

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

## 2014 Expedited Tax Preferences

December 2014

This report contains information on 62 tax preferences selected for expedited review. The report includes information supplied by the Department of Revenue (DOR), comments by the Citizen Commission, and may also include information on preferences previously reviewed by JLARC staff.

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

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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.

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## 2014 Expedited Tax Preferences

December 2014



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# 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 600 tax preferences.

## Why a Review of Tax Preferences?

### *Legislature Creates a Process to Review Tax Preferences*

In 2006, the Legislature stated that periodic reviews of tax preferences are needed to determine if their continued existence or modification serves the public interest. The Legislature enacted Engrossed House Bill 1069 to provide for an orderly process for the review of tax preferences (now found in Chapter 43.136, Revised Code of Washington). Statute assigns specific roles in the process :

- The Citizen Commission for Performance Measurement of Tax Preferences creates a schedule for reviews, holds public hearings, and comments on the reviews.
- Staff to the Joint Legislative Audit and Review Committee (JLARC) conduct certain reviews selected by the Commission.
- The Commission also reviews preferences based on information supplied primarily by the Department of Revenue. These reviews are considered “expedited” and are included in this report.

### *Citizen Commission Sets the Schedule*

The Legislature directed the Citizen Commission for Performance Measurement of Tax Preferences to develop a schedule to accomplish an orderly review of most tax preferences over ten years. The Commission is directed to omit certain tax preferences from the schedule, such as those required by constitutional law.

## 2014 Expedited Reviews

In October 2013, the Commission adopted its seventh ten-year schedule for the tax preference reviews. The schedule for 2014 includes a total of 83 tax preferences under the business and occupation tax, sales tax, use tax, property tax, leasehold excise tax, public utility tax, beer tax, litter tax, fuel tax, aircraft fuel tax, aircraft excise tax, watercraft excise tax, real estate excise tax, and the enhanced food fish tax.

Of these tax preferences, the Commission scheduled 62 tax preferences for the expedited review process: this report addresses those 62 tax preferences. JLARC's full reviews of the remaining tax preferences as scheduled by the Commission are included in a separate report.

Information on all completed reviews is found on the Commission's website:

<http://www.citizentaxpref.wa.gov/>

### ***Citizen Commission Comments***

At the October 2014 meeting, the Citizen Commission adopted comments to the 2014 expedited reviews. This report begins with a summary of those comments, followed by detail on each preference.

## CITIZEN COMMISSION COMMENTS ON 2014 EXPEDITED TAX PREFERENCES

### **Biodiesel and Alcohol Fuel Production Facilities ([Leasehold Excise Tax](#)/[Property Tax](#))**

**Commission Comment:** The Legislature should determine whether these preferences continue to meet their public policy objective. If they do, the Legislature should modify the expiration date; if they do not, the Legislature should allow the preferences to expire.

### **Wood Biomass Fuel Production Facilities ([Leasehold Excise Tax](#)/[Property Tax](#))**

**Commission Comment:** Because there are no beneficiaries, the Legislature should determine whether these preferences continue to meet their public policy objective. If they do, the Legislature should modify the expiration date; if they do not, the Legislature should allow the preferences to expire.

### **Aluminum Master Alloy Producers ([B&O Tax](#))**

**Commission Comment:** Because there are no beneficiaries, the Legislature should determine whether this preference continues to meet its public policy objective. If it does not, the Legislature should terminate this preference.

### **Bad Debts ([Fuel Tax](#))**

**Commission Comment:** The Legislature should consider whether this preference continues to serve its purpose, and if not, let it expire. No public testimony covering this preference was submitted.

### **Multi-Unit Urban Housing ([Property Tax](#)); Nonprofit Developmentally Disabled Housing ([Property Tax](#)); and Prewritten Computer Software ([Property Tax](#))**

**Commission Comment:** The Legislature could review whether these preferences are meeting their public policy objectives. If any of them is not, the Legislature should consider modifying or terminating the preference because other taxpayers are bearing the tax burden if the preference is continued.

### **Second Narrows Bridge ([Leasehold Excise Tax](#)/[Property Tax](#)/[Public Utility Tax](#)/[Real Estate Excise Tax](#))**

**Commission Comment:** These preferences were enacted in 1998 and anticipated the possibility of private funding, ownership, or lease of the bridge. These preferences are inoperative because that possibility was not pursued. For this reason the Legislature could consider terminating them.

### **Multiple Activities Credit ([B&O Tax](#))**

The Commission recommends the Legislature continue this preference.

**Commission Comment:** This preference is a structural provision of the B&O tax necessary to comply with a ruling of the U.S. Supreme Court interpreting the U.S. Constitution.

### **Natural Gas Subject to Public Utility Tax ([Use Tax](#))**

The Commission recommends the Legislature continue this preference.

**Commission Comment:** The preference is meeting its public policy objective.

### **Baseball Stadiums ([Leasehold Excise Tax](#)); Football Stadiums ([Leasehold Excise Tax](#)); and Football Stadium and Exhibition Center Parking ([Sales Tax](#))**

The Commission recommends the Legislature review and clarify these preferences.

**Commission Comment:** The baseball stadium preference was enacted in 1995 as part of a comprehensive package to finance construction of Safeco Field and the football stadium preference was enacted in 1997 as part of a comprehensive package to finance construction of CenturyLink Field. Both of these involved public and private investment. Because nearly 20 years has passed, the Legislature should consider reviewing these preferences to determine whether they are continuing to meet their public policy objectives.

All Other Tax Preferences		General Commission Comment
B&O	<a href="#">Academic Transcripts</a>	<p>The Citizen Commission solicited public testimony for all 2014 expedited preferences. No public testimony was submitted for any of these expedited preferences. Tax revenue is a public asset that should be utilized in the best overall interests of citizens of Washington State.</p> <p>The Commission requested beneficiaries to provide responses to the following four questions:</p> <ol style="list-style-type: none"> <li>1. Is there evidence that the tax preference achieved its purpose, as noted in the 2014 tax preferences reports? Please provide any relevant evidence.</li> <li>2. Does the preference provide benefits in addition to those stated in its intended or implied purpose?</li> <li>3. Does the economic activity stimulated by this tax preference exceed the loss of revenue to the state?</li> <li>4. Does this preference have negative consequences? For example, were other industries, workers, or the environment harmed by activities stimulated by this tax preference?</li> </ol>
	<a href="#">Child Care</a>	
	<a href="#">Church Child Care</a>	
	<a href="#">Discount Program Membership</a>	
	<a href="#">Fish Cleaning</a>	
	<a href="#">International Services</a>	
	<a href="#">Mental Health Services</a>	
	<a href="#">Natural Gas Surplus Sales</a>	
	<a href="#">Nonprofit Camps and Conference Centers</a>	
	<a href="#">Nonprofit Fund Raising</a>	
	<a href="#">Second Narrows Bridge</a>	
	<a href="#">Trade Shows</a>	
Sales/Use	<a href="#">Academic Transcripts</a>	<p>The Commission encourages the Legislature to examine these preferences and gather responses to the four questions posed by the Commission from beneficiaries and then determine whether to continue, modify, or terminate each preference.</p>
	<a href="#">Air Pollution Control Facilities</a>	
	<a href="#">Coal for Thermal Generating Plants</a>	
	<a href="#">Commuter Airplanes</a>	
	<a href="#">Football Stadiums</a>	
	<a href="#">Film and Video Production Equipment</a>	
	<a href="#">Gravitational Wave Observatory</a>	
	<a href="#">Gun Safes</a>	
	<a href="#">Nonprofit Camps and Conference Centers</a>	
	<a href="#">Nonprofit Fund Raising</a>	
	<a href="#">Public Records Copies</a>	
	<a href="#">Second Narrows Bridge</a>	
	<a href="#">Truck Auxiliary Power-Batteries and Infrastructure</a>	
	<a href="#">Truck Auxiliary Power-Enabling Parked Operation</a>	
	<a href="#">Vending Machine Sales</a>	
<a href="#">Vessel Use by Manufacturers or Dealers</a>		
<a href="#">Wax and Ceramic Materials to Create Molds</a>		
Property	<a href="#">Air Pollution Control Facilities</a>	<p>The Commission encourages the Legislature to examine these preferences and gather responses to the four questions posed by the Commission from beneficiaries and then determine whether to continue, modify, or terminate each preference.</p>
	<a href="#">Custom Computer Software</a>	
	<a href="#">Habitat and Water Quality Improvements</a>	
	<a href="#">Historic Property</a>	
	<a href="#">Low Value Parcels</a>	
Other Taxes	<a href="#">Boats Under 16 Feet (Watercraft Excise Tax)</a>	<p>The Commission encourages the Legislature to examine these preferences and gather responses to the four questions posed by the Commission from beneficiaries and then determine whether to continue, modify, or terminate each preference.</p>
	<a href="#">Emergency Medical Air Transport (Aircraft Fuel Tax)</a>	
	<a href="#">Inmate Employment Programs (Leasehold Excise Tax)</a>	
	<a href="#">Microbrewers (Beer Tax)</a>	
	<a href="#">Nonresident Keeping Aircraft In-State (Aircraft Excise Tax)</a>	
	<a href="#">Products Shipped Out-of-State (Litter Tax)</a>	
	<a href="#">Racing Fuel (Fuel Tax)</a>	
	<a href="#">Sewerage Processing and Disposal (Public Utility Tax)</a>	
	<a href="#">Tuna, Mackerel, and Jack Fish (Enhanced Food Fish Tax)</a>	

# ACADEMIC TRANSCRIPTS (B&O TAX)

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Current statute: RCW [82.04.399](#)

## Department of Revenue 2012 Tax Exemption Report (p. 73):

**Description:** Income received by educational institutions for providing academic transcripts on behalf of their present and former students is exempt from B&O tax.

**Purpose:** To support public and nonprofit educational institutions.

**Category/Year Enacted:** Nonprofit - other. 1996

**Primary Beneficiaries:** Public and private educational institutions.

**Possible Program Inconsistency:** None evident.

### Taxpayer Savings (\$000)\*:

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	\$ 9	\$ 9	\$ 9	\$ 9
Local taxes - not considered.				

\*It is assumed that the state would not pay B&O tax on income from providing transcripts for students at public colleges and universities, since it is not a taxable "person" under RCW [82.04.030](#). Political subdivisions, however, are potentially subject to business tax and thus public K-12 schools are assumed to be otherwise taxable for purposes of this estimate.

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

Yes.

**Commission Comment:** The Citizen Commission solicited public testimony for all 2014 expedited preferences. No public testimony was submitted for this expedited preference. Tax revenue is a public asset that should be utilized in the best overall interests of citizens of Washington State.

The Commission requested beneficiaries to provide responses to the following four questions:

1. Is there evidence that the tax preference achieved its purpose, as noted in the 2014 tax preferences reports? Please provide any relevant evidence.
2. Does the preference provide benefits in addition to those stated in its intended or implied purpose?
3. Does the economic activity stimulated by this tax preference exceed the loss of revenue to the state?
4. Does this preference have negative consequences? For example, were other industries, workers, or the environment harmed by activities stimulated by this tax preference?

The Commission encourages the Legislature to examine this preference and gather responses to the four questions posed by the Commission from beneficiaries and then determine whether to continue, modify, or terminate each preference.

# ACADEMIC TRANSCRIPTS (SALES AND USE TAX)

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Current statutes: RCW [82.08.02537](#); [82.12.0347](#)

## Department of Revenue 2012 Tax Exemption Report (p. 222):

**Description:** Exemption from retail sales/use tax is provided for public and private educational institutions for the amount of fees charged for providing copies of academic transcripts on behalf of their current and former students.

**Purpose:** To provide tax relief for students who are charged for copies of academic transcripts sent on their behalf to other schools, prospective employers, etc.

**Category/Year Enacted:** Individuals. 1996

**Primary Beneficiaries:** Students. Also, public and private high schools and colleges which are relieved of the task of collecting sales tax on charges for providing transcripts.

**Possible Program Inconsistency:** None evident.

### **Taxpayer Savings (\$000):**

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	\$ 124	\$ 124	\$ 125	\$ 125
Local taxes	\$ 37	\$ 37	\$ 37	\$ 37

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

Yes.

**Commission Comment:** The Citizen Commission solicited public testimony for all 2014 expedited preferences. No public testimony was submitted for this expedited preference. Tax revenue is a public asset that should be utilized in the best overall interests of citizens of Washington State.

