

PRELIMINARY REPORT: 2022 TAX PREFERENCE PERFORMANCE REVIEWS

Food Processors

LEGISLATIVE AUDITOR'S CONCLUSION:

Dairy and fruit & vegetable beneficiaries had job and wage increases that exceeded industry and state averages. Seafood beneficiaries saw a decline in both. The preferences reduced the effective tax rates, but rates remain higher than neighboring states.

July 2022

Executive Summary

This review focuses on B&O tax preferences for three food processing industries

This review covers tax preferences for the dairy, fruit & vegetable, and seafood processing industries. Each industry is currently exempt from B&O taxes on qualifying activities. When the exemptions expire on July 1, 2025, the industries will receive a preferential B&O tax rate of 0.138%.

The preferences generally apply to the following activities:

- Manufacturing products such as yogurt and cheese, frozen french fries, wine, and frozen fish fillets.
- Selling these products wholesale to in-state buyers who transport the products out of state.

Also included is a B&O tax exemption for dairy products sold as an ingredient or component to manufacture other dairy products, such as powdered whey. This targeted exemption expires June 30, 2023, and the activities will then be taxed at the general wholesaling B&O tax rate of 0.484%.

Estimated Biennial Beneficiary Savings

(in the 2023-25 biennium)

Dairy: \$10.5 million

Fruit & vegetable: \$22.7 million

Seafood: \$4.9 million

Tax Type

Business and occupation (B&O)
tax

Multiple RCWs
Applicable Statutes

The preferences provide tax relief to food processors. Two of the three industries have created and retained jobs.

In 2015, the Legislature stated its two public policy objectives for these preferences:

1. Provide tax relief to Washington's food processors.
2. Create and retain jobs.

Industry	Objective 1: Provide tax relief	Objective 2: Create and retain jobs
Dairy processors	Met. The preferences reduce the taxes of beneficiary businesses, though taxes remain higher than neighboring states.	Met. Jobs for dairy beneficiaries grew by 27% and wages by 63% between 2015-20.
Fruit & vegetable processors	Met. The preferences reduce the taxes of beneficiary businesses, though taxes remain higher than neighboring states.	Met. Jobs for fruit & vegetable beneficiaries grew by 44% between 2015-20. Wages grew by 84% for wineries and 66% for other fruit & vegetable beneficiaries.
Seafood processors	Met. The preferences reduce the taxes of beneficiary businesses, though taxes remain higher than neighboring states.	Not met. Jobs for seafood beneficiaries dropped by 10% and wages by 4% between 2015-20.

Legislative Auditor's Recommendations

B&O preferences for dairy processors: Continue and clarify

The Legislature should continue the B&O tax preferences for dairy processors because they are meeting the objectives of providing tax relief and creating and retaining industry jobs. To facilitate future reviews, the Legislature should clarify its expectations for job and wage growth and determine the level of tax relief needed to meet those expectations.

B&O preference for dairy products used as an ingredient or component to create other dairy products: Allow to expire

The Legislature should allow the preference for dairy products used as an ingredient or component to create other dairy products to expire as scheduled June 30, 2023. The infant formula production in Sunnyside for which the 2013 preference was intended did not occur.

B&O preferences for fruit & vegetable processors: Continue and clarify

The Legislature should continue the B&O tax preferences for fruit & vegetable processors because they are meeting the objectives of providing tax relief and creating and retaining

industry jobs. To facilitate future reviews, the Legislature should clarify its expectations for job and wage growth and determine the level of tax relief needed to meet those expectations.

B&O tax preferences for seafood processors: Review and clarify

The Legislature should review the B&O tax preferences for seafood processors because they are only meeting one of two objectives. While the preferences are providing tax relief, beneficiary jobs in Washington have declined and their employee wages have decreased. It is unclear why more businesses are not using the preferences or what the Legislature's expectations are for the industry's jobs and wages.

You can find more information in Recommendations.

