tax base. 1989

Primary Beneficiaries: Purchasers of rebuilt auto parts and tire dealers.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000):

	FY 2008	FY 2009	FY 2010	FY 2011
State tax	$ 252	$ 262	$ 270	$ 0
Local taxes	$ 79	$ 82	$ 84	$ 0

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

No

DRUG DELIVERY SYSTEMS (SALES AND USE TAX)

Current statutes: RCW 82.08.935; 82.12.935

Department of Revenue 2012 Tax Exemption Report (p. 208):

Description: Disposable devices used to deliver drugs for human use are exempt from retail sales/use tax. This includes items such as syringes, tubing and catheters. (Note: these devices were previously exempt from sales/use tax. However, the wording of this exemption was necessary to conform to the Streamline Sales and Use Tax Agreement.)

Purpose: To lessen the cost of drug delivery systems.

Category/Year Enacted: Individuals. 2003; previously these were exempt under RCW 82.08.0281.

Primary Beneficiaries: Hospitals, physicians, and patients.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000):

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	$ 422	$ 422	$ 422	$ 422
Local taxes	$ 156	$ 156	$ 156	$ 156

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes

FISH CLEANING (B&O TAX)

Current statute: RCW 82.04.2403

Department of Revenue 2012 Tax Exemption Report (p. 45):

Description: B&O tax exemption is provided for the cleaning of fresh-water fish. Cleaning is defined as the removal of the head, fins, or viscera from the fish without further processing.

Purpose: To support the fresh-water fishing industry.

Category/Year Enacted: Business incentive. 1994

Primary Beneficiaries: A very small number of firms benefit from this exemption.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000):

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	$ 13	$ 13	$ 13	$ 13
Local taxes - not considered.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes

FORECLOSURE RELOCATION ASSISTANCE (REAL ESTATE EXCISE TAX)

Current statute: RCW 82.45.030(3)

Not Included in the Department of Revenue Tax Exemption Report

Statutory Text (enacted in 2011, :

(3) As used in this section, "total consideration paid or contracted to be paid" includes money or anything of value, paid or delivered or contracted to be paid or delivered in return for the sale, and shall include the amount of any lien, mortgage, contract indebtedness, or other incumbrance, either given to secure the purchase price, or any part thereof, or remaining unpaid on such property at the time of sale.

Total consideration shall not include the amount of any outstanding lien or incumbrance in favor of the United States, the state, or a municipal corporation for taxes, special benefits, or improvements. *(emphasis added)*

When a transfer or conveyance is made by deed in lieu of foreclosure to satisfy a deed of trust, total consideration shall not include the amount of any relocation assistance provided to the transferor.

FOREST DERIVED BIOMASS (B&O TAX)

Current statute: RCW 82.04.4494

Department of Revenue 2012 Tax Exemption Report (p. 122):

Description: B&O tax credit is allowed for each harvested green ton of forest-derived biomass that is sold, transferred or used for the production of electricity, steam, heat, or bio-fuel. The amount of the credit is phased in as follows: (1) harvests during FY 2011, FY 2012, and FY 2013 - $3.00 per ton; and (2) harvests during FY 2014 and FY 2015 - $5.00 per ton. Any unused excess credit may be carried forward to a future reporting period for a maximum of two years.

Purpose: To support the production of alternative fuels.

Category/Year Enacted: Business incentive. 2009

Primary Beneficiaries: The forest products industry.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000):

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	$ 131	$ 131	$ 131	$ 131
Local taxes - not considered.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes

FOREST LAND SPECIAL ASSESSMENTS (PROPERTY TAX)

Current statute: RCW 84.33.210(1)

Department of Revenue 2012 Tax Exemption Report (p. 13):

Description: Land designated as forest land is exempt from special benefit assessments. This exemption applies to assessments by local improvement districts that may include forest land, as well as special benefit assessments for projects such as sewer systems, domestic water supply and road improvements. Neither local jurisdictions nor improvement districts are obligated to provide these services to the exempt forest land. However, the owner may waive the exemption, pay the assessment, and receive the services.

Purpose: To relieve forest land owners of the costs related to development of adjacent land.