The Commission requested beneficiaries to provide responses to the following four questions:

1. Is there evidence that the tax preference achieved its purpose, as noted in the 2014 tax preferences reports? Please provide any relevant evidence.
2. Does the preference provide benefits in addition to those stated in its intended or implied purpose?
3. Does the economic activity stimulated by this tax preference exceed the loss of revenue to the state?
4. Does this preference have negative consequences? For example, were other industries, workers, or the environment harmed by activities stimulated by this tax preference?

The Commission encourages the Legislature to examine this preference and gather responses to the four questions posed by the Commission from beneficiaries and then determine whether to continue, modify, or terminate each preference.

# AIR POLLUTION CONTROL FACILITIES (PROPERTY TAX)

Current statute: RCW [84.36.487](#)

## Department of Revenue 2008 Tax Exemption Report (p. 35):

**Description:** Air pollution control equipment that is constructed or installed at a thermal electric generating facility after May 15, 1997 is exempt from property tax. To qualify, the generating facility must have been placed in operation between January 1, 1970 and July 1, 1975.

**Purpose:** To provide an economic incentive for businesses engaged in the construction or installation of such air pollution facilities or the operation of qualifying generating plants, thereby encouraging the facility to remain in operation and provide jobs while reducing air pollution emissions.

**Category/Year Enacted:** Other business. 1997

**Primary Beneficiaries:** Owners of the Centralia steam plant.

**Possible Program Inconsistency:** None evident.

### **Taxpayer Savings (\$000):**

	CY 2008	CY 2009	CY 2010	CY 2011
State levy	\$ 183	\$ 193	\$ 203	\$ 210
Local levies	\$ 710	\$ 757	\$ 812	\$ 853

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.

**Commission Comment:** The Citizen Commission solicited public testimony for all 2014 expedited preferences. No public testimony was submitted for this expedited preference. Tax revenue is a public asset that should be utilized in the best overall interests of citizens of Washington State.

The Commission requested beneficiaries to provide responses to the following four questions:

1. Is there evidence that the tax preference achieved its purpose, as noted in the 2014 tax preferences reports? Please provide any relevant evidence.
2. Does the preference provide benefits in addition to those stated in its intended or implied purpose?
3. Does the economic activity stimulated by this tax preference exceed the loss of revenue to the state?
4. Does this preference have negative consequences? For example, were other industries, workers, or the environment harmed by activities stimulated by this tax preference?

The Commission encourages the Legislature to examine this preference and gather responses to the four questions posed by the Commission from beneficiaries and then determine whether to continue, modify, or terminate each preference.

# AIR POLLUTION CONTROL FACILITIES (SALES AND USE TAX)

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Current statutes: RCW [82.08.810](#); [82.12.810](#)

## Department of Revenue 2012 Tax Exemption Report (p. 179):

**Description:** Construction of air pollution control facilities at a thermal electric generating facility which was placed in operation after 1969 and before July 1, 1997 is exempt from retail sales/use tax. The exemption is contingent upon production levels for the plant being maintained above the 20 percent annual capacity factor between 2002 and 2023. If production falls below this level, all or a portion of the tax previously exempted must be repaid.

**Purpose:** To reduce the cost of installing air pollution control devices at the Centralia coal-fired thermal generating plant. NOTE: the initial coal-fired burner at the plant is currently scheduled to be shut down in 2020, followed by the second burner in 2025.

**Category/Year Enacted:** Business incentive. 1997

**Primary Beneficiaries:** The Centralia thermal generating plant.

**Possible Program Inconsistency:** None evident.

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

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

Yes.

**Commission Comment:** The Citizen Commission solicited public testimony for all 2014 expedited preferences. No public testimony was submitted for this expedited preference. Tax revenue is a public asset that should be utilized in the best overall interests of citizens of Washington State.

The Commission requested beneficiaries to provide responses to the following four questions:

1. Is there evidence that the tax preference achieved its purpose, as noted in the 2014 tax preferences reports? Please provide any relevant evidence.
2. Does the preference provide benefits in addition to those stated in its intended or implied purpose?
3. Does the economic activity stimulated by this tax preference exceed the loss of revenue to the state?
4. Does this preference have negative consequences? For example, were other industries, workers, or the environment harmed by activities stimulated by this tax preference?

The Commission encourages the Legislature to examine this preference and gather responses to the four questions posed by the Commission from beneficiaries and then determine whether to continue, modify, or terminate each preference.

# ALUMINUM MASTER ALLOY PRODUCERS (B&O TAX)

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Current statute: RCW [82.04.110\(2\)\(b\)](#)

## Department of Revenue 2012 Tax Exemption Report (p. 42):

**Description:** Persons who produce aluminum master alloys are considered as processors for hire rather than manufacturers, regardless of the portion of aluminum provided by their customers. As a result, these producers are taxed on the amounts they charge customers for processing. If they were considered to be manufacturers, they would instead be taxed on the total market value of the finished product.

**Purpose:** To provide tax relief to the aluminum industry.

**Category/Year Enacted:** Business incentive. 1997

**Primary Beneficiaries:** None.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings (\$000):** There are no known firms that utilize this exemption.

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

Yes.

**Commission Comment:** Because there are no beneficiaries, the Legislature should determine whether this preference continues to meet its public policy objective. If it does not, the Legislature should terminate this preference.

# BAD DEBTS (FUEL TAX)

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Current statute: RCW [82.36.044](#)

## Department of Revenue 2012 Tax Exemption Report (p. 244):

**Description:** Motor vehicle fuel suppliers are entitled to a credit for the tax paid on sales of fuel for which the supplier has received no payment from the purchaser.

**Purpose:** To recognize that such transactions do not result in revenue for fuel distributors.

**Category/Year Enacted:** Other business. 1998

**Primary Beneficiaries:** Distributors of fuel.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings (\$000):** No fuel distributor has taken this credit.

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

Yes.

**Commission Comment:** The Legislature should consider whether this preference continues to serve its purpose, and if not, let it expire. No public testimony covering this preference was submitted.

# BASEBALL STADIUMS (LEASEHOLD EXCISE TAX)

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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.

The Commission recommends the Legislature review and clarify these preferences.

**Commission Comment:** The baseball stadium preference was enacted in 1995 as part of a comprehensive package to finance construction of Safeco Field and the football stadium preference was enacted in 1997 as part of a comprehensive package to finance construction of CenturyLink Field. Both of these involved public and private investment. Because nearly 20 years has passed, the Legislature should consider reviewing these preferences to determine whether they are continuing to meet their public policy objectives.

# BIODIESEL AND ALCOHOL FUEL PRODUCTION FACILITIES (LEASEHOLD EXCISE TAX)

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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 staff infer 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.

**Commission Comment:** The Legislature should determine whether these preferences continue to meet their public policy objective. If they do, the Legislature should modify the expiration date; if they do not, the Legislature should allow the preferences to expire.

# BIODIESEL AND ALCOHOL FUEL PRODUCTION FACILITIES (PROPERTY TAX)

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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 staff infer 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.

**Commission Comment:** The Legislature should determine whether these preferences continue to meet their public policy objective. If they do, the Legislature should modify the expiration date; if they do not, the Legislature should allow the preferences to expire.

# BOATS UNDER 16 FEET (WATERCRAFT EXCISE TAX)

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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.

**Commission Comment:** The Citizen Commission solicited public testimony for all 2014 expedited preferences. No public testimony was submitted for this expedited preference. Tax revenue is a public asset that should be utilized in the best overall interests of citizens of Washington State.

The Commission requested beneficiaries to provide responses to the following four questions:

1. Is there evidence that the tax preference achieved its purpose, as noted in the 2014 tax preferences reports? Please provide any relevant evidence.
2. Does the preference provide benefits in addition to those stated in its intended or implied purpose?
3. Does the economic activity stimulated by this tax preference exceed the loss of revenue to the state?

4. Does this preference have negative consequences? For example, were other industries, workers, or the environment harmed by activities stimulated by this tax preference?

The Commission encourages the Legislature to examine this preference and gather responses to the four questions posed by the Commission from beneficiaries and then determine whether to continue, modify, or terminate each preference.

# CHILD CARE (B&O TAX)

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Current statute: RCW [82.04.2905](#)

## Department of Revenue 2012 Tax Exemption Report (p. 109):

**Description:** Firms that are engaged in providing child care are allowed a preferential B&O tax rate of 0.484 percent, compared with the general services tax rate of 1.5 percent (temporarily increased to 1.8 percent). NOTE: child care provided by churches and the care of children up to the age of eight are exempt from B&O tax.

**Purpose:** To reduce the cost of this service for families and to reduce the tax burden for an industry with low profit margins and one which pays its employees very low wages.

**Category/Year Enacted:** Other business (or Individuals, assuming the benefit is passed on to families). 1998

**Primary Beneficiaries:** Approximately 1,200 firms providing child care report under this classification.

**Possible Program Inconsistency:** None evident.

### **Taxpayer Savings (\$000):**

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	\$ 1,204	\$ 1,320	\$ 1,087	\$ 1,159
Local taxes - not considered.				

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

Yes.

**Commission Comment:** The Citizen Commission solicited public testimony for all 2014 expedited preferences. No public testimony was submitted for this expedited preference. Tax revenue is a public asset that should be utilized in the best overall interests of citizens of Washington State.

The Commission requested beneficiaries to provide responses to the following four questions:

1. Is there evidence that the tax preference achieved its purpose, as noted in the 2014 tax preferences reports? Please provide any relevant evidence.
2. Does the preference provide benefits in addition to those stated in its intended or implied purpose?
3. Does the economic activity stimulated by this tax preference exceed the loss of revenue to the state?
4. Does this preference have negative consequences? For example, were other industries, workers, or the environment harmed by activities stimulated by this tax preference?

The Commission encourages the Legislature to examine this preference and gather responses to the four questions posed by the Commission from beneficiaries and then determine whether to continue, modify, or terminate each preference.

# CHURCH CHILD CARE (B&O TAX)

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Current statute: RCW [82.04.339](#)

## Department of Revenue 2012 Tax Exemption Report (p. 69):

**Description:** B&O tax does not apply to day care centers operated in churches, if the care is provided for less than 24 consecutive hours.

**Purpose:** To reduce the cost of operating such facilities.

**Category/Year Enacted:** Nonprofit - health or social welfare. 1992

**Primary Beneficiaries:** Day care centers and their clients.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings (\$000):**

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	\$ 749	\$ 790	\$ 833	\$ 879
Local taxes - not considered.				

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

Yes.

**Commission Comment:** The Citizen Commission solicited public testimony for all 2014 expedited preferences. No public testimony was submitted for this expedited preference. Tax revenue is a public asset that should be utilized in the best overall interests of citizens of Washington State.

The Commission requested beneficiaries to provide responses to the following four questions:

1. Is there evidence that the tax preference achieved its purpose, as noted in the 2014 tax preferences reports? Please provide any relevant evidence.
2. Does the preference provide benefits in addition to those stated in its intended or implied purpose?
3. Does the economic activity stimulated by this tax preference exceed the loss of revenue to the state?
4. Does this preference have negative consequences? For example, were other industries, workers, or the environment harmed by activities stimulated by this tax preference?

The Commission encourages the Legislature to examine this preference and gather responses to the four questions posed by the Commission from beneficiaries and then determine whether to continue, modify, or terminate each preference.

# COAL FOR THERMAL GENERATING PLANTS (SALES AND USE TAX)

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Current statutes: RCW [82.08.811](#); [82.12.811](#)

## Department of Revenue 2012 Tax Exemption Report (p. 179):

**Description:** Purchases of coal used at a thermal electric generating facility placed in operation after 1969 and before July 1, 1997 are exempt from retail sales/use tax. The exemption is contingent upon owners of the plant demonstrating to the Department of Ecology that progress is being made to install the necessary air pollution control devices and that the facility has emitted no more than 10,000 tons of sulfur dioxide during the previous 12 months.

**Purpose:** To encourage the Centralia plant to install the necessary air pollution control devices. NOTE: the initial coal-fired burner at the plant is currently scheduled to be shut down in 2020, followed by the second burner in 2025.

**Category/Year Enacted:** Business incentive. 1997

**Primary Beneficiaries:** The Centralia thermal generating plant.

**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.

**Commission Comment:** The Citizen Commission solicited public testimony for all 2014 expedited preferences. No public testimony was submitted for this expedited preference. Tax revenue is a public asset that should be utilized in the best overall interests of citizens of Washington State.