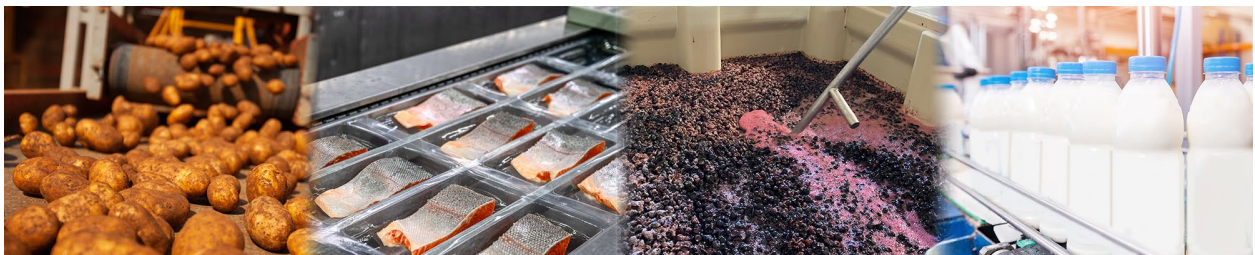
Commissioners' Recommendation

Available on [Citizen Commission website](#) October 2022.

REVIEW DETAILS

1. Preferences provide tax relief for three food processing industries

B&O tax preferences provide tax relief for three food processing industries: dairy, fruit & vegetable, and seafood. Some sellers also benefit.



JLARC staff reviewed B&O tax preferences for three food processing industries

This review covers tax preferences for the dairy, fruit & vegetable, and seafood processing industries. Each industry is currently exempt from B&O taxes. The Legislature passed the exemptions in 2005 (fruit & vegetable) and 2006 (dairy and seafood), and extended them in 2012, and again in 2015.

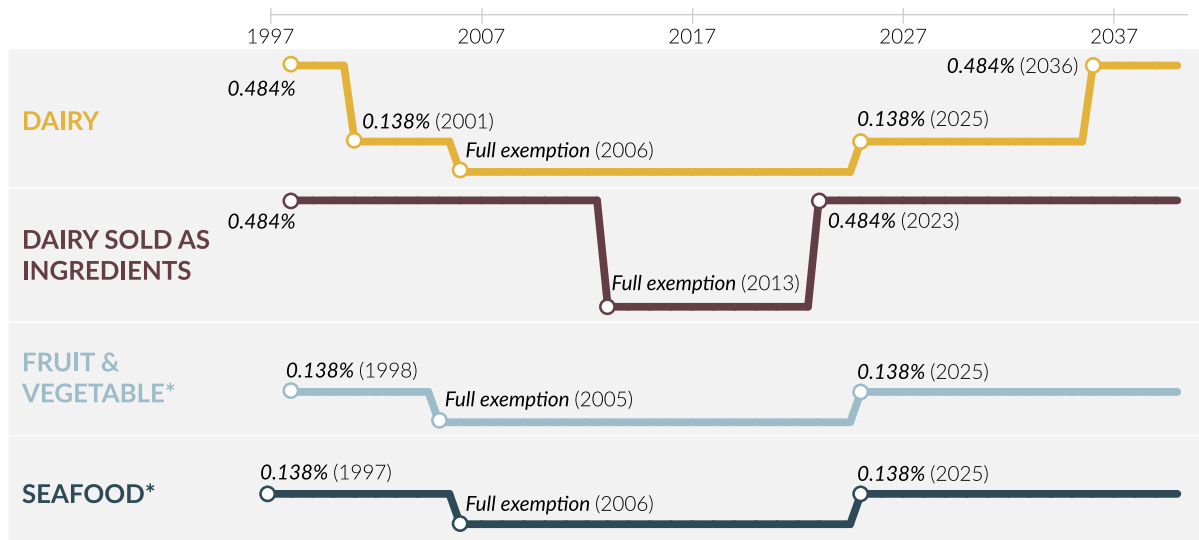
When the exemptions expire in 2025, the three industries will receive a preferential B&O tax rate of 0.138%. The preferential rate for dairy products expires January 1, 2036. The preferential rates for the other two industries do not expire.

The preferences apply to the following activities:

- Manufacturing products such as yogurt and cheese, frozen french fries, wine, and frozen fish fillets.
- Selling these products at wholesale to in-state buyers who transport the products out of state. Only sales by the manufacturer qualify. For seafood, qualifying wholesale sales are not limited to the manufacturer and retail sales also qualify.

In addition to these three preferences, the 2013 Legislature also enacted a targeted exemption for selling dairy products wholesale to buyers who use the products as ingredients or components to manufacture other dairy products (e.g., infant formula). This exemption expires June 30, 2023.

Exhibit 1.1: Food processors have received preferential B&O tax treatment for decades. This will continue in future years.



