

State of Washington  
Citizen Commission for Performance Measurement of Tax Preferences

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State Auditor

106 11<sup>th</sup> Ave SW, PO Box 40910, Olympia, WA 98504-0910 | Phone: 360-786-5171 | Fax: 360-786-5180  
E-mail: [JLARC@leg.wa.gov](mailto:JLARC@leg.wa.gov) | Website: [www.citizentaxpref.wa.gov](http://www.citizentaxpref.wa.gov) | Twitter: [@WALegAuditor](https://twitter.com/WALegAuditor)

November 3, 2021

The Honorable Senator Reuven Carlyle  
The Honorable Senator Annette Cleveland  
The Honorable Senator Perry Dozier  
The Honorable Senator Doug Ericksen  
The Honorable Senator Karen Keiser  
The Honorable Senator Curtis King  
The Honorable Senator Mark Mullet  
The Honorable Senator Ron Muzzall  
The Honorable Senator Christine Rolfes  
The Honorable Senator Lynda Wilson

The Honorable Representative Matt Boehnke  
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The Honorable Representative Mary Dye  
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The Honorable Representative Ed Orcutt  
The Honorable Representative Timm Ormsby  
The Honorable Representative Cindy Ryu  
The Honorable Representative Joe Schmick  
The Honorable Representative Drew Stokesbary

Re: 2021 Tax Preference Reviews

Dear Senators and Representatives:

I am pleased to forward to you the comments that the Citizen Commission for Performance Measurement of Tax Preferences **unanimously adopted for this year's review of tax preferences**. Our comments are informed by JLARC staff work, public testimony and our professional knowledge of Washington's tax structure.

The Citizen Commission consists of five voting members appointed by each of the four caucuses and the Governor's office and represent a broad range of ideologies and professional backgrounds. Members include a retired tax attorney and CPA, a Seattle University law professor, the president of the Edmonds Education Association, a University of Washington public policy professor, and myself, the Chief Economist at Avista. Notably, reviews this year included:

**Four preferences in which the Legislative Auditor recommended legislative or agency action:**

- A review of a preference for **Manufacturers' Deferral**, in which the Legislative Auditor concluded that *"Four businesses used the tax deferral and met job goals through temporary construction work rather than permanent manufacturing jobs. Businesses likely would have built the facilities without the deferral. To increase manufacturing jobs or training, the Legislature should consider modifying the deferral program."*
- A review of a **Reduced B&O Rate for Printing and Publishing Newspapers**, in which the Legislative Auditor concluded that *"The preference provides tax relief to newspaper printers and publishers and saves these businesses money. However, the newspaper industry*

*continues to lose revenue and jobs as it seeks to stabilize financially. The Legislature should review this preference to determine if it provides sufficient relief.”*

- A review of seven preferences for [Medical Cannabis](#), in which the Legislative Auditor concluded that *“Seven medical cannabis tax preferences provide tax relief to patients and cooperatives. After 2019 statutory changes, it is unclear how pending taxpayer guidance may affect beneficiary savings. The Legislature should continue the preferences and the Department of Revenue and Department of Health should update guidance.”*
- An exemption for the Washington [Health Benefit Exchange](#), in which the Legislative Auditor concluded that *“The preference reduces the Exchange's administrative costs by \$1 million per year, allowing it to maximize its funding for operating a health insurance marketplace. The Legislature should extend the July 2023 expiration date or make the preference permanent.”*

#### Recommendations to allow one preference to expire and to clarify the intent of another

- A review of a [Credit for Renewable Energy Program Payments](#), in which the Legislative Auditor concluded that *“The tax credit program increased Washington's solar capacity and met its solar-related employment target. It did not broaden low-income participation. Solar installations have continued after the program reached its funding limit. The Legislature should allow this preference to expire.”*
- An exemption for [Nonprofit Outpatient Dialysis Facilities](#), in which the Legislative Auditor concluded that *“Preference provides tax relief to nonprofit outpatient dialysis facilities, which outperform for-profit counterparts on two standard measures. The Legislature should clarify its intent.”*

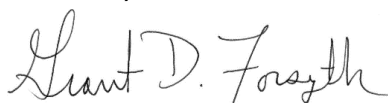
#### One recommendation implemented during the 2021 session

- During the 2021 session, the Legislature amended chapter 84.25 RCW, related to a [Targeted Urban Area Exemption](#) to change the population criteria and extend the expiration date, in response to the Legislative Auditor's recommendation.

The Commission endorses all of the Legislative Auditor's recommendations. The full text of the Commission's recommendations is included below and will be added to JLARC's proposed final report in December. Summaries of the JLARC staff's analysis and recommendations and brief video summaries of each preference are available [here](#).

As Chair of the Citizen Commission, I would be pleased to discuss the Commission's position and comments with you and any interested legislators. These reviews provide valuable information as the Legislature considers whether individual preferences are meeting policy objectives. Please feel free to contact me ([grant.forsyth@leg.wa.gov](mailto:grant.forsyth@leg.wa.gov)) or the Legislative Auditor, Keenan Konopaski ([keenan.konopaski@leg.wa.gov](mailto:keenan.konopaski@leg.wa.gov) or 360-786-5187).

Sincerely,



Grant D. Forsyth, Chair

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