The Commission requested beneficiaries to provide responses to the following four questions:

1. Is there evidence that the tax preference achieved its purpose, as noted in the 2014 tax preferences reports? Please provide any relevant evidence.
2. Does the preference provide benefits in addition to those stated in its intended or implied purpose?
3. Does the economic activity stimulated by this tax preference exceed the loss of revenue to the state?
4. Does this preference have negative consequences? For example, were other industries, workers, or the environment harmed by activities stimulated by this tax preference?

The Commission encourages the Legislature to examine this preference and gather responses to the four questions posed by the Commission from beneficiaries and then determine whether to continue, modify, or terminate each preference.

# COMMUTER AIRPLANES (SALES AND USE TAX)

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Current statutes: RCW [82.08.0262](#); [82.12.0254](#)

This preference is not included in the DOR Tax Exemption Report. The following information is provided in the fiscal note for [2009 HB 1287](#):

[This statute] provides a sales and use tax exemption for aircraft used in intrastate commuter operations. This exemption also includes the sales and use of tangible personal property that becomes a component part of such airplanes.

[Commuter air carrier is defined] as an air carrier holding authority under Title 14, part 298 of the code of federal regulations that carries passengers on at least five round trips per week on at least one route between two or more points according to its published flight schedules that specify the times, days of the week, and places between which those flights are performed.

## Taxpayer Savings (\$000):

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	\$57	\$69	\$69	\$80
Local taxes	\$21	\$25	\$25	\$29

**Commission Comment:** The Citizen Commission solicited public testimony for all 2014 expedited preferences. No public testimony was submitted for this expedited preference. Tax revenue is a public asset that should be utilized in the best overall interests of citizens of Washington State.

The Commission requested beneficiaries to provide responses to the following four questions:

1. Is there evidence that the tax preference achieved its purpose, as noted in the 2014 tax preferences reports? Please provide any relevant evidence.
2. Does the preference provide benefits in addition to those stated in its intended or implied purpose?
3. Does the economic activity stimulated by this tax preference exceed the loss of revenue to the state?
4. Does this preference have negative consequences? For example, were other industries, workers, or the environment harmed by activities stimulated by this tax preference?

The Commission encourages the Legislature to examine this preference and gather responses to the four questions posed by the Commission from beneficiaries and then determine whether to continue, modify, or terminate each preference.

# CUSTOM COMPUTER SOFTWARE (PROPERTY TAX)

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Current statute: RCW [84.36.600](#)

## Department of Revenue 2008 Tax Exemption Report (p. 46):

**Description:** Custom computer software, except for embedded software, is exempt from property tax. Custom software is defined as software that is designed for a specific need for a single person or group of persons. Also exempt are master or golden copies of software, retained rights in computer software and modifications to canned software.

**Purpose:** To recognize the administrative difficulties in valuing such software and to achieve uniform tax treatment in all counties.

**Category/Year Enacted:** Other business. 1991

**Primary Beneficiaries:** Businesses that own custom computer software.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings (\$000):**

	CY 2008	CY 2009	CY 2010	CY 2011
State levy	\$ 1,219	\$ 1,280	\$ 1,351	\$ 1,394
Local levies	\$ 4,719	\$ 5,032	\$ 5,397	\$ 5,666

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.

**Commission Comment:** The Citizen Commission solicited public testimony for all 2014 expedited preferences. No public testimony was submitted for this expedited preference. Tax revenue is a public asset that should be utilized in the best overall interests of citizens of Washington State.

The Commission requested beneficiaries to provide responses to the following four questions:

1. Is there evidence that the tax preference achieved its purpose, as noted in the 2014 tax preferences reports? Please provide any relevant evidence.
2. Does the preference provide benefits in addition to those stated in its intended or implied purpose?
3. Does the economic activity stimulated by this tax preference exceed the loss of revenue to the state?
4. Does this preference have negative consequences? For example, were other industries, workers, or the environment harmed by activities stimulated by this tax preference?

The Commission encourages the Legislature to examine this preference and gather responses to the four questions posed by the Commission from beneficiaries and then determine whether to continue, modify, or terminate each preference.

# DISCOUNT PROGRAM MEMBERSHIPS (B&O TAX)

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Current statute: RCW [82.04.421](#)

## Department of Revenue 2008 Tax Exemption Report (p. 94):

**Description:** Memberships in a qualifying discount program are exempt from B&O tax, if the seller delivers the membership materials to a point outside the state.

**Purpose:** To provide tax relief to Washington firms that sell discount purchase memberships to residents of other states.

**Category/Year Enacted:** Business incentive. 1997

**Primary Beneficiaries:** A single firm.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings (\$000):** Due to confidentiality requirements, the impact of this exemption cannot be publicly stated.

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

Yes; however, the firm could easily shift its sales to nonresidents to a location outside of this state.

**Commission Comment:** The Citizen Commission solicited public testimony for all 2014 expedited preferences. No public testimony was submitted for this expedited preference. Tax revenue is a public asset that should be utilized in the best overall interests of citizens of Washington State.

The Commission requested beneficiaries to provide responses to the following four questions:

1. Is there evidence that the tax preference achieved its purpose, as noted in the 2014 tax preferences reports? Please provide any relevant evidence.
2. Does the preference provide benefits in addition to those stated in its intended or implied purpose?
3. Does the economic activity stimulated by this tax preference exceed the loss of revenue to the state?
4. Does this preference have negative consequences? For example, were other industries, workers, or the environment harmed by activities stimulated by this tax preference?

The Commission encourages the Legislature to examine this preference and gather responses to the four questions posed by the Commission from beneficiaries and then determine whether to continue, modify, or terminate each preference.

# EMERGENCY MEDICAL AIR TRANSPORT (AIRCRAFT FUEL TAX)

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Current statute: RCW [82.42.030\(6\)](#)

## Department of Revenue 2012 Tax Exemption Report (p. 247):

**Description:** The statute that imposes the aircraft fuel tax contains a proviso that exempts aircraft fuel used for emergency medical air transport services.

**Purpose:** To lower the cost of providing emergency medical air transport services.

**Category/Year Enacted:** Other. 2003

**Primary Beneficiaries:** Emergency medical air transport operators.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings (\$000):**

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	\$ 359	\$ 375	\$ 377	\$ 376
Local taxes - no local tax levied				

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

Yes.

**Commission Comment:** The Citizen Commission solicited public testimony for all 2014 expedited preferences. No public testimony was submitted for this expedited preference. Tax revenue is a public asset that should be utilized in the best overall interests of citizens of Washington State.

The Commission requested beneficiaries to provide responses to the following four questions:

1. Is there evidence that the tax preference achieved its purpose, as noted in the 2014 tax preferences reports? Please provide any relevant evidence.
2. Does the preference provide benefits in addition to those stated in its intended or implied purpose?
3. Does the economic activity stimulated by this tax preference exceed the loss of revenue to the state?
4. Does this preference have negative consequences? For example, were other industries, workers, or the environment harmed by activities stimulated by this tax preference?

The Commission encourages the Legislature to examine this preference and gather responses to the four questions posed by the Commission from beneficiaries and then determine whether to continue, modify, or terminate each preference.

# FILM AND VIDEO PRODUCTION EQUIPMENT (SALES AND USE TAX)

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Current statutes: RCW [82.08.0315](#); [82.12.0315](#)

## Department of Revenue 2012 Tax Exemption Report (p. 177):

**Description:** Rental of production equipment or sale of production services to a motion picture or video production businesses are exempt from retail sales/use tax. Such equipment includes video, electrical, lighting and motion picture equipment.

**Purpose:** To support the motion picture industry and encourage more films to be produced in this state.

**Category/Year Enacted:** Business incentive. 1995

**Primary Beneficiaries:** Motion picture and video production companies.

**Possible Program Inconsistency:** None evident.

### **Taxpayer Savings (\$000):**

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	\$ 2,015	\$ 2,035	\$ 2,055	\$ 2,076
Local taxes	\$ 744	\$ 751	\$ 759	\$ 766

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

Yes.

**Commission Comment:** The Citizen Commission solicited public testimony for all 2014 expedited preferences. No public testimony was submitted for this expedited preference. Tax revenue is a public asset that should be utilized in the best overall interests of citizens of Washington State.

The Commission requested beneficiaries to provide responses to the following four questions:

1. Is there evidence that the tax preference achieved its purpose, as noted in the 2014 tax preferences reports? Please provide any relevant evidence.
2. Does the preference provide benefits in addition to those stated in its intended or implied purpose?
3. Does the economic activity stimulated by this tax preference exceed the loss of revenue to the state?
4. Does this preference have negative consequences? For example, were other industries, workers, or the environment harmed by activities stimulated by this tax preference?

The Commission encourages the Legislature to examine this preference and gather responses to the four questions posed by the Commission from beneficiaries and then determine whether to continue, modify, or terminate each preference.

# FISH CLEANING (B&O TAX)

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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.

**Commission Comment:** The Citizen Commission solicited public testimony for all 2014 expedited preferences. No public testimony was submitted for this expedited preference. Tax revenue is a public asset that should be utilized in the best overall interests of citizens of Washington State.

The Commission requested beneficiaries to provide responses to the following four questions:

1. Is there evidence that the tax preference achieved its purpose, as noted in the 2014 tax preferences reports? Please provide any relevant evidence.
2. Does the preference provide benefits in addition to those stated in its intended or implied purpose?
3. Does the economic activity stimulated by this tax preference exceed the loss of revenue to the state?
4. Does this preference have negative consequences? For example, were other industries, workers, or the environment harmed by activities stimulated by this tax preference?

The Commission encourages the Legislature to examine this preference and gather responses to the four questions posed by the Commission from beneficiaries and then determine whether to continue, modify, or terminate each preference.

# FOOTBALL STADIUM AND EXHIBITION CENTER PARKING (SALES TAX)

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Current statute: RCW [82.08.02875](#)

## Department of Revenue 2012 Tax Exemption Report (p. 199):

**Description:** Retail sales/use tax does not apply to charges for parking vehicles at facilities owned by a public stadium authority, if the authority levies the tax on parking authorized by RCW [36.38.040](#).

**Purpose:** The local parking tax cited above is being levied by the Public Stadium Authority to help finance construction and operation of Century Link Field and the adjoining exhibition center. Imposing both the local parking tax and retail sales was considered to be too onerous for parking customers.

**Category/Year Enacted:** Government. 1997

**Primary Beneficiaries:** The Public Stadium Authority and users of the parking facility at Century Link Field/Exhibition Center.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings (\$000):** The fiscal impact cannot be disclosed publicly, because there is only one taxpayer that utilizes this exemption.

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

Yes.

The Commission recommends the Legislature review and clarify these preferences.

**Commission Comment:** The baseball stadium preference was enacted in 1995 as part of a comprehensive package to finance construction of Safeco Field and the football stadium preference was enacted in 1997 as part of a comprehensive package to finance construction of CenturyLink Field. Both of these involved public and private investment. Because nearly 20 years has passed, the Legislature should consider reviewing these preferences to determine whether they are continuing to meet their public policy objectives.

# FOOTBALL STADIUMS (LEASEHOLD EXCISE TAX)

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Current statute: RCW [82.29A.130\(15\)](#)

## Department of Revenue 2012 Tax Exemption Report (p. 25):

**Description:** Leasehold tax exemption is provided for all interests in the public or entertainment areas of an open-air stadium that is suitable for professional football and Olympic/World Cup soccer which was constructed after January 1, 1998. The exemption also applies to an exhibition center and associated parking facilities adjacent to the stadium. 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 Century Link Field & Exhibition Center.

**Category/Year Enacted:** Business incentive. 1997

**Primary Beneficiaries:** Seattle Seahawks and Seattle Sounders.

**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 leasehold tax does not apply.

### **Taxpayer Savings (\$000):**

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	\$ 72	\$ 74	\$ 75	\$ 77
Local taxes	\$ 63	\$ 65	\$ 66	\$ 68

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

Yes.

The Commission recommends the Legislature review and clarify these preferences.

**Commission Comment:** The baseball stadium preference was enacted in 1995 as part of a comprehensive package to finance construction of Safeco Field and the football stadium preference was enacted in 1997 as part of a comprehensive package to finance construction of CenturyLink Field. Both of these involved public and private investment. Because nearly 20 years has passed, the Legislature should consider reviewing these preferences to determine whether they are continuing to meet their public policy objectives.

# FOOTBALL STADIUMS (SALES AND USE TAX)

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Current statute: RCW [36.102.070](#)

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

**Description:** State and local retail sales/use tax was deferred on construction of a stadium for professional football and soccer and an adjacent exhibition center. Deferred sales tax on construction is repayable over a ten year period, starting five years after the stadium becomes operational. The Public Stadium Authority operates Qwest Field and the exhibition center which was completed during 2002. Repayments of deferred sales/use taxes began during FY 2007.