*Seafood and fruit & vegetable processors have paid varying preferential B&O tax rates since 1959 and 1965, respectively.

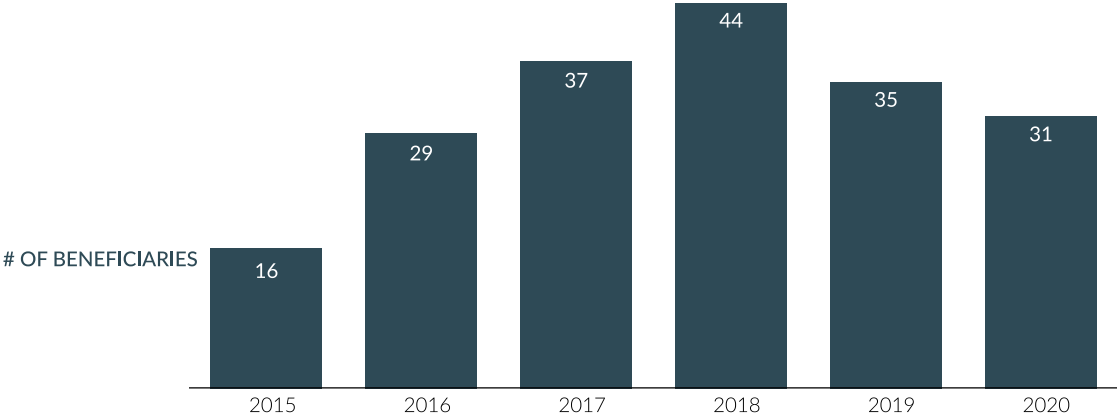
Note: Percentages noted in exhibit represent the applicable B&O tax rates.

Source: JLARC staff analysis of statutes and history for RCW 82.04.260(1)(b), (c), and (d) and RCWs 82.04.4266, 82.04.4268, and 82.04.4269.

Preferences provide tax relief to Washington's dairy, fruit & vegetable, and seafood processors

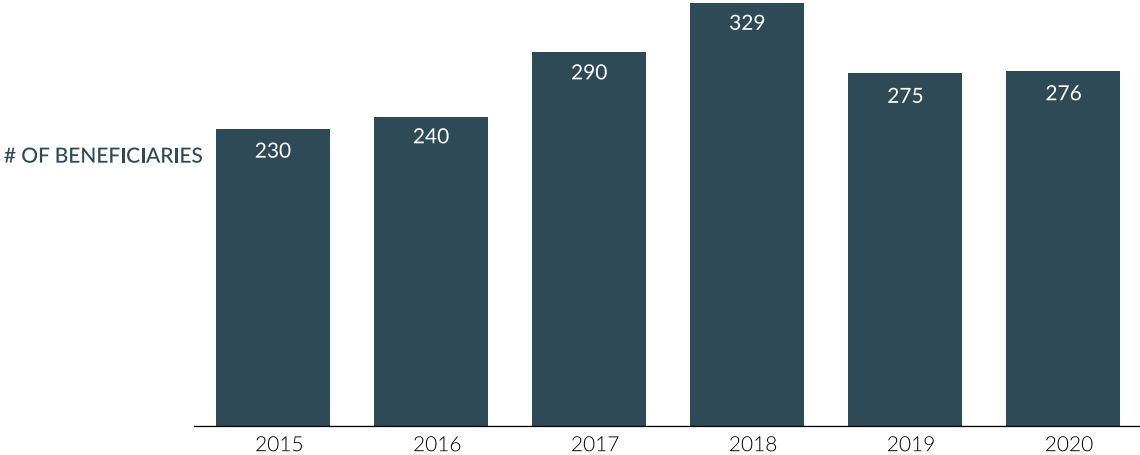
One of the Legislature's stated goals for the preferences is to provide tax relief. In calendar year 2020, beneficiaries in the three industries saved a combined \$22.2 million in B&O taxes due to the preferences.