Category/Year Enacted: Other. 1992

Primary Beneficiaries: No beneficiaries identified.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000): $0.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes

FREE PUBLIC HOSPITALS (SALES AND USE TAX)

Current statutes: RCW 82.08.02795; 82.12.02745

Department of Revenue 2012 Tax Exemption Report (p. 203):

Description: Retail sales/use tax does not apply to the purchase or use of tangible personal property by free hospitals when used in the operation of the hospital or the provision of health care services. The exemption requires that the hospital not charge its patients for health care services received.

Purpose: To reduce the cost of health services provided by hospitals that do not charge their patients.

Category/Year Enacted: Other. 1993

Primary Beneficiaries: One such hospital operates in Washington.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000): Because there is only one taxpayer affected by this exemption, the impact cannot be disclosed publicly.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes

HANFORD LEASE FEES (LEASEHOLD EXCISE TAX)

Current statute: RCW 82.29A.020(2)

Department of Revenue 2012 Tax Exemption Report (p. 19):

Description: For purposes of determining leasehold tax on lands on the Hanford reservation which are subleased to a private or public entity by the Department of Ecology, the term "taxable rent" includes only the annual cash rental payment and does not include fees, assessments or other charges.

Purpose: To reduce the cost of such leases.

Category/Year Enacted: Other business. 1991

Primary Beneficiaries: One firm meets the special criteria for this exclusion.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000): Due to confidentiality requirements, the impact of this exemption cannot be publicly stated, because it is believed to affect fewer than three taxpayers.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes

HORSE RACE TRACKS (SALES AND USE TAX)

Current statute: RCW 82.66.040

Department of Revenue 2008 Tax Exemption Report (p. 270):

Description: Deferral of retail sales/use tax was allowed for construction of a thoroughbred horse racing facility in Western Washington, if construction commenced by July 1, 1998. The facility was completed in 1996. Repayment of the deferred tax starts 10 years after completion of the project and is repaid over ten years. The first repayment of deferred tax was made on December 31, 2006.

Purpose: To encourage construction of the Emerald Downs track.

Category/Year Enacted: Business incentive. 1995; repayment period extended to 10 years in 1998.

Primary Beneficiaries: The Emerald Downs track, and the entire horse racing industry in Washington.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000)*:

	FY 2008	FY 2009	FY 2010	FY 2011
State tax	$ (411)	$ (411)	$ (411)	$ (411)
Local taxes	$ (107)	$ (107)	$ (107)	$ (107)

No new deferrals allowed; the amounts shown reflect repayments of deferred tax.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

No, previously deferred tax is scheduled for repayment over 10 years beginning at the end of 2006

HUMAN BODY PARTS (SALES AND USE TAX)

Current statutes: RCW 82.08.02806; 82.12.02748

Department of Revenue 2012 Tax Exemption Report (p. 204):

Description: Sales of human blood, tissue, organs, bodies or body parts are exempt from retail sales/use tax, when they are used for medical research or quality control testing.

Purpose: To support medical research in Washington.

Category/Year Enacted: Other. 1996

Primary Beneficiaries: Medical research organizations.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000):

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	$ 122	$ 134	$ 148	$ 162
Local taxes	$ 45	$ 50	$ 55	$ 60

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes

INMATE EMPLOYMENT PROGRAMS (LEASEHOLD EXCISE TAX)

Current statute: RCW 82.29A.130(12)

Department of Revenue 2008 Tax Exemption Report (p. 59):

Description: This statute provides leasehold tax exemption for firms that use space in State adult correctional facilities in conjunction with comprehensive inmate work programs.

Purpose: To promote such programs.

Category/Year Enacted: Government. 1992

Primary Beneficiaries: None currently.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000): None. This program was found to be unconstitutional by the Washington State Supreme Court in 2004.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

No

LIFE SCIENCES DISCOVERY FUND (B&O TAX)

Current statute: RCW 82.04.4263

Department of Revenue 2012 Tax Exemption Report (p. 39):

Description: Income received by the Life Sciences Discovery Fund is exempt from B&O tax.

Purpose: To stimulate research and development in the life sciences.

Category/Year Enacted: Government. 2005

Primary Beneficiaries: The Life Sciences Discovery Fund.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000): Although the only affected entity is a quasi-governmental agency, the impact of this exemption cannot be publicly stated since there is only one entity affected by the statute.

