Proposed Study Questions

2022 Tax Preference Review Study Questions

Upcoming reviews of tax preferences for commute trip reduction programs, dairy, fruit and vegetable, and seafood processors, and nonprofit hospitals.

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Commute Trip Reduction Tax Preferences

Business & Occupation (B&O) Tax and Public Utility Tax (PUT) preferences intended to encourage use of commute alternatives.
### B&O and PUT Credits
- 50% of incentive value.
- Must apply each year.
- No CTR program required for credit.

### Credits subject to caps
- $60 per employee.
- $100,000 per employer per year.
- $2.75M per year.
- Prorated if claims exceed cap.

### Preferences extended in 2015
- Expiration date: July 1, 2024.
- Tax preference performance statement.
- JLARC last reviewed in 2012.

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**Tax credits for employers giving financial incentives to employees to use commute alternatives**

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If review finds the percentage using commute alternatives increased, the Legislative Auditor is to recommend extending the preferences.
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<td>1. How many employers have CTR programs, how many claim the tax credits, and how many employees do they cover?</td>
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<td>2. What is the value of the tax credits? How does this compare to the financial incentives employers provide to their employees?</td>
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<td>3. Have employer CTR programs contributed to reductions in traffic congestion, air pollution, and energy use? To what extent can any reductions be attributed to the tax credits?</td>
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<td>4. How has the percentage of Washingtonians using commute alternatives changed since 2015?</td>
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Six preferences with stated intent to create and retain jobs and to continue tax relief for Washington’s food processing industry.
Processors of fruit & vegetable, seafood products, and dairy products

B&O tax exemptions for processing and certain sales in three industries.

Exemptions expire 7/01/2025.

Preferential 0.138% tax rate (vs 0.484%) effective 7/01/2025.

Preferential rate expires for dairy products, but not for others.

Legislature last extended preferences in 2015.

JLARC last reviewed in 2014.
Preferences intended to create & retain jobs and continue tax relief

1. How many and what businesses claim each exemption, and how much tax is exempted?

2. What is the change in total employment for businesses claiming the exemptions?

3. What is the change in the total taxable income for businesses claiming the exemption?
Report will address several questions

4. What percentage of total taxable income do the exemptions represent for businesses claiming them?

5. How do the preferences impact WA’s dairy, fruit and vegetable, and seafood processing industries?

6. How have the preferences affected the cost of business for WA’s food processors compared to other states?
Nonprofit hospitals exempted from property tax since statehood. JLARC previously reviewed preference in 2007, but many changes have occurred in health care since then.
Nonprofit hospitals are exempt from federal income tax.

In exchange, organizations expected to provide community benefits, including charity care.

Charity care: provision of medical services with no expectation of compensation.

Since 1989, the Legislature has required hospitals of all ownership types to provide charity care.
JLARC review will address

1. To what extent has the preference been used and what are the beneficiary savings?

2. What community benefits do beneficiaries provide?

3. Is there information that allows for a comparison of community benefits between beneficiary and non-beneficiary hospitals?

4. How does the value of beneficiaries’ charity care compare to the tax savings? How does this compare to charity care provided by non-benefiting hospitals?
Next Steps

Preliminary Reports | July 2022
Proposed Final Report | December 2022