

Shipping Farm Products to Interim Storage

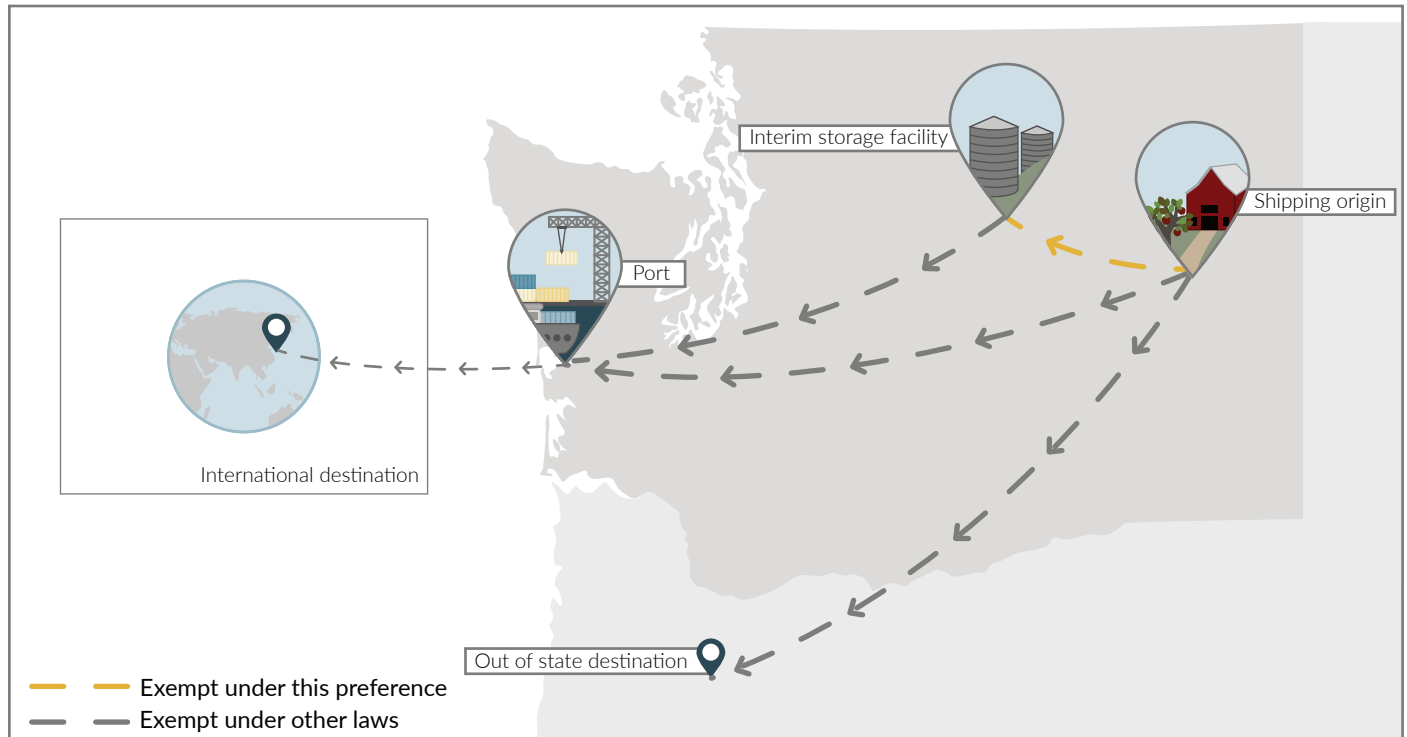
2020 JLARC TAX PREFERENCE REVIEW

Estimated 2021-23 beneficiary savings: \$25,000

Public Utility Tax

Deduction for revenues from shipping agricultural products to interim storage facilities

- Shipping companies deduct revenues earned from transporting agricultural products to interim storage facilities before products are shipped out of state.
- Storage facilities certify that products were exported out of the state in previous year.
- Preference was enacted in 2007 and has no expiration date.



Deduction achieves inferred intent to maintain previous tax treatment

The preference formalizes a previous interpretation by the Department of Revenue that treated this activity as not taxable

- Other tax preferences exist for agricultural products shipped directly out of state or to port.
- Before 2007, DOR interpreted other statutes as including shipments to interim storage facilities. An internal review concluded that this was not supported by state law. Following this conclusion, the Legislature enacted this tax preference.
- At least 13 different shipping companies have claimed the preference since 2007. Federal data indicates that 5,768 companies are registered to ship agricultural products.

LEGISLATIVE AUDITOR'S RECOMMENDATION

Continue

The Legislature should continue the preference because the inferred goal of continuing previous tax treatment is being met.

The complete report is on the JLARC web site: www.leg.wa.gov/jlarc

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