> If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
>
> Possibly

LOCAL GOVERNMENT BUSINESS INCOME (B&O TAX)

Current statute: RCW 82.04.419

Department of Revenue 2012 Tax Exemption Report (p. 39):

Description: Exemption from B&O tax is provided for local governments, including school and fire districts, with the exception of income from utility or enterprise activities.

Purpose: To reflect the legislative policy of not taxing government activities, except for proprietary activities such as the provision of utility services.

Category/Year Enacted: Government. 1983

Primary Beneficiaries: Local governments.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000):

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	$ 20,550	$ 21,880	$ 19,410	$ 20,670
Local taxes - not considered.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes

NEBULIZERS (SALES AND USE TAX)

Current statutes: RCW 82.08.803; 82.12.803

Department of Revenue 2012 Tax Exemption Report (p. 206):

Description: Exemption from retail sales/use tax in the form of a refund is allowed for nebulizers which are prescribed for human use by a physician. Sellers must collect the sales tax, and then the buyer must apply to the Department for a refund. A nebulizer is a device that converts a liquid medication into a mist so that it can be inhaled by the patient. Included in the exemption are repair and replacement parts for nebulizers, as well as labor and service charges for cleaning, repairing, etc. Note: nebulizers were previously exempt from sales/use tax; however, the word of this exemption was necessary to conform to the Streamline Sales and Use Tax Agreement.

Purpose: To lessen the cost of nebulizers.

Category/Year Enacted: Individuals. 2004; previously exempt as drug delivery systems.

Primary Beneficiaries: Persons who use prescribed nebulizers.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000):

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	$ 345	$ 377	$ 412	$ 450
Local taxes	$ 128	$ 140	$ 153	$ 167

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes

NONFUEL USE OF PETROLEUM (OIL SPILL TAX)

Current statute: RCW 82.23B.045

Department of Revenue 2012 Tax Exemption Report (p. 154):

Description: A credit against the oil spill tax is allowed for any oil spill tax previously paid on crude oil or petroleum products which are not ultimately used as fuel or are used in a manufacturing process.

Purpose: To ensure that the tax applies only to crude oil or petroleum that is ultimately used as fuel.

Category/Year Enacted: Tax base. 1991

Primary Beneficiaries: Manufacturers and consumers of crude oil and petroleum products.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000):

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	$ 195	$ 194	$ 194	$ 193
Local taxes - none.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes

NONPROFIT CANCER TREATMENT CLINICS (PROPERTY TAX)

Current statute: RCW 84.36.046

Department of Revenue 2008 Tax Exemption Report (p. 21):

Description: Real and personal property of clinics that are primarily used in the prevention, detection and treatment of cancer is exempt from property tax, if the clinic is comprised of or formed by a nonprofit organization or municipal hospital corporation.

Purpose: To provide an exemption for outpatient nonprofit cancer clinics and centers. Nonprofit hospitals are exempt under RCW 84.36.040 but that statute does not cover outpatient clinics.

Category/Year Enacted: Nonprofit - health or social welfare. 1997

Primary Beneficiaries: Six organizations comprising 25 parcels.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000):

	CY 2008	CY 2009	CY 2010	CY 2011
State levy	$ 659	$ 706	$ 743	$ 769
Local levies	$ 2,630	$ 2,859	$ 3,056	$ 3,208

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

No - other taxpayers would experience reduced taxes for the state levy and most local levies

NONPROFIT CREDIT AND DEBT COUNSELING (B&O TAX)

Current statute: RCW 82.04.368

Department of Revenue 2012 Tax Exemption Report (p. 72):

Description: Nonprofit organizations that provide counseling services for consumers relating to credit and debt issues are exempt from B&O tax on income received for such services.

Purpose: To reduce the cost of providing such services.

Category/Year Enacted: Nonprofit - other. 1993

Primary Beneficiaries: A very small number of organizations potentially qualify for the exemption.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000): Minimal. Although there are more than two dozen firms that provide credit/debt counseling services, the majority are not nonprofits. Further, the nonprofits do not generally charge the clients for the counseling service.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes

NONPROFIT DIALYSIS FACILITIES (PROPERTY TAX)

Current statute: RCW 84.36.040(1)(f)

Department of Revenue 2008 Tax Exemption Report (p. 18):

Description: Real and personal property used by nonprofit organizations as outpatient dialysis treatment facilities is exempt from property tax.