**Purpose:** To encourage construction of a stadium for professional football and soccer in King County.

**Category/Year Enacted:** Business incentive. 1997

**Primary Beneficiaries:** The public stadium authority that operates Qwest Field and the professional football 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	\$ (2,756)	\$ (2,756)	\$ (2,756)	\$ (2,756)
Local taxes	\$ (975)	\$ (975)	\$ (975)	\$ (975)

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

No; the deferred taxes are already being repaid.

**Commission Comment:** The Citizen Commission solicited public testimony for all 2014 expedited preferences. No public testimony was submitted for this expedited preference. Tax revenue is a public asset that should be utilized in the best overall interests of citizens of Washington State.

The Commission requested beneficiaries to provide responses to the following four questions:

1. Is there evidence that the tax preference achieved its purpose, as noted in the 2014 tax preferences reports? Please provide any relevant evidence.
2. Does the preference provide benefits in addition to those stated in its intended or implied purpose?
3. Does the economic activity stimulated by this tax preference exceed the loss of revenue to the state?
4. Does this preference have negative consequences? For example, were other industries, workers, or the environment harmed by activities stimulated by this tax preference?

The Commission encourages the Legislature to examine this preference and gather responses to the four questions posed by the Commission from beneficiaries and then determine whether to continue, modify, or terminate each preference.

# GRAVITATIONAL WAVE OBSERVATORY (SALES AND USE TAX)

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Current statutes: RCW [82.08.02569](#); [82.12.02569](#)

## Department of Revenue 2008 Tax Exemption Report (p. 230):

**Description:** Exemption from retail sales/use tax is provided for tangible personal property that is incorporated into a structure which is an integral part of a laser interferometer gravitational wave observatory.

**Purpose:** To encourage construction of such a facility in Washington.

**Category/Year Enacted:** Government. 1996

**Primary Beneficiaries:** The California Institute of Technology and the federal government.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings (\$000):** Construction of the facility on the Hanford Reservation is believed to be complete, with no further eligible construction anticipated.

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

No.

**Commission Comment:** The Citizen Commission solicited public testimony for all 2014 expedited preferences. No public testimony was submitted for this expedited preference. Tax revenue is a public asset that should be utilized in the best overall interests of citizens of Washington State.

The Commission requested beneficiaries to provide responses to the following four questions:

1. Is there evidence that the tax preference achieved its purpose, as noted in the 2014 tax preferences reports? Please provide any relevant evidence.
2. Does the preference provide benefits in addition to those stated in its intended or implied purpose?
3. Does the economic activity stimulated by this tax preference exceed the loss of revenue to the state?
4. Does this preference have negative consequences? For example, were other industries, workers, or the environment harmed by activities stimulated by this tax preference?

The Commission encourages the Legislature to examine this preference and gather responses to the four questions posed by the Commission from beneficiaries and then determine whether to continue, modify, or terminate each preference.

# GUN SAFES (SALES AND USE TAX)

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Current statutes: RCW [82.08.832](#); [82.12.832](#)

## Department of Revenue 2012 Tax Exemption Report (p. 231):

**Description:** Retail sales/use tax does not apply to locked enclosures specifically designed to store firearms. The exemption does not include trigger lock devices.

**Purpose:** To encourage the purchase and use of gun safes.

**Category/Year Enacted:** Individuals. 1998

**Primary Beneficiaries:** Persons who purchase gun safes.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings (\$000):**

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	\$ 18	\$ 18	\$ 19	\$ 20
Local taxes	\$ 7	\$ 7	\$ 7	\$ 8

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

Yes.

**Commission Comment:** The Citizen Commission solicited public testimony for all 2014 expedited preferences. No public testimony was submitted for this expedited preference. Tax revenue is a public asset that should be utilized in the best overall interests of citizens of Washington State.

The Commission requested beneficiaries to provide responses to the following four questions:

1. Is there evidence that the tax preference achieved its purpose, as noted in the 2014 tax preferences reports? Please provide any relevant evidence.
2. Does the preference provide benefits in addition to those stated in its intended or implied purpose?
3. Does the economic activity stimulated by this tax preference exceed the loss of revenue to the state?
4. Does this preference have negative consequences? For example, were other industries, workers, or the environment harmed by activities stimulated by this tax preference?

The Commission encourages the Legislature to examine this preference and gather responses to the four questions posed by the Commission from beneficiaries and then determine whether to continue, modify, or terminate each preference.

# HABITAT AND WATER QUALITY IMPROVEMENTS (PROPERTY TAX)

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Current statute: RCW [84.36.255](#)

## Department of Revenue 2008 Tax Exemption Report (p. 34):

**Description:** Property tax exemption is provided for improvements to real and personal property devoted to fish and wildlife habitat restoration and protection and to water quality and quantity improvements. To qualify, the improvements must be undertaken in accordance with a local conservation district's written plan for best management practices.

**Purpose:** To improve fish and wildlife habitat and water quality/quantity.

**Category/Year Enacted:** Other. 1997

**Primary Beneficiaries:** Landowners who invest in habitat improvements.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings (\$000):**

	CY 2008	CY 2009	CY 2010	CY 2011
State levy	\$ 9	\$ 10	\$ 10	\$ 10
Local levies	\$ 35	\$ 37	\$ 40	\$ 42

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.

**Commission Comment:** The Citizen Commission solicited public testimony for all 2014 expedited preferences. No public testimony was submitted for this expedited preference. Tax revenue is a public asset that should be utilized in the best overall interests of citizens of Washington State.

The Commission requested beneficiaries to provide responses to the following four questions:

1. Is there evidence that the tax preference achieved its purpose, as noted in the 2014 tax preferences reports? Please provide any relevant evidence.
2. Does the preference provide benefits in addition to those stated in its intended or implied purpose?
3. Does the economic activity stimulated by this tax preference exceed the loss of revenue to the state?
4. Does this preference have negative consequences? For example, were other industries, workers, or the environment harmed by activities stimulated by this tax preference?

The Commission encourages the Legislature to examine this preference and gather responses to the four questions posed by the Commission from beneficiaries and then determine whether to continue, modify, or terminate each preference.

# HISTORIC PROPERTY (PROPERTY TAX)

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Current statute: RCW [84.26.070](#)

## Department of Revenue 2008 Tax Exemption Report (p. 29):

**Description:** Property that is listed on a national or local register of historic places and satisfies the other criteria in RCW [84.14.030](#) is granted a special valuation upon approval of the owner's application. If the actual cost of rehabilitating historic property exceeds twenty-five percent of its assessed value, then the cost of the renovation may be excluded from the taxable value for ten years.

**Purpose:** To encourage the renovation of historic buildings in order to bring them up to building code standards, while preserving their architectural and cultural value.

**Category/Year Enacted:** Individuals. 1985

**Primary Beneficiaries:** Owners of historic property who rehabilitate the structure.

**Possible Program Inconsistency:** This exemption encourages preservation of properties that could be devoted to other uses, especially in urban core areas. Thus, it could be considered as being partially inconsistent with programs that encourage affordable housing and community redevelopment efforts.

### **Taxpayer Savings (\$000):**

	CY 2008	CY 2009	CY 2010	CY 2011
State levy	\$ 1,462	\$ 1,536	\$ 1,620	\$ 1,673
Local levies	\$ 5,662	\$ 6,037	\$ 6,475	\$ 6,799

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.

**Commission Comment:** The Citizen Commission solicited public testimony for all 2014 expedited preferences. No public testimony was submitted for this expedited preference. Tax revenue is a public asset that should be utilized in the best overall interests of citizens of Washington State.

The Commission requested beneficiaries to provide responses to the following four questions:

1. Is there evidence that the tax preference achieved its purpose, as noted in the 2014 tax preferences reports? Please provide any relevant evidence.
2. Does the preference provide benefits in addition to those stated in its intended or implied purpose?
3. Does the economic activity stimulated by this tax preference exceed the loss of revenue to the state?

4. Does this preference have negative consequences? For example, were other industries, workers, or the environment harmed by activities stimulated by this tax preference?

The Commission encourages the Legislature to examine this preference and gather responses to the four questions posed by the Commission from beneficiaries and then determine whether to continue, modify, or terminate each preference.

# INMATE EMPLOYMENT PROGRAMS (LEASEHOLD EXCISE TAX)

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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.

**Commission Comment:** The Citizen Commission solicited public testimony for all 2014 expedited preferences. No public testimony was submitted for this expedited preference. Tax revenue is a public asset that should be utilized in the best overall interests of citizens of Washington State.

The Commission requested beneficiaries to provide responses to the following four questions:

1. Is there evidence that the tax preference achieved its purpose, as noted in the 2014 tax preferences reports? Please provide any relevant evidence.
2. Does the preference provide benefits in addition to those stated in its intended or implied purpose?
3. Does the economic activity stimulated by this tax preference exceed the loss of revenue to the state?
4. Does this preference have negative consequences? For example, were other industries, workers, or the environment harmed by activities stimulated by this tax preference?

The Commission encourages the Legislature to examine this preference and gather responses to the four questions posed by the Commission from beneficiaries and then determine whether to continue, modify, or terminate each preference.

# INTERNATIONAL SERVICES (B&O TAX)

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Current statute: RCW [82.04.44525](#)

## Department of Revenue 2012 Tax Exemption Report (p. 117):

**Description:** Firms engaged in certain international services are entitled to a B&O tax credit of \$3,000 for each new job they create. Eligible activities are defined in the statute; they include services such as computer, legal, accounting, engineering, architectural, advertising, and financial services. To qualify, the firm must be located in a community empowerment zone or in a city or group of contiguous cities with a population of at least 80,000.

**Purpose:** To attract and retain businesses that provide services to international customers and create jobs.

**Category/Year Enacted:** Business incentive. 1998

**Primary Beneficiaries:** To date, 31 firms have utilized the credit.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings (\$000):**

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	\$ 4	\$ 5	\$ 5	\$ 5
Local taxes - not considered.				

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

Yes.

**Commission Comment:** The Citizen Commission solicited public testimony for all 2014 expedited preferences. No public testimony was submitted for this expedited preference. Tax revenue is a public asset that should be utilized in the best overall interests of citizens of Washington State.

The Commission requested beneficiaries to provide responses to the following four questions:

1. Is there evidence that the tax preference achieved its purpose, as noted in the 2014 tax preferences reports? Please provide any relevant evidence.
2. Does the preference provide benefits in addition to those stated in its intended or implied purpose?
3. Does the economic activity stimulated by this tax preference exceed the loss of revenue to the state?
4. Does this preference have negative consequences? For example, were other industries, workers, or the environment harmed by activities stimulated by this tax preference?

The Commission encourages the Legislature to examine this preference and gather responses to the four questions posed by the Commission from beneficiaries and then determine whether to continue, modify, or terminate each preference.

# LOW VALUE PARCELS (PROPERTY TAX)

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Current statute: RCW [84.36.015](#)

## Department of Revenue 2008 Tax Exemption Report (p. 31):

**Description:** Each parcel of real property and each personal property account that individually has an assessed value of less than \$500 is exempt from property tax.

**Purpose:** To avoid the administrative expense of listing, valuing and collecting property tax on very small accounts.

**Category/Year Enacted:** Other. 1997

**Primary Beneficiaries:** Approximately 75,000 small property owners.

**Possible Program Inconsistency:** None evident.

### **Taxpayer Savings (\$000):**

	CY 2008	CY 2009	CY 2010	CY 2011
State levy	\$ 65	\$ 69	\$ 72	\$ 75
Local levies	\$ 252	\$ 269	\$ 289	\$ 304

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.

**Commission Comment:** The Citizen Commission solicited public testimony for all 2014 expedited preferences. No public testimony was submitted for this expedited preference. Tax revenue is a public asset that should be utilized in the best overall interests of citizens of Washington State.

The Commission requested beneficiaries to provide responses to the following four questions:

1. Is there evidence that the tax preference achieved its purpose, as noted in the 2014 tax preferences reports? Please provide any relevant evidence.
2. Does the preference provide benefits in addition to those stated in its intended or implied purpose?
3. Does the economic activity stimulated by this tax preference exceed the loss of revenue to the state?
4. Does this preference have negative consequences? For example, were other industries, workers, or the environment harmed by activities stimulated by this tax preference?

