

A guide to

# JLARC TAX PREFERENCE REVIEWS



The Joint Legislative Audit and Review Committee (JLARC) is a bipartisan legislative committee with equal membership from the House and Senate and both parties.

JLARC's nonpartisan staff conduct tax preference reviews following professional audit standards.

## Tax preference reviews are studies that assess whether the state's tax preferences are working as intended

- Reviews cover many policy areas such as agriculture, economic development, and aerospace.
- Reviews must address certain criteria and follow a standard process each year.

## Citizen Commission for Performance Measurement of Tax Preferences

- Five citizen volunteers who are appointed by each caucus and the Governor
- Established in 2006 (*Chapter 43.136 RCW*).
- Sets schedule for reviewing preferences, hears public testimony, and comments on the reviews.

## Reviews follow a standard process

### July

Present preliminary report to JLARC.

### August - October

The Citizen Commission considers the report, hears public testimony, and adds comments.

### December

Present the final report to JLARC.

### January

Present the final report to the legislative fiscal committees.



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## What is a tax preference?

A tax preference is a reduction in the amount of state tax owed by an industry, business, or individual. These include tax exemptions, credits, deductions, exclusions, preferential rates, and deferrals.

Some tax preferences are intended to incentivize certain behavior, such as encouraging beneficiaries to hire new staff or remain in WA

### *Did you know?*

Since 2007, JLARC has reviewed over half of the state's 700+ tax preferences.

## By law, reviews must address:

### Public policy objectives

What did the Legislature intend to accomplish?  
Has the preference achieved those goals?

### Beneficiaries

Who is affected directly or indirectly by the preference?  
How much have they saved?

### Revenue and economic impacts

What are the impacts to the taxpayers and the state?

### Other states

Do other states have a similar tax preference?

### Racial equity

What is the effect, if any, on racial equity?

### Recommendations

Should the Legislature continue, modify, clarify, or terminate the tax preference?

## Learn more on our website:

JLARC website: <https://leg.wa.gov/jlarc>  
Commission website: <https://citizentaxpref.wa.gov>