Purpose: In the past, organizations that performed dialysis treatment at facilities they owned were exempt as hospitals. However, the delivery of dialysis treatment has changed and such services may now be provided at leased outpatient facilities that are separate from a hospital. This exemption assures that all property and equipment used for dialysis treatment is exempt.

Category/Year Enacted: Nonprofit - health or social welfare. 1987

Primary Beneficiaries: Approximately six organizations providing outpatient dialysis services comprising 34 parcels.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000):

	CY 2008	CY 2009	CY 2010	CY 2011
State levy	$ 118	$ 127	$ 133	$ 138
Local levies	$ 472	$ 512	$ 548	$ 575

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

No - other taxpayers would experience reduced taxes for the state levy and most local levies

NONPROFIT EMERGENCY OR TRANSITIONAL HOUSING (PROPERTY TAX)

Current statute: RCW 84.36.043

Department of Revenue 2008 Tax Exemption Report (p. 20):

Description: Property tax exemption is allowed for real and personal property used by a nonprofit organization to provide emergency or transitional housing for low-income, homeless persons or for victims of domestic violence who are homeless for reasons of personal safety. To be exempt, the any charge for the housing cannot exceed the actual cost to operate and maintain the facility. (NOTE: RCW 84.36.030(1) also provides exemption for nonprofit organizations that provide "protective" services.)

Purpose: To support the services provided by such organizations.

Category/Year Enacted: Nonprofit - health or social welfare. 1983

Primary Beneficiaries: Approximately 213 organizations comprising 398 parcels.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000):

	CY 2008	CY 2009	CY 2010	CY 2011
State levy	$ 484	$ 518	$ 545	$ 564
Local levies	$ 1,930	$ 2,097	$ 2,241	$ 2,354

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

No - other taxpayers would experience reduced taxes for the state levy and most local levies

NONPROFIT FUNDRAISING (PROPERTY TAX)

Current statute: RCW 84.36.550

Department of Revenue 2008 Tax Exemption Report (p. 27):

Description: Real and personal property owned by nonprofit organizations and used for solicitation or collection of gifts, donations or grants is exempt from property tax. To qualify, the organization must: (1) be organized for nonsectarian purposes; (2) be affiliated with a state or national organization which authorizes, approves or sanctions volunteer charitable fund-raising contributions; (3) be exempt from federal income tax; and (4) be governed by a volunteer board of directors. Also, the funds generated must be used for character-building, benevolent, protective or rehabilitative social services or for distribution to at least five other similar nonprofit organizations.

Purpose: To support the fund-raising activities of such nonprofit organizations.

Category/Year Enacted: Nonprofit - other. 1993

Primary Beneficiaries: Approximately 12 organizations.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000):

	CY 2008	CY 2009	CY 2010	CY 2011
State levy	$ 42	$ 45	$ 47	$ 49
Local levies	$ 167	$ 181	$ 194	$ 203

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

No - other taxpayers would experience reduced taxes for the state levy and most local levies

NONPROFIT HOMES FOR AGING (PROPERTY TAX)

Current statute: RCW 84.36.041

Department of Revenue 2008 Tax Exemption Report (p. 19):

Description: Real and personal property used by a nonprofit home for the aging is exempt from property tax if: (a) at least 50% of the dwelling units are occupied by eligible residents (age 61 or older with annual household income not greater than $22,000 or 80% of the county median income); (b) the home is subsidized under a federal HUD program; or (c) the home is financed using bonds that are exempt from federal income tax and a percentage of the units are required to be set aside for low income residents. If the home fails to qualify in its entirety, a partial exemption for the real property is prorated based on the number of eligible residents or those requiring assistance with daily activities.

Purpose: To provide equity between the senior citizens who own their own homes and qualify for the senior citizens property tax exemption and those who reside in homes for the aging.

Category/Year Enacted: Nonprofit - health or social welfare. Established as a separate statute in 1989.