The Commission encourages the Legislature to examine this preference and gather responses to the four questions posed by the Commission from beneficiaries and then determine whether to continue, modify, or terminate each preference.

# MENTAL HEALTH SERVICES (B&O TAX)

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Current statute: RCW [82.04.4277](#)

## Department of Revenue 2012 Tax Exemption Report (p. 76):

**Description:** A B&O deduction is provided for amounts received by nonprofit health or social welfare organizations for providing mental health services under a government-funded program. It also provides the same deduction to regional support networks (RSNs) for amounts received by the state for distribution to health or social welfare organizations which qualify for the deduction. This statute is scheduled to expire on August 1, 2016.

**Purpose:** To reduce the cost of providing mental health services.

**Category/Year Enacted:** Nonprofit – health or social welfare. 2011

**Primary Beneficiaries:** Health and social welfare organizations and RSNs and their clients.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings (\$000):**

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	\$ 620	\$ 795	\$ 704	\$ 747
Local taxes - not considered.				

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

Yes.

**Commission Comment:** The Citizen Commission solicited public testimony for all 2014 expedited preferences. No public testimony was submitted for this expedited preference. Tax revenue is a public asset that should be utilized in the best overall interests of citizens of Washington State.

The Commission requested beneficiaries to provide responses to the following four questions:

1. Is there evidence that the tax preference achieved its purpose, as noted in the 2014 tax preferences reports? Please provide any relevant evidence.
2. Does the preference provide benefits in addition to those stated in its intended or implied purpose?
3. Does the economic activity stimulated by this tax preference exceed the loss of revenue to the state?
4. Does this preference have negative consequences? For example, were other industries, workers, or the environment harmed by activities stimulated by this tax preference?

The Commission encourages the Legislature to examine this preference and gather responses to the four questions posed by the Commission from beneficiaries and then determine whether to continue, modify, or terminate each preference.

# MICROBREWERS (BEER TAX)

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Current statute: RCW [66.24.290\(3\)\(b\)](#)

## Department of Revenue 2012 Tax Exemption Report (p. 248):

**Description:** Microbreweries are exempt from the \$4.78 per barrel portion of the beer excise tax on the first 60,000 barrels of beer produced each year. In addition, they are exempt from an additional tax of \$15.50 per barrel, in effect from June 1, 2010 through June 30, 2013. However, an additional tax of \$1.48 levied in 1997 applies to the first 60,000 barrels they produce. Thus, the current exemption amounts to \$18.80 through June 30, 2013 and \$3.30 thereafter.

**Purpose:** To mitigate the impact of a general tax increase in 1993 on a growing local industry.

**Category/Year Enacted:** Business incentive. 1993

**Primary Beneficiaries:** Small breweries.

**Possible Program Inconsistency:** None evident.

### Taxpayer Savings (\$000):

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	\$ 13,520	\$ 13,825	\$ 2,480	\$ 2,536
Local taxes - none.				

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

Yes.

**Commission Comment:** The Citizen Commission solicited public testimony for all 2014 expedited preferences. No public testimony was submitted for this expedited preference. Tax revenue is a public asset that should be utilized in the best overall interests of citizens of Washington State.

The Commission requested beneficiaries to provide responses to the following four questions:

1. Is there evidence that the tax preference achieved its purpose, as noted in the 2014 tax preferences reports? Please provide any relevant evidence.
2. Does the preference provide benefits in addition to those stated in its intended or implied purpose?
3. Does the economic activity stimulated by this tax preference exceed the loss of revenue to the state?
4. Does this preference have negative consequences? For example, were other industries, workers, or the environment harmed by activities stimulated by this tax preference?

The Commission encourages the Legislature to examine this preference and gather responses to the four questions posed by the Commission from beneficiaries and then determine whether to continue, modify, or terminate each preference.

# MULTIPLE ACTIVITIES CREDIT (B&O TAX)

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Current statute: RCW [82.04.440](#)

## **In-state Activities: Department of Revenue 2012 Tax Exemption Report (p. 114):**

**Description:** This credit assures that gross proceeds of sales or the value of products determined by such gross proceeds are taxed only one time when the activities occur in this state. For example, a business that manufactures a product and also sells the product at retail would receive a credit for taxes paid under the retailing activity.

**Purpose:** Until 1987 businesses were taxable under the B&O tax only under a single classification for income associated with a particular activity or product. In that year the U.S. Supreme Court ruled that Washington could not discriminate against firms operating on an interstate basis - intrastate activities were taxed only once whereas interstate activities could potentially be taxed twice. Part of the solution was to subject products produced and sold in the state to tax under both the production and selling categories, but to allow the tax on the production activity to be credited against the selling tax.

**Category/Year Enacted:** Commerce. 1987

**Primary Beneficiaries:** Approx. 5,300 businesses that conduct multiple activities in this state.

**Possible Program Inconsistency:** None evident.

### **Taxpayer Savings (\$000):**

	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>
State tax	\$143,000	\$143,000	\$143,000	\$143,000
Local taxes - not considered.				

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

Yes.

The Commission recommends the Legislature continue this preference.

**Commission Comment:** This preference is a structural provision of the B&O tax necessary to comply with a ruling of the U.S. Supreme Court interpreting the U.S. Constitution.

(Continued from prior page.)

## **Interstate Activities: Department of Revenue 2012 Tax Exemption Report (p. 115):**

**Description:** This credit assures that gross proceeds of sales or the value of products determined by such gross proceeds are taxed only one time when the activities occur both within this state and outside of the state. This credit is available only when the taxpayer is subject to a gross receipts tax similar to Washington's B&O tax levied by a jurisdiction outside of Washington.

**Purpose:** Until 1987 businesses were taxable under the B&O tax only under a single classification for income associated with a particular activity or product. In that year the U.S. Supreme Court ruled that Washington could not discriminate against firms operating on an interstate basis - intrastate activities were taxed only once whereas interstate activities could potentially be subject to gross receipts tax in Washington and in the destination state. This 1985 statute was intended to meet a potential adverse Court ruling overturning Washington's gross receipts tax by allowing the other state's gross receipts tax to be credited against Washington's tax.

**Category/Year Enacted:** Commerce. 1985 and 1987

**Primary Beneficiaries:** Approximately 30 firms are currently taking this credit.

**Possible Program Inconsistency:** None evident.

### **Taxpayer Savings (\$000):**

	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>
State tax	\$ 1,259	\$ 1,334	\$ 1,364	\$ 1,395
Local taxes - not considered.				

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

Yes, provided that the in-state multiple activities tax credits were also repealed (RCW 82.04.440(2&3)).

The Commission recommends the Legislature continue this preference.

**Commission Comment:** This preference is a structural provision of the B&O tax necessary to comply with a ruling of the U.S. Supreme Court interpreting the U.S. Constitution.

# MULTI-UNIT URBAN HOUSING (PROPERTY TAX)

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Current statute: RCW [84.14.020](#)

## Department of Revenue 2008 Tax Exemption Report (p. 29):

**Description:** Real property associated with the construction, conversion or rehabilitation of qualified, multi-unit residential structures located in a targeted residential area contained in an urban growth center is exempt from property tax for up to twelve years. Cities with a population of 5,000 or more are eligible to establish the target areas; smaller cities may participate if they are the largest city or town located in a county that is required to plan under the Growth Management Act.

**Purpose:** To encourage the development of affordable privately-owned residential units in urban areas.

**Category/Year Enacted:** Other business. 1995; population threshold subsequently reduced several times.

**Primary Beneficiaries:** The owners of approximately 50 properties with more than 1,600 housing units.

**Possible Program Inconsistency:** None evident.

### **Taxpayer Savings (\$000):**

	CY 2008	CY 2009	CY 2010	CY 2011
State levy	\$ 509	\$ 522	\$ 530	\$ 522
Local levies	\$ 2,032	\$ 2,113	\$ 2,179	\$ 2,177

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.

**Commission Comment:** The Legislature could review whether these preferences are meeting their public policy objectives. If any of them is not, the Legislature should consider modifying or terminating the preference because other taxpayers are bearing the tax burden if the preference is continued.

# NATURAL GAS SUBJECT TO PUBLIC UTILITY TAX (USE TAX)

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Current statute: RCW [82.12.022\(4\)](#)

## Department of Revenue 2012 Tax Exemption Report (p. 240):

**Description:** Brokered natural gas tax does not apply to gas upon which public utility tax was paid.

**Purpose:** Eliminates double taxation of the same fuel. Gas purchased via brokers is generally not subject to public utility tax, which is the reason that the brokered natural gas tax was originally adopted.

**Category/Year Enacted:** Tax base. 1989

**Primary Beneficiaries:** Purchasers of gas via brokers.

**Possible Program Inconsistency:** None evident.

### **Taxpayer Savings (\$000):**

	FY 2012	FY 2013	FY 20140	FY 2015
State tax	\$ 25,729	\$ 25,717	\$ 25,717	\$ 25,717
Local taxes	\$ 7,881	\$ 7,878	\$ 7,878	\$ 7,878

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

Yes.

The Commission recommends the Legislature continue this preference.

**Commission Comment:** The preference is meeting its public policy objective.

# NATURAL GAS SURPLUS SALES (B&O TAX)

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Current statute: RCW [82.04.310\(3\)](#)

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

**Description:** B&O tax does not apply to natural gas which was originally purchased by a consumer but is resold to a provider of natural gas. Large industrial users of natural gas have difficulty projecting the amount of gas they need for their operations. This exemption addresses the situation when they have to resell gas that they are not able to use without incurring B&O tax liability.

**Purpose:** Provides consistency with other B&O tax exemptions for utility sales.

**Category/Year Enacted:** Tax base. 2007

**Primary Beneficiaries:** Businesses engaging in sales or trade agreements with respect to electricity.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings (\$000):** Revenue impact is considered to be minimal.

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

Yes.

**Commission Comment:** The Citizen Commission solicited public testimony for all 2014 expedited preferences. No public testimony was submitted for this expedited preference. Tax revenue is a public asset that should be utilized in the best overall interests of citizens of Washington State.

The Commission requested beneficiaries to provide responses to the following four questions:

1. Is there evidence that the tax preference achieved its purpose, as noted in the 2014 tax preferences reports? Please provide any relevant evidence.
2. Does the preference provide benefits in addition to those stated in its intended or implied purpose?
3. Does the economic activity stimulated by this tax preference exceed the loss of revenue to the state?
4. Does this preference have negative consequences? For example, were other industries, workers, or the environment harmed by activities stimulated by this tax preference?

The Commission encourages the Legislature to examine this preference and gather responses to the four questions posed by the Commission from beneficiaries and then determine whether to continue, modify, or terminate each preference.

# NONPROFIT CAMPS AND CONFERENCE CENTERS (B&O TAX)

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Current statute: RCW [82.04.363](#)

## Department of Revenue 2012 Tax Exemption Report (p. 70):

**Description:** Exemption from B&O tax is allowed for nonprofit organizations for amounts received for providing certain items at a camp or conference center conducted on property that is exempt from property tax. This includes charges for furnishing food and meals, camping and lodging facilities, the use of meeting rooms, parking, books, tapes and other products available to participants of the camp or conference but not to the general public.

**Purpose:** To reduce the cost of operating such camps and conference centers.

**Category/Year Enacted:** Nonprofit - charitable or religious. 1997

**Primary Beneficiaries:** Nonprofit organizations that operate camps or conference centers.

**Possible Program Inconsistency:** None evident.

### Taxpayer Savings (\$000):

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	\$ 113	\$ 114	\$ 115	\$ 117
Local taxes - not considered.				

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

Yes.

**Commission Comment:** The Citizen Commission solicited public testimony for all 2014 expedited preferences. No public testimony was submitted for this expedited preference. Tax revenue is a public asset that should be utilized in the best overall interests of citizens of Washington State.

The Commission requested beneficiaries to provide responses to the following four questions:

1. Is there evidence that the tax preference achieved its purpose, as noted in the 2014 tax preferences reports? Please provide any relevant evidence.
2. Does the preference provide benefits in addition to those stated in its intended or implied purpose?
3. Does the economic activity stimulated by this tax preference exceed the loss of revenue to the state?
4. Does this preference have negative consequences? For example, were other industries, workers, or the environment harmed by activities stimulated by this tax preference?

The Commission encourages the Legislature to examine this preference and gather responses to the four questions posed by the Commission from beneficiaries and then determine whether to continue, modify, or terminate each preference.