Exhibit 1.2: The dairy preference had the most beneficiaries in 2018



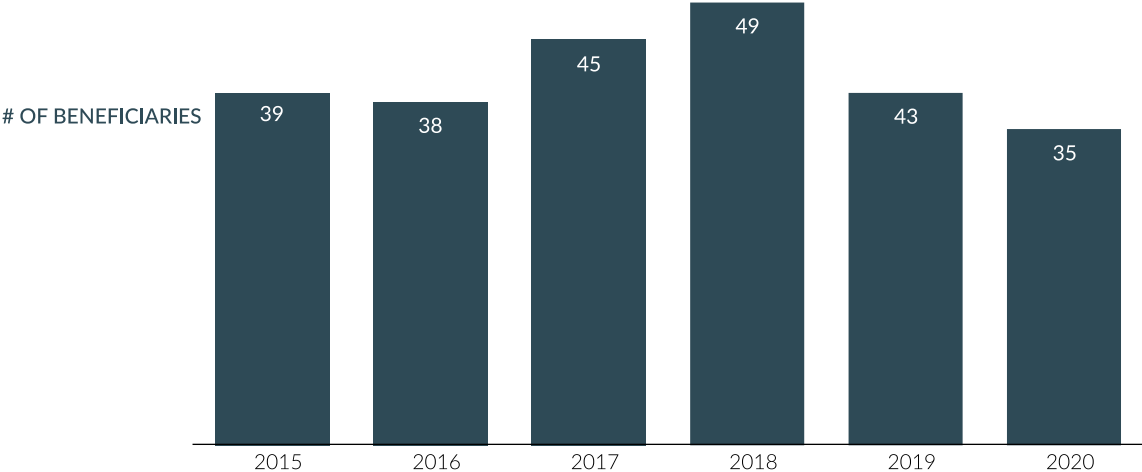
Source: JLARC staff analysis of DOR Incentive and Reporting Public Disclosure web page data for dairy products B&O tax deduction, along with DOR confidential tax return detail.

Exhibit 1.3: The fruit & vegetable preference had the most beneficiaries in 2018



Source: JLARC staff analysis of DOR Incentive and Reporting Public Disclosure web page data for fruit & vegetable businesses B&O tax deduction, along with DOR confidential tax return detail.

Exhibit 1.4: The seafood preference had the most beneficiaries in 2018



Source: JLARC staff analysis of DOR Incentive and Reporting Public Disclosure web page data for seafood product businesses B&O tax deduction, along with DOR confidential tax return detail.

Appendices provide detail on all the beneficiaries and their individual savings

JLARC staff used tax preference reporting data available on the Department of Revenue's web site to compile tables that list the businesses that claimed the tax exemptions, the total savings for each business, and the total savings for each industry. The detail is provided for calendar years 2015 through 2020, the last year of data available when this report was completed.

- Appendix A: Dairy beneficiaries
- Appendix B: Fruit & vegetable beneficiaries
- Appendix C: Seafood beneficiaries

2. Dairy beneficiaries: Jobs grew by 27% and wages by 63%

Preference is widely used among dairy processing industry, with one firm, Darigold, claiming between 80-87% of savings. Beneficiary jobs and wages grew faster than state and food manufacturing averages.

Beneficiaries manufacture and sell dairy products, such as yogurt and cheese

To qualify for the preference, a business must perform one of the following activities:

- Manufacture dairy products, such as milk, yogurt or cheese.
- Sell dairy products wholesale to in-state buyers who then transport the products outside the state. The sellers must be the manufacturers.
- Sell dairy products wholesale to buyers who use the products as ingredients or components to manufacture other dairy products. Examples include infant formula and powdered whey. The sellers must be the manufacturers.
 - This specific exemption expires on June 30, 2023, and the activities will then be taxed at the general 0.484% wholesaling and manufacturing B&O tax rates.
 - Legislative testimony indicates this was intended to encourage development of an infant formula production facility in Sunnyside in 2013. Industry representatives stated that the specific project fell through. However, the preference has been used by three to eight businesses each year since 2015.

Highlights



Beneficiaries employ 94% of industry workers.

Darigold is the largest preference user, claiming on average 83% of all savings from 2015 to 2020.

Jobs grew by 27% from 2015 to 2020.

Wages grew by 63% from 2015 to 2020.