Primary Beneficiaries: Approximately 115 nonprofit retirement homes comprising 426 parcels.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000):

	CY 2008	CY 2009	CY 2010	CY 2011
State levy	$ 2,209	$ 2,320	$ 2,398	$ 2,433
Local levies	$ 8,816	$ 9,399	$ 9,857	$ 10,155

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

No - other taxpayers would experience reduced taxes for the state levy and most local levies

NONPROFIT MEDICAL RESEARCH AND TRAINING FACILITIES (PROPERTY TAX)

Current statute: RCW 84.36.045

Department of Revenue 2008 Tax Exemption Report (p. 20):

Description: Property tax exemption is provided for real and personal property that is owned or used by nonprofit corporations or associations which is available without charge for research by, or for the training of, doctors, nurses, laboratory technicians, and hospital personnel.

Purpose: To support nonprofit medical research and training facilities.

Category/Year Enacted: Nonprofit - health or social welfare. 1975; extended in 1998 to leased facilities.

Primary Beneficiaries: Approximately 8 medical research centers comprising 21 parcels.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000):

	CY 2008	CY 2009	CY 2010	CY 2011
State levy	$ 840	$ 899	$ 947	$ 979
Local levies	$ 3,351	$ 3,641	$ 3,892	$ 4,087

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

No - other taxpayers would experience reduced taxes for the state levy and most local levies

ORGAN PROCUREMENT (B&O TAX)

Current statute: RCW 82.04.326

Department of Revenue 2012 Tax Exemption Report (p. 67):

Description: B&O tax exemption is allowed for nonprofit organ procurement organizations on income which is exempt from federal income tax.

Purpose: To extend the same tax treatment available to blood, bone and tissue banks.

Category/Year Enacted: Nonprofit - health or social welfare. 2002

Primary Beneficiaries: Nonprofit organizations that locate and obtain human organs for transplant operations.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000): Due to confidentiality requirements, the impact of this exemption cannot be publicly stated because it is believed to affect fewer than three taxpayers.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes

Organ Procurement (Sales and Use Tax)

Current statutes: RCW 82.08.02807; 82.12.02749

Department of Revenue 2012 Tax Exemption Report (p. 205):

Description: Exemption from retail sales/use tax is allowed for medical supplies, chemicals or materials purchased by organ procurement organizations, as defined in federal law 42 U.S.C. Sec. 273(b).

Purpose: To support the activities of these organizations by allowing the same treatment provided for blood, bone and tissue banks.

Category/Year Enacted: Nonprofit - health or social welfare. 2002

Primary Beneficiaries: It is believed that two entities qualify for the exemption.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000): Due to confidentiality requirements, the impact of this exemption cannot be publicly stated because it is believed to affect fewer than three taxpayers.

> If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
>
> Yes

OSTOMIC ITEMS (SALES AND USE TAX)

Current statutes: RCW 82.08.804; 82.12.804

Department of Revenue 2012 Tax Exemption Report (p. 207):

Description: Exemption from retail sales/use tax is provided for ostomic items used by colostomy, ileostomy or urostomy patients. Such items refer to disposable medical supplies such as bags, belts, tape, tubes, soap, jellies, germicides, etc. The exemption does not extend to undergarments, pads or shields, sponges or rubber sheets. (Note: ostomic items were previously exempt from sales/use tax. However, the wording of this exemption was necessary to conform to the Streamline Sales and Use Tax Agreement.)

Purpose: To lessen the cost of ostomic items.

Category/Year Enacted: Individuals. 2004; previous these were exempt under RCW 82.08.804.

Primary Beneficiaries: Colostomy, ileostomy or urostomy patients.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000):

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	$ 215	$ 215	$ 215	$ 215
Local taxes	$ 80	$ 80	$ 80	$ 80

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes

PERFORMING ARTS (PROPERTY TAX)

Current statute: RCW 84.36.060(1)(b)

Department of Revenue 2008 Tax Exemption Report (p. 24):

Description: Property tax exemption is provided for real and personal property that is owned by or leased to nonprofit organizations that engage in the production and performance of musical, dance, artistic, dramatic or literary works for the benefit of the public. The organization must receive a substantial part of its financial support from either government or from contributions by the general public.

Purpose: To support artistic, literary, musical, dance or dramatic organizations and recognize the educational and artistic contribution they make to society.