# NONPROFIT CAMPS AND CONFERENCE CENTERS (SALES TAX)

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Current statute: RCW [82.08.830](#)

## Department of Revenue 2012 Tax Exemption Report (p. 230):

**Description:** Retail sales tax does not apply to items sold by nonprofit organizations at camps or conference centers, if the income from the sale is exempt from B&O tax and the property where the sale took place is exempt from property tax. The exemption covers items such as lodging, parking, meals, books, tapes and other products available only to participants of the camp or conference center event and not to the general public.

**Purpose:** To reduce the cost of operating such camps and conference centers and to support these nonprofit organizations.

**Category/Year Enacted:** Nonprofit - charitable or religious. 1997

**Primary Beneficiaries:** Participants at camps and conferences operated by nonprofit organizations.

**Possible Program Inconsistency:** None evident.

### **Taxpayer Savings (\$000):**

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	\$ 156	\$ 158	\$ 159	\$ 161
Local taxes	\$ 58	\$ 59	\$ 59	\$ 60

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

Yes.

**Commission Comment:** The Citizen Commission solicited public testimony for all 2014 expedited preferences. No public testimony was submitted for this expedited preference. Tax revenue is a public asset that should be utilized in the best overall interests of citizens of Washington State.

The Commission requested beneficiaries to provide responses to the following four questions:

1. Is there evidence that the tax preference achieved its purpose, as noted in the 2014 tax preferences reports? Please provide any relevant evidence.
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3. Does the economic activity stimulated by this tax preference exceed the loss of revenue to the state?

4. Does this preference have negative consequences? For example, were other industries, workers, or the environment harmed by activities stimulated by this tax preference?

The Commission encourages the Legislature to examine this preference and gather responses to the four questions posed by the Commission from beneficiaries and then determine whether to continue, modify, or terminate each preference.

# NONPROFIT DEVELOPMENTALLY DISABLED HOUSING (PROPERTY TAX)

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Current statute: RCW [84.36.042](#)

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

**Description:** Real and personal property used by nonprofit organizations to provide housing for eligible persons with developmental disabilities is exempt from property tax.

**Purpose:** To support the social benefits provided by these organizations.

**Category/Year Enacted:** Nonprofit - health or social welfare. 1998

**Primary Beneficiaries:** Approximately 200 homes.

**Possible Program Inconsistency:** None evident.

### **Taxpayer Savings (\$000):**

	CY 2008	CY 2009	CY 2010	CY 2011
State levy	\$ 88	\$ 92	\$ 97	\$ 100
Local levies	\$ 339	\$ 361	\$ 388	\$ 407

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.

**Commission Comment:** The Legislature could review whether these preferences are meeting their public policy objectives. If any of them is not, the Legislature should consider modifying or terminating the preference because other taxpayers are bearing the tax burden if the preference is continued.

# NONPROFIT FUNDRAISING (B&O TAX)

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Current statute: RCW [82.04.3651](#)

## Department of Revenue 2012 Tax Exemption Report (p. 71):

**Description:** B&O tax does not apply to amounts received by a nonprofit organization from fund-raising activities, such as funds generated by soliciting or accepting contributions or selling goods or services at fund-raising events. For purposes of this exemption, fund-raising does not include the operation of a regular place of business such as a bookstore, thrift shop or restaurant.

**Purpose:** To support the activities of nonprofit organizations.

**Category/Year Enacted:** Nonprofit - other. 1998

**Primary Beneficiaries:** Nonprofit organizations which raise funds to support their activities.

**Possible Program Inconsistency:** None evident.

### **Taxpayer Savings (\$000):**

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	\$ 343	\$ 350	\$ 357	\$ 364
Local taxes - not considered.				

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

Yes.

**Commission Comment:** The Citizen Commission solicited public testimony for all 2014 expedited preferences. No public testimony was submitted for this expedited preference. Tax revenue is a public asset that should be utilized in the best overall interests of citizens of Washington State.

The Commission requested beneficiaries to provide responses to the following four questions:

1. Is there evidence that the tax preference achieved its purpose, as noted in the 2014 tax preferences reports? Please provide any relevant evidence.
2. Does the preference provide benefits in addition to those stated in its intended or implied purpose?
3. Does the economic activity stimulated by this tax preference exceed the loss of revenue to the state?
4. Does this preference have negative consequences? For example, were other industries, workers, or the environment harmed by activities stimulated by this tax preference?

The Commission encourages the Legislature to examine this preference and gather responses to the four questions posed by the Commission from beneficiaries and then determine whether to continue, modify, or terminate each preference.

# NONPROFIT FUNDRAISING (SALES AND USE TAX)

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Current statute: RCW [82.08.02573](#); [82.12.225](#)

## Department of Revenue 2012 Tax Exemption Report (p. 223):

**Description:** Nonprofit organizations are exempt from retail sales tax on revenue they receive via fundraising activities, as long as the funds are used to support the purposes of the organization. The exemption does not extend to the regular operation of a bookstore, thrift shop or restaurant.

**Purpose:** To support the activities of these organizations.

**Category/Year Enacted:** Nonprofit - other. 1998; previously exemption was provided for bazaars, rummage sales and fund-raising auctions.

**Primary Beneficiaries:** Nonprofit organizations that conduct fund-raising activities.

**Possible Program Inconsistency:** None evident.

### Taxpayer Savings (\$000):

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	\$ 4,738	\$ 4,833	\$ 4,930	\$ 5,028
Local taxes	\$ 1,758	\$ 1,793	\$ 1,829	\$ 1,866

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

Yes.

**Commission Comment:** The Citizen Commission solicited public testimony for all 2014 expedited preferences. No public testimony was submitted for this expedited preference. Tax revenue is a public asset that should be utilized in the best overall interests of citizens of Washington State.

The Commission requested beneficiaries to provide responses to the following four questions:

1. Is there evidence that the tax preference achieved its purpose, as noted in the 2014 tax preferences reports? Please provide any relevant evidence.
2. Does the preference provide benefits in addition to those stated in its intended or implied purpose?
3. Does the economic activity stimulated by this tax preference exceed the loss of revenue to the state?
4. Does this preference have negative consequences? For example, were other industries, workers, or the environment harmed by activities stimulated by this tax preference?

The Commission encourages the Legislature to examine this preference and gather responses to the four questions posed by the Commission from beneficiaries and then determine whether to continue, modify, or terminate each preference.

# NONRESIDENT KEEPING AIRCRAFT IN-STATE (AIRCRAFT EXCISE TAX)

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Current statute: RCW [82.48.100\(7\)](#)

## Department of Revenue 2012 Tax Exemption Report (p. 31):

**Description:** Exemption from aircraft excise tax is allowed for planes owned by nonresidents, which are located at an airport that is jointly owned by governmental entities of Washington and another state.

**Purpose:** Provides an economic incentive for Idaho residents to base their privately owned airplanes at the Moscow-Pullman airport.

**Category/Year Enacted:** Individuals. 1999

**Primary Beneficiaries:** Nonresident owners of airplanes based at the Moscow-Pullman airport.

**Possible Program Inconsistency:** None evident.

### Taxpayer Savings (\$000):

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	\$ 2	\$ 2	\$ 2	\$ 2
Local taxes	\$ 0	\$ 0	\$ 0	\$ 0

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

Possibly, however such owners could simply relocate such planes to their home state.

**Commission Comment:** The Citizen Commission solicited public testimony for all 2014 expedited preferences. No public testimony was submitted for this expedited preference. Tax revenue is a public asset that should be utilized in the best overall interests of citizens of Washington State.

The Commission requested beneficiaries to provide responses to the following four questions:

1. Is there evidence that the tax preference achieved its purpose, as noted in the 2014 tax preferences reports? Please provide any relevant evidence.
2. Does the preference provide benefits in addition to those stated in its intended or implied purpose?
3. Does the economic activity stimulated by this tax preference exceed the loss of revenue to the state?
4. Does this preference have negative consequences? For example, were other industries, workers, or the environment harmed by activities stimulated by this tax preference?

The Commission encourages the Legislature to examine this preference and gather responses to the four questions posed by the Commission from beneficiaries and then determine whether to continue, modify, or terminate each preference.

# PREWRITTEN COMPUTER SOFTWARE (PROPERTY TAX)

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Current statute: RCW [84.40.037](#)

## Department of Revenue 2008 Tax Exemption Report (p. 48):

**Description:** "Canned" computer software, except embedded software, is subject to property tax on 100 percent of the acquisition cost in the first year following purchase and on 50 percent of the cost in the second year. Thereafter, it is exempt from property tax. Canned software refers to software programs that are purchased "off the shelf" for direct use without modification for the specific needs of the user.

**Purpose:** To recognize the rapid obsolescence of software and the difficulty of establishing accurate depreciation schedules for the myriad of software programs. Also, it helps to provide uniformity of taxation throughout the state.

**Category/Year Enacted:** Other business. 1991

**Primary Beneficiaries:** Businesses that own canned software.

**Possible Program Inconsistency:** None evident.

### **Taxpayer Savings (\$000):**

	CY 2008	CY 2009	CY 2010	CY 2011
State levy	\$ 2,901	\$ 3,046	\$ 3,215	\$ 3,319
Local levies	\$ 11,230	\$ 11,977	\$ 12,845	\$ 13,487

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.

**Commission Comment:** The Legislature could review whether these preferences are meeting their public policy objectives. If any of them is not, the Legislature should consider modifying or terminating the preference because other taxpayers are bearing the tax burden if the preference is continued.

# PRODUCTS SHIPPED OUT-OF-STATE (LITTER TAX)

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Current statute: RCW [82.19.050\(1\)](#)

## Department of Revenue 2012 Tax Exemption Report (p. 146):

**Description:** Exemption from the 0.015 percent litter tax is provided for products which are manufactured in or sold from a location in this state but are for use or consumption outside of the state.

**Purpose:** To recognize that litter tax is typically associated with the consumption of products and the consumption of such products occurring outside of Washington should therefore not be taxed.

**Category/Year Enacted:** Tax base. 1992

**Primary Beneficiaries:** Approximately 2,100 firms that pay litter tax.

**Possible Program Inconsistency:** None evident.

### **Taxpayer Savings (\$000):**

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	\$ 720	\$ 748	\$ 778	\$ 809
Local taxes - none.				

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

Yes.

**Commission Comment:** The Citizen Commission solicited public testimony for all 2014 expedited preferences. No public testimony was submitted for this expedited preference. Tax revenue is a public asset that should be utilized in the best overall interests of citizens of Washington State.

The Commission requested beneficiaries to provide responses to the following four questions:

1. Is there evidence that the tax preference achieved its purpose, as noted in the 2014 tax preferences reports? Please provide any relevant evidence.
2. Does the preference provide benefits in addition to those stated in its intended or implied purpose?
3. Does the economic activity stimulated by this tax preference exceed the loss of revenue to the state?
4. Does this preference have negative consequences? For example, were other industries, workers, or the environment harmed by activities stimulated by this tax preference?

The Commission encourages the Legislature to examine this preference and gather responses to the four questions posed by the Commission from beneficiaries and then determine whether to continue, modify, or terminate each preference.

# PUBLIC RECORDS COPIES (SALES AND USE TAX)

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Current statutes: RCW [82.08.02525](#); [82.12.02525](#)

## Department of Revenue 2012 Tax Exemption Report (p. 194):

**Description:** Charges received by state or local government agencies as reimbursement for the cost of providing copies of public records are exempt from retail sales/use tax. The exemption applies to documents provided pursuant to [Chapter 42.17 RCW](#) and only if no fee is charged for the record itself, other than the amount necessary to cover the actual costs of providing the document. If the agency has not determined the actual cost, then a maximum fee of \$0.15 per page applies.

**Purpose:** To support open government and encourage citizens to seek the information they need from governmental agencies. To avoid having agencies devote resources to collecting small amounts of tax.

**Category/Year Enacted:** Individuals. 1996

**Primary Beneficiaries:** Washington citizens and state and local government agencies.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings (\$000):**

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	\$ 86	\$ 86	\$ 86	\$ 86
Local taxes	\$ 33	\$ 33	\$ 33	\$ 33

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

Yes.

**Commission Comment:** The Citizen Commission solicited public testimony for all 2014 expedited preferences. No public testimony was submitted for this expedited preference. Tax revenue is a public asset that should be utilized in the best overall interests of citizens of Washington State.

The Commission requested beneficiaries to provide responses to the following four questions:

1. Is there evidence that the tax preference achieved its purpose, as noted in the 2014 tax preferences reports? Please provide any relevant evidence.
2. Does the preference provide benefits in addition to those stated in its intended or implied purpose?
3. Does the economic activity stimulated by this tax preference exceed the loss of revenue to the state?
4. Does this preference have negative consequences? For example, were other industries, workers, or the environment harmed by activities stimulated by this tax preference?

The Commission encourages the Legislature to examine this preference and gather responses to the four questions posed by the Commission from beneficiaries and then determine whether to continue, modify, or terminate each preference.

# RACING FUEL (FUEL TAX)

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Current statute: RCW [82.36.247](#)

This preference is not included in the DOR Tax Exemption Report. The following information is provided in the Department of Revenue Summary of 1998 Tax Legislation:

[This statute] provides an exemption from motor vehicle fuel tax for leaded fuel purchased for use in racing vehicles. (Since such use occurs off the public highways, it is believed that the fuel tax does not now apply.) The Department of Revenue shall earmark state sales and use tax revenues derived from leaded racing fuel and deposit the receipts in the “advanced environmental mitigation revolving account.”

**Commission Comment:** The Citizen Commission solicited public testimony for all 2014 expedited preferences. No public testimony was submitted for this expedited preference. Tax revenue is a public asset that should be utilized in the best overall interests of citizens of Washington State.

The Commission requested beneficiaries to provide responses to the following four questions:

1. Is there evidence that the tax preference achieved its purpose, as noted in the 2014 tax preferences reports? Please provide any relevant evidence.
2. Does the preference provide benefits in addition to those stated in its intended or implied purpose?
3. Does the economic activity stimulated by this tax preference exceed the loss of revenue to the state?
4. Does this preference have negative consequences? For example, were other industries, workers, or the environment harmed by activities stimulated by this tax preference?

The Commission encourages the Legislature to examine this preference and gather responses to the four questions posed by the Commission from beneficiaries and then determine whether to continue, modify, or terminate each preference.

# SECOND NARROWS BRIDGE (B&O TAX)

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Current statute: RCW [82.04.416](#)

## Department of Revenue 2012 Tax Exemption Report (p. 56):

**Description:** Income derived from the operation of state route #16 corridor transportation systems and facilities which are constructed and operated under [Chapter 47.46 RCW](#) is exempt from B&O tax. This statute addressed the second bridge across the Tacoma Narrows. It exempts any income received by an operator of the bridge tolling systems. The state contracts with a private firm to operate the toll booths. The income the state pays to the firm is exempt from B&O tax under this statute. (The actual toll receipts are considered as state funds and are not subject to state business tax.)

**Purpose:** To lower the overall cost of operation of the bridge and encourage a private firm to enter into a contract with the state to operate the facility.

**Category/Year Enacted:** Business incentive. 1998

**Primary Beneficiaries:** Businesses that contract with the state to operate the bridge toll facilities and ultimately the drivers who utilize the facility.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings (\$000):** There is only one operator of the toll booths on this bridge and therefore the amount of B&O tax attributable to this exemption cannot be publicly stated.

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

Yes.

**Commission Comment:** The Citizen Commission solicited public testimony for all 2014 expedited preferences. No public testimony was submitted for this expedited preference. Tax revenue is a public asset that should be utilized in the best overall interests of citizens of Washington State.

The Commission requested beneficiaries to provide responses to the following four questions:

1. Is there evidence that the tax preference achieved its purpose, as noted in the 2014 tax preferences reports? Please provide any relevant evidence.
2. Does the preference provide benefits in addition to those stated in its intended or implied purpose?
3. Does the economic activity stimulated by this tax preference exceed the loss of revenue to the state?
4. Does this preference have negative consequences? For example, were other industries, workers, or the environment harmed by activities stimulated by this tax preference?

The Commission encourages the Legislature to examine this preference and gather responses to the four questions posed by the Commission from beneficiaries and then determine whether to continue, modify, or terminate each preference.

# SECOND NARROWS BRIDGE (LEASEHOLD EXCISE TAX)

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Current statute: RCW [82.29A.132](#)

## Department of Revenue 2008 Tax Exemption Report (p. 63):

**Description:** Leasehold interests in state route 16 corridor transportation systems and facilities, constructed and operated pursuant to [Chapter 47.46 RCW](#), are exempt from leasehold excise tax. This includes the second bridge over Puget Sound at the Tacoma Narrows and its approaches.

**Purpose:** When adopted, this exemption was predicated upon the assumption that upon completion of the bridge, the state would lease the bridge to the private entity that constructed the facility to operate and maintain it for the term of the lease. This statute exempted such a lease from leasehold excise tax. However, the ownership arrangements have since changed and no lease of the facility is currently contemplated.

**Category/Year Enacted:** Business incentive. 1998

**Primary Beneficiaries:** None.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings (\$000):** None. No lease of the facility is currently contemplated.

**Commission Comment:** These preferences were enacted in 1998 and anticipated the possibility of private funding, ownership, or lease of the bridge. These preferences are inoperative because that possibility was not pursued. For this reason the Legislature could consider terminating them.

# SECOND NARROWS BRIDGE (PROPERTY TAX)

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Current statute: RCW [84.36.010\(1\)](#)

## Department of Revenue 2008 Tax Exemption Report (p. 31):

**Description:** Property tax exemption is provided for state route 16 corridor transportation systems and facilities constructed pursuant to [Chapter 47.46 RCW](#).

**Purpose:** This exemption is intended to exempt any private property used in conjunction with construction and operation of the 2nd Narrows bridge in Pierce County which will span Puget Sound. When adopted, the exemption was predicated upon the assumption that the bridge would be built with private funding until construction was complete and subsequently deeded to the state. This exemption was therefore intended to lower the overall cost of the project to enhance the likelihood of private investors funding the cost of construction.

**Category/Year Enacted:** Business incentive. 1998.

**Primary Beneficiaries:** As originally conceived, firms involved in construction/operation of the bridge and ultimately persons who utilize the bridge.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings (\$000):** None. The current concept of, and agreement for, construction and operation of the 2nd Narrows bridge and the associated state route 16 systems do not entail any private funding or ownership of property. The revenue effects of this exemption are implicitly included with all other state highways under the State Government category.

**Commission Comment:** These preferences were enacted in 1998 and anticipated the possibility of private funding, ownership, or lease of the bridge. These preferences are inoperative because that possibility was not pursued. For this reason the Legislature could consider terminating them.

# SECOND NARROWS BRIDGE (PUBLIC UTILITY TAX)

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Current statute: RCW [82.16.046](#)

## Department of Revenue 2008 Tax Exemption Report (p. 156):

**Description:** Income derived from operation of state route 16 corridor transportation systems and facilities constructed and operated under RCW 47.46 is exempt from public utility tax. This statute addresses the second bridge over Puget Sound at the Tacoma Narrows and exempts from public utility tax any tolls received by the operator of the bridge.

**Purpose:** To lower the overall cost of operating the bridge.

**Category/Year Enacted:** Tax base. 1998

**Primary Beneficiaries:** Businesses contracted by the state to operate the bridge facilities and ultimately the drivers who use the bridge.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings (\$000):** None. It is understood that the tolls will actually be received by the state, not the firm contracted to collect the tolls. The contractor will be subject to B&O tax under the service classification on amounts paid by the state to perform this service. Thus, there is no impact on public utility tax.

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

No.

**Commission Comment:** These preferences were enacted in 1998 and anticipated the possibility of private funding, ownership, or lease of the bridge. These preferences are inoperative because that possibility was not pursued. For this reason the Legislature could consider terminating them.

# SECOND NARROWS BRIDGE (REAL ESTATE EXCISE TAX)

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Current statute: RCW [82.45.190](#)

## Department of Revenue 2008 Tax Exemption Report (p. 286):

**Description:** Exemption from real estate excise tax is provided for the originally envisioned transfer of state route 16 corridor transportation facilities which are being constructed under [Chapter 47.46 RCW](#). This addresses the current construction of a second bridge over Puget Sound at the Tacoma Narrows.

**Purpose:** As originally planned, this exemption would enable transfer of the completed bridge to the private operator of the facility without incurring real estate excise tax liability.

**Category/Year Enacted:** Tax base. 1998

**Primary Beneficiaries:** The intended private operator of the bridge facility.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings (\$000):** None. The current concept of, and agreement for, construction and operation of the bridge and the associated state route 16 improvements does not entail any transfer of property by the state.

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

No; transfer to a private owner is not currently contemplated.

**Commission Comment:** These preferences were enacted in 1998 and anticipated the possibility of private funding, ownership, or lease of the bridge. These preferences are inoperative because that possibility was not pursued. For this reason the Legislature could consider terminating them.

# SECOND NARROWS BRIDGE (SALES AND USE TAX)

Current statute: RCW [47.46.060](#)

## Department of Revenue 2008 Tax Exemption Report (p. 266):

**Description:** A five year deferral of state and local retail sales tax is provided for tax due on construction of a second bridge over Puget Sound at the Tacoma Narrows. The deferral includes related road improvements and the rental of equipment used during construction. Beginning on December 31 of the fifth year following completion of the project, 10 percent of the deferred tax must be repaid annually.

**Purpose:** To lower the overall cost of the project and to mitigate the amount of tolls necessary to fund repayment of the bonds financing construction costs of the project.

**Category/Year Enacted:** Business incentive. 1998

**Primary Beneficiaries:** Drivers who use the highly congested Highway 16 corridor (assuming that tolls would otherwise have to be increased).

**Possible Program Inconsistency:** None evident.

### Taxpayer Savings (\$000):

	FY 2008	FY 2009	FY 2010	FY 2011
State tax	\$ 9,281	\$ 0	\$ 0	\$ 0
Local taxes	\$ 2,899	\$ 0	\$ 0	\$ 0

NOTE: Completion of the bridge is expected during FY 2008.

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

The amount of tax that is deferred will be repaid.

**Commission Comment:** The Citizen Commission solicited public testimony for all 2014 expedited preferences. No public testimony was submitted for this expedited preference. Tax revenue is a public asset that should be utilized in the best overall interests of citizens of Washington State.

The Commission requested beneficiaries to provide responses to the following four questions:

1. Is there evidence that the tax preference achieved its purpose, as noted in the 2014 tax preferences reports? Please provide any relevant evidence.
2. Does the preference provide benefits in addition to those stated in its intended or implied purpose?
3. Does the economic activity stimulated by this tax preference exceed the loss of revenue to the state?
4. Does this preference have negative consequences? For example, were other industries, workers, or the environment harmed by activities stimulated by this tax preference?

The Commission encourages the Legislature to examine this preference and gather responses to the four questions posed by the Commission from beneficiaries and then determine whether to continue, modify, or terminate each preference.

# SEWERAGE PROCESSING AND DISPOSAL (PUBLIC UTILITY TAX)

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Current statute: RCW [82.16.050\(13\)](#)

## Department of Revenue 2012 Tax Exemption Report (p. 136):

**Description:** A deduction from gross operating income subject to public utility tax is allowed for amounts paid to other firms for the treatment or disposal of sewerage. Public utility tax applies only to the actual collection of sewerage, not processing (these activities are subject to B&O tax). If the firm that collects the sewerage contracts with other firms for treatment and disposal services, the amounts paid to these firms are deductible.

**Purpose:** To ensure that public utility tax applies only to the collection activity.

**Category/Year Enacted:** Tax base. 1987

**Primary Beneficiaries:** Sewerage collection firms.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings (\$000):**

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	\$ 7,427	\$ 7,798	\$ 8,188	\$ 8,597
Local taxes - not considered.				

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

Yes.

**Commission Comment:** The Citizen Commission solicited public testimony for all 2014 expedited preferences. No public testimony was submitted for this expedited preference. Tax revenue is a public asset that should be utilized in the best overall interests of citizens of Washington State.

The Commission requested beneficiaries to provide responses to the following four questions:

1. Is there evidence that the tax preference achieved its purpose, as noted in the 2014 tax preferences reports? Please provide any relevant evidence.
2. Does the preference provide benefits in addition to those stated in its intended or implied purpose?
3. Does the economic activity stimulated by this tax preference exceed the loss of revenue to the state?
4. Does this preference have negative consequences? For example, were other industries, workers, or the environment harmed by activities stimulated by this tax preference?

The Commission encourages the Legislature to examine this preference and gather responses to the four questions posed by the Commission from beneficiaries and then determine whether to continue, modify, or terminate each preference.

# TRADE SHOWS (B&O TAX)

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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.

**Commission Comment:** The Citizen Commission solicited public testimony for all 2014 expedited preferences. No public testimony was submitted for this expedited preference. Tax revenue is a public asset that should be utilized in the best overall interests of citizens of Washington State.