Category/Year Enacted: Nonprofit - arts or cultural. 1981

Primary Beneficiaries: Organizations such as community theaters, dance companies, music clubs, art centers, choral groups, symphonies, etc. Approximately 88 parcels owned by 66 organizations are exempt.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000):

	CY 2008	CY 2009	CY 2010	CY 2011
State levy	$ 658	$ 691	$ 714	$ 725
Local levies	$ 2,625	$ 2,799	$ 2,935	$ 3,024

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

No - other taxpayers would experience reduced taxes for the state levy and most local levies

SECONDARY TRANSPORTATION (OIL SPILL TAX)

Current statute: RCW 82.23B.030

Department of Revenue 2012 Tax Exemption Report (p. 154):

Description: Exemption from the oil spill tax is provided for transportation or off-loading of the same products after the initial off-loading in Washington.

Purpose: The tax is intended to apply only to the initial off-loading of crude oil or petroleum products in Washington.

Category/Year Enacted: Tax base. 1991

Primary Beneficiaries: Washington refiners and manufacturers.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000): Minimal. In order for this exemption to be applicable, the oil would have to be off-loaded in Washington from a vessel, reloaded onto another vessel and then off-loaded a second time in the state.

> If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
>
> Yes

TESTING AND SAFETY LABS (B&O TAX)

Current statute: RCW 82.04.434

Department of Revenue 2012 Tax Exemption Report (p. 114):

Description: The value of services and information provided to the state of Washington free of charge by a laboratory which tests products for public safety purposes may be credited against B&O tax liability. The laboratory must not be affiliated with any industry group and must be exempt from federal tax.

Purpose: To encourage a testing/safety laboratory of this type to locate in Washington and ensure that these services are available for the safety of Washington residents.

Category/Year Enacted: Business incentive. 1991

Primary Beneficiaries: One firm.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000): Due to confidentiality requirements, the impact of this tax credit cannot be publicly stated because it is believed to affect fewer than three taxpayers.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes

TRADE SHOWS (B&O TAX)

Current statute: RCW 82.04.4282(6)

Department of Revenue 2012 Tax Exemption Report (p. 83):

Description: Deduction from B&O tax is allowed for nonprofit trade or professional organizations for charges made in conjunction with trade shows, conventions and educational seminars, as long as the event is not open to the general public. The deduction covers admission fees and charges for occupying space.

Purpose: To encourage trade shows, conventions and educational seminars to take place in this state.

Category/Year Enacted: Nonprofit - other. 1989

Primary Beneficiaries: Nonprofit organizations that sponsor trade shows.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000):

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	$ 11	$ 12	$ 11	$ 11
Local taxes - not considered.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes

TUNA, MACKEREL, AND JACK FISH (ENHANCED FOOD FISH TAX)

Current statute: RCW 82.27.010

Department of Revenue 2012 Tax Exemption Report (p. 155):

Description: Exemption from the enhanced food fish tax is allowed for tuna, mackerel and jack fish.

Purpose: To reflect economic conditions facing fishers of tuna, mackerel and jack fish and possibly the fact that albacore tuna have a vast migratory range and are largely caught in international waters.

Category/Year Enacted: Other business. 1995

Primary Beneficiaries: Fishers of tuna, mackerel and jack fish.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000):

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	$ 289	$ 289	$ 289	$ 289
Local taxes - none.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes

USED MOBILE HOMES (SALES AND USE TAX)

Current statutes: RCW 82.08.033; 82.12.033

Department of Revenue 2012 Tax Exemption Report (p. 228):

Description: Exemption from retail sales/use tax is allowed for the sale, rental or lease (more than 30 days) of a used mobile home that is attached to the land.

Purpose: To provide tax treatment for such mobile homes comparable to the treatment of residential real estate. The initial purchase of a mobile home, like the construction of a residential home built for an owner by a contractor, is subject to retail sales tax. Subsequent sales of mobile homes that are attached to the land are subject to real estate excise tax rather than retail sales tax, just as they are for other homes.

Category/Year Enacted: Individuals. 1979

Primary Beneficiaries: Purchasers/renters of used mobile homes.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000)*:

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	$ 14,484	$ 14,574	$ 14,661	$ 14,749
Local taxes	$ 4,857	$ 4,886	$ 4,915	$ 4,945

*Impact is net of state and local real estate excise taxes.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes, but unlike normal residential property, these units would be subject to both sales/use tax and real estate excise tax

VACCINE ASSOCIATION (B&O TAX)

Current statute: RCW 82.04.640

Department of Revenue 2012 Tax Exemption Report (p. 77):

Description: The Washington Vaccine Association collects funds from health care insurers and thirdparty administrators for the cost of vaccines provided to children. Funds received by the Association are exempt from B&O tax.

Purpose: To improve the health of children.

Category/Year Enacted: Other business. 2010

Primary Beneficiaries: The Washington Vaccine Association.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000): There is only one affected organization and thus the impact cannot be disclosed publicly.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes

WAX AND CERAMIC MATERIALS TO CREATE MOLDS (SALES AND USE TAX)

Current statutes: RCW 82.08.983; 82.12.983

Department of Revenue 2012 Tax Exemption Report (p. 183):

Description: Exemption from retail sales/use tax is provided for sales of wax or ceramic materials used to create molds which are consumed during the process of creating ferrous and nonferrous investment castings used in industrial applications. Labor and services used to create patterns and shells used as molds also qualify for the exemption. The exemption is scheduled to expire on June 30, 2015.

Purpose: To encourage the production of castings in Washington.

Category/Year Enacted: Business incentive. 2010

Primary Beneficiaries: There are approximately 21 firms that might benefit.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000):

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	$ 199	$ 209	$ 220	$ 230
Local taxes	$ 71	$ 75	$ 79	$ 83

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes

WOOD BIOMASS FUEL MANUFACTURING (B&O TAX)

Current statute: RCW 82.04.260(1)(f)

Department of Revenue 2012 Tax Exemption Report (p. 101):

Description: A preferential B&O tax rate of 0.138 percent is provided for manufacturers of wood biomass fuel. The general tax rate for manufacturing is 0.484 percent.

Purpose: To encourage the production of alternative fuels in Washington.

Category/Year Enacted: Business incentive. 2003 (exemption for biodiesel ended in 2009)

Primary Beneficiaries: There are currently no manufacturers operating in this state.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000): None currently.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes

WOOD BIOMASS FUEL PRODUCTION FACILITIES (LEASEHOLD EXCISE TAX)

Current statute: RCW 82.29A.135(1)(e),(2)

JLARC 2008 Tax Preference Reviews (p. 123):

Description: Provides a leasehold excise tax exemption for property used to manufacture wood biomass fuels. The preference was originally scheduled to expire December 31, 2009, but the Legislature extended the expiration date to December 31, 2015.

Purpose: The Legislature did not state a public policy objective for this preference. JLARC infers that the policy objective may have been to 1) promote production of renewable fuels from biomass; 2) reduce air pollution and greenhouse gas emissions; and 3) develop new ways to use wood biomass to generate biofuels.

Year Enacted: 2003

2008 Legislative Auditor Recommendation: Continue and modify expiration date; because the tax preference is not currently being utilized, it should be reviewed for effectiveness in the future should this industry become more developed.

2008 Citizen Commission Comment: Does not endorse; recommends Review and Clarify. The Commission recommends that these preferences be allowed to expire in 2009 unless there is evidence that taxpayers plan to use them.

Estimated Beneficiary Savings: $0 in the 2009-11 Biennium

WOOD BIOMASS FUEL PRODUCTION FACILITIES (PROPERTY TAX)

Current statute: RCW 84.36.640

JLARC 2008 Tax Preference Reviews (p. 123):

Description: Provides a property tax exemption for buildings, machinery and equipment, and other personal property used primarily to manufacture wood biomass fuel. The preference was originally scheduled to expire December 31, 2009, but the Legislature extended the expiration date to December 31, 2015.

Purpose: The Legislature did not state a public policy objective for this preference. JLARC infers that the policy objective may have been to 1) promote production of renewable fuels from biomass; 2) reduce air pollution and greenhouse gas emissions; and 3) develop new ways to use wood biomass to generate biofuels.

Year Enacted: 2003

2008 Legislative Auditor Recommendation: Continue and modify expiration date because the tax preference is not currently being utilized, it should be reviewed for effectiveness in the future should this industry become more developed.

2008 Citizen Commission Comment: Does not endorse; recommends Review and Clarify. The Commission recommends that these preferences be allowed to expire in 2009 unless there is evidence that taxpayers plan to use them.

Estimated Beneficiary Savings: $0 in the 2009-11 Biennium