The Commission requested beneficiaries to provide responses to the following four questions:

1. Is there evidence that the tax preference achieved its purpose, as noted in the 2014 tax preferences reports? Please provide any relevant evidence.
2. Does the preference provide benefits in addition to those stated in its intended or implied purpose?
3. Does the economic activity stimulated by this tax preference exceed the loss of revenue to the state?
4. Does this preference have negative consequences? For example, were other industries, workers, or the environment harmed by activities stimulated by this tax preference?

The Commission encourages the Legislature to examine this preference and gather responses to the four questions posed by the Commission from beneficiaries and then determine whether to continue, modify, or terminate each preference.

# TRUCK AUXILIARY POWER - BATTERIES AND INFRASTRUCTURE (SALES AND USE TAX)

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Current statutes: RCW [82.08.815](#); [82.12.815](#)

## Department of Revenue 2012 Tax Exemption Report (p. 212):

**Description:** Retail sales/use tax does not apply to sales of machinery and equipment or services rendered in the construction, installation, repair, etc. of facilities that are necessary to deliver auxiliary power to heavy duty diesel vehicles through onboard or stand-alone electrification systems. This exemption is scheduled to expire on July 1, 2015.

**Purpose:** To reduce diesel engine air pollution by encouraging truck stop operators to provide electric power to truck systems.

**Category/Year Enacted:** Business incentive. 2006

**Primary Beneficiaries:** Owners of truck stops.

**Possible Program Inconsistency:** None evident.

### **Taxpayer Savings (\$000):**

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	\$ 1	\$ 1	\$ 1	\$ 1
Local taxes	\$ 0	\$ 0	\$ 0	\$ 0

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

Yes.

**Commission Comment:** The Citizen Commission solicited public testimony for all 2014 expedited preferences. No public testimony was submitted for this expedited preference. Tax revenue is a public asset that should be utilized in the best overall interests of citizens of Washington State.

The Commission requested beneficiaries to provide responses to the following four questions:

1. Is there evidence that the tax preference achieved its purpose, as noted in the 2014 tax preferences reports? Please provide any relevant evidence.
2. Does the preference provide benefits in addition to those stated in its intended or implied purpose?
3. Does the economic activity stimulated by this tax preference exceed the loss of revenue to the state?
4. Does this preference have negative consequences? For example, were other industries, workers, or the environment harmed by activities stimulated by this tax preference?

The Commission encourages the Legislature to examine this preference and gather responses to the four questions posed by the Commission from beneficiaries and then determine whether to continue, modify, or terminate each preference.

# TRUCK AUXILIARY POWER - ENABLING PARKED OPERATION (SALES AND USE TAX)

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Current statutes: RCW [82.08.825](#); [82.12.825](#)

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

**Description:** Retail sales/use tax does not apply to sales of machinery and equipment or installation services associated with modification of heavy duty diesel vehicles to enable the vehicle to utilize auxiliary electrical power through onboard or stand-alone electrification systems. This exemption expires on July 1, 2015.

**Purpose:** To reduce diesel engine air pollution by encouraging operators of diesel trucks to install the necessary onboard electrification system to utilize the "shore" power at truck stops.

**Category/Year Enacted:** Business incentive. 2006

**Primary Beneficiaries:** Operators of heavy duty diesel trucks.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings (\$000):** It is believed that there will be minimal utilization of this tax incentive.

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

Yes.

**Commission Comment:** The Citizen Commission solicited public testimony for all 2014 expedited preferences. No public testimony was submitted for this expedited preference. Tax revenue is a public asset that should be utilized in the best overall interests of citizens of Washington State.

The Commission requested beneficiaries to provide responses to the following four questions:

1. Is there evidence that the tax preference achieved its purpose, as noted in the 2014 tax preferences reports? Please provide any relevant evidence.
2. Does the preference provide benefits in addition to those stated in its intended or implied purpose?
3. Does the economic activity stimulated by this tax preference exceed the loss of revenue to the state?
4. Does this preference have negative consequences? For example, were other industries, workers, or the environment harmed by activities stimulated by this tax preference?

The Commission encourages the Legislature to examine this preference and gather responses to the four questions posed by the Commission from beneficiaries and then determine whether to continue, modify, or terminate each preference.

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

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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.

**Commission Comment:** The Citizen Commission solicited public testimony for all 2014 expedited preferences. No public testimony was submitted for this expedited preference. Tax revenue is a public asset that should be utilized in the best overall interests of citizens of Washington State.

The Commission requested beneficiaries to provide responses to the following four questions:

1. Is there evidence that the tax preference achieved its purpose, as noted in the 2014 tax preferences reports? Please provide any relevant evidence.
2. Does the preference provide benefits in addition to those stated in its intended or implied purpose?
3. Does the economic activity stimulated by this tax preference exceed the loss of revenue to the state?
4. Does this preference have negative consequences? For example, were other industries, workers, or the environment harmed by activities stimulated by this tax preference?

The Commission encourages the Legislature to examine this preference and gather responses to the four questions posed by the Commission from beneficiaries and then determine whether to continue, modify, or terminate each preference.

# VENDING MACHINE SALES (SALES TAX)

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Current statute: RCW [82.08.080](#)

## Department of Revenue 2012 Tax Exemption Report (p. 229):

**Description:** The selling price for purposes of calculating retail sales tax on sales of tangible personal property made via a vending machine is 60 percent of the gross receipts of the total sales made via the machine.

**Purpose:** To clarify and ease the calculation of retail sales tax on items sold via a vending machine at a fixed price

**Category/Year Enacted:** Other business. 1963

**Primary Beneficiaries:** Operators of vending machines.

**Possible Program Inconsistency:** None evident.

### **Taxpayer Savings (\$000):**

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	\$ 200	\$ 200	\$ 200	\$ 200
Local taxes	\$ 70	\$ 70	\$ 70	\$ 70

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

Yes.

**Commission Comment:** The Citizen Commission solicited public testimony for all 2014 expedited preferences. No public testimony was submitted for this expedited preference. Tax revenue is a public asset that should be utilized in the best overall interests of citizens of Washington State.

The Commission requested beneficiaries to provide responses to the following four questions:

1. Is there evidence that the tax preference achieved its purpose, as noted in the 2014 tax preferences reports? Please provide any relevant evidence.
2. Does the preference provide benefits in addition to those stated in its intended or implied purpose?
3. Does the economic activity stimulated by this tax preference exceed the loss of revenue to the state?
4. Does this preference have negative consequences? For example, were other industries, workers, or the environment harmed by activities stimulated by this tax preference?

The Commission encourages the Legislature to examine this preference and gather responses to the four questions posed by the Commission from beneficiaries and then determine whether to continue, modify, or terminate each preference.

# VESSEL USE BY MANUFACTURERS OR DEALERS (USE TAX)

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Current statutes: RCW [82.12.800](#); [82.12.801](#); [82.12.802](#)

## Department of Revenue 2012 Tax Exemption Report (p. 186):

**Description:** These three statutes relate to the application of use tax for firms that manufacture or sell boats and boat trailers. The following uses of a vessel and trailer by the manufacturer or a vessel dealer are exempt from use tax per RCWs [82.12.800](#) and .801: (1) testing, setting-up, repairing, remodeling or otherwise making the vessel seaworthy; (2) training of employees; (3) activities promoting the sale of the vessel; (4) loaning or donating the vessel to nonprofit organizations or governmental entities for limited periods; (5) transporting, displaying or demonstrating the vessel at boat shows; and (6) delivering, showing and operating the vessel for a prospective buyer. Any other intervening use of the vessel by the manufacturer or a dealer is subject to use tax. However, RCW [82.12.802](#) provides that the use tax in such instances is to be measured by the reasonable rental value of the vessel for that particular use, rather than the fair market value, if the dealer can demonstrate that the vessel is truly held for sale.

**Purpose:** To clearly identify the uses of vessels and related equipment which are not considered as taxable "intervening" uses and to provide a basis for the use tax in other taxable situations.

**Category/Year Enacted:** Other business. 1997

**Primary Beneficiaries:** Manufacturers and dealers of boats and boat trailers.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings (\$000):**

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	\$ 173	\$ 171	\$ 176	\$ 186
Local taxes	\$ 64	\$ 64	\$ 65	\$ 69

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

Yes.

**Commission Comment:** The Citizen Commission solicited public testimony for all 2014 expedited preferences. No public testimony was submitted for this expedited preference. Tax revenue is a public asset that should be utilized in the best overall interests of citizens of Washington State.

The Commission requested beneficiaries to provide responses to the following four questions:

1. Is there evidence that the tax preference achieved its purpose, as noted in the 2014 tax preferences reports? Please provide any relevant evidence.
2. Does the preference provide benefits in addition to those stated in its intended or implied purpose?
3. Does the economic activity stimulated by this tax preference exceed the loss of revenue to the state?
4. Does this preference have negative consequences? For example, were other industries, workers, or the environment harmed by activities stimulated by this tax preference?

The Commission encourages the Legislature to examine this preference and gather responses to the four questions posed by the Commission from beneficiaries and then determine whether to continue, modify, or terminate each preference.

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

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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.

**Commission Comment:** The Citizen Commission solicited public testimony for all 2014 expedited preferences. No public testimony was submitted for this expedited preference. Tax revenue is a public asset that should be utilized in the best overall interests of citizens of Washington State.

The Commission requested beneficiaries to provide responses to the following four questions:

1. Is there evidence that the tax preference achieved its purpose, as noted in the 2014 tax preferences reports? Please provide any relevant evidence.
2. Does the preference provide benefits in addition to those stated in its intended or implied purpose?
3. Does the economic activity stimulated by this tax preference exceed the loss of revenue to the state?
4. Does this preference have negative consequences? For example, were other industries, workers, or the environment harmed by activities stimulated by this tax preference?

The Commission encourages the Legislature to examine this preference and gather responses to the four questions posed by the Commission from beneficiaries and then determine whether to continue, modify, or terminate each preference.

# WHOLESALE AUTO AUCTIONS (B&O TAX)

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Current statutes: RCW [82.04.317](#); [82.04.422\(1\)](#)

## Department of Revenue 2012 Tax Exemption Report (p. 48):

**Description:** Sales of motor vehicles by motor vehicle manufacturers, their financial subsidiaries (at least 50 percent owned by the manufacturer), and vehicle dealers are exempt from wholesaling B&O tax, if the sales take place at a wholesale auto auction and the purchaser is a vehicle dealer.

**Purpose:** To encourage out-of-state auto manufacturers to sell their rental and lease return vehicles and other surplus vehicles at wholesale auctions conducted in this state.

**Category/Year Enacted:** Other business. 1997 and 2001

**Primary Beneficiaries:** Auto manufacturers, vehicle dealers and firms that conduct wholesale auto auctions.

**Possible Program Inconsistency:** None evident.

### Taxpayer Savings (\$000):

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	\$ 1,018	\$ 1,171	\$ 1,348	\$ 1,552
Local taxes - not considered.				

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

Yes.

**Commission Comment:** The Citizen Commission solicited public testimony for all 2014 expedited preferences. No public testimony was submitted for this expedited preference. Tax revenue is a public asset that should be utilized in the best overall interests of citizens of Washington State.

The Commission requested beneficiaries to provide responses to the following four questions:

1. Is there evidence that the tax preference achieved its purpose, as noted in the 2014 tax preferences reports? Please provide any relevant evidence.
2. Does the preference provide benefits in addition to those stated in its intended or implied purpose?
3. Does the economic activity stimulated by this tax preference exceed the loss of revenue to the state?
4. Does this preference have negative consequences? For example, were other industries, workers, or the environment harmed by activities stimulated by this tax preference?

The Commission encourages the Legislature to examine this preference and gather responses to the four questions posed by the Commission from beneficiaries and then determine whether to continue, modify, or terminate each preference.

# WOOD BIOMASS FUEL PRODUCTION FACILITIES (LEASEHOLD EXCISE TAX)

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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 staff infer 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.

**Commission Comment:** Because there are no beneficiaries, the Legislature should determine whether these preferences continue to meet their public policy objective. If they do, the Legislature should modify the expiration date; if they do not, the Legislature should allow the preferences to expire

# WOOD BIOMASS FUEL PRODUCTION FACILITIES (PROPERTY TAX)

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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 staff infer 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.

**Commission Comment:** Because there are no beneficiaries, the Legislature should determine whether these preferences continue to meet their public policy objective. If they do, the Legislature should modify the expiration date; if they do not, the Legislature should allow the preferences to expire