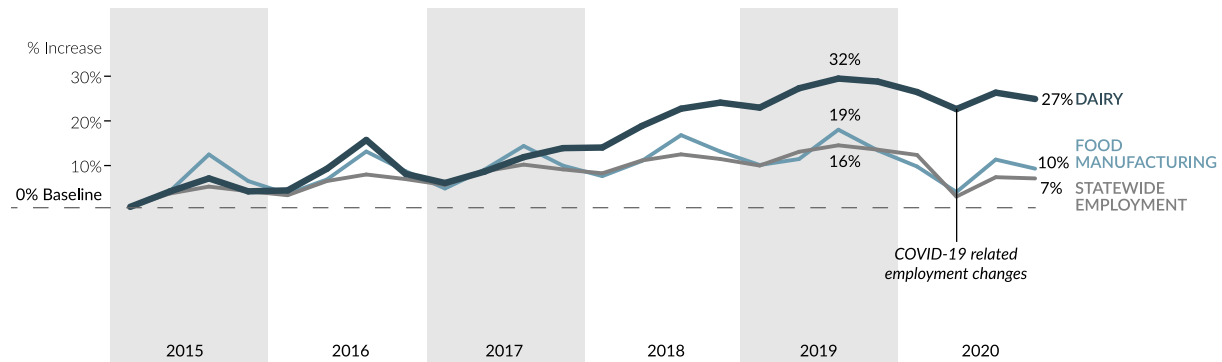
Full exemption expires July 1, 2025.

Jobs for dairy beneficiaries grew from 2015 to 2019, but dropped in 2020

Dairy beneficiary employment grew 32% from Quarter 1, 2015, through Quarter 3, 2019. Then employment for dairy beneficiaries dropped, likely due to impacted operations at the start of the COVID-19 pandemic. Employment for dairy beneficiaries grew again in late 2020 as businesses adapted to operating during the pandemic.

Beneficiaries finished 2020 with a 27% increase in overall employment when compared to Quarter 1, 2015. This is higher than the statewide average employment growth and growth in the broader food manufacturing industry.

Exhibit 2.1: Job growth for dairy beneficiaries was more than double the growth in food manufacturing and three times the growth in statewide employment



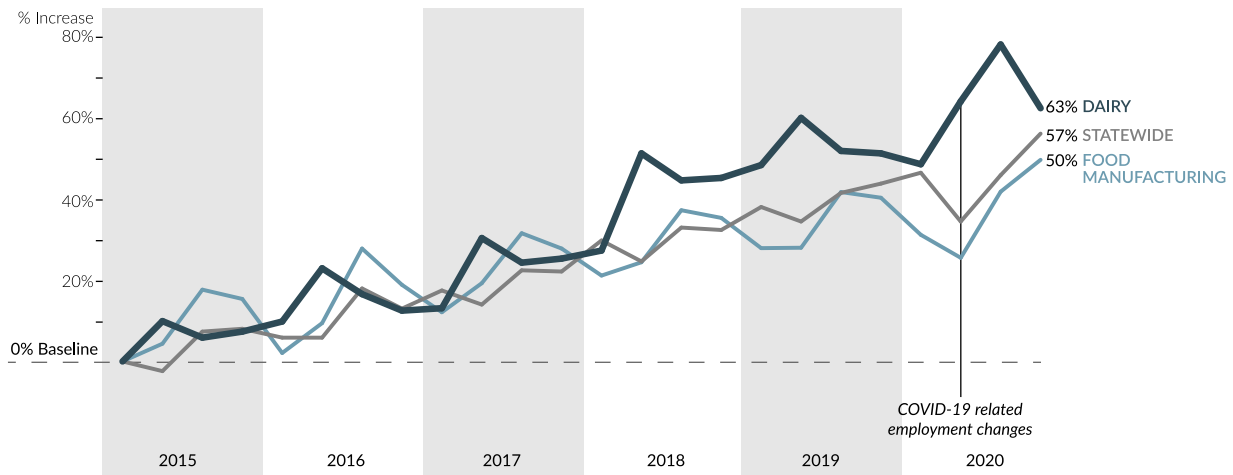
Source: JLARC staff analysis of Employment Security Department Quarterly Census of Employment data for: Washington total employment, all covered employment; food manufacturing industry employment; and dairy beneficiary employment for Quarter 1, 2015, through Quarter 4, 2020.

Wages increased by 63% among dairy beneficiary employees from 2015 through 2020

Unlike employment numbers, which show a decrease since Quarter 3, 2019, dairy industry wage data shows an overall increase during the same time period. While there was a dip in both dairy beneficiary and food manufacturing wages in 2019, wages for both, as well as statewide wages, increased in 2020 past their previous highs.

Industry representatives told JLARC staff that wage increases are one of the tools they have used to hire and retain workers in the tight labor market that now exists. The average wage in 2020 for dairy beneficiaries was \$61,857.

Exhibit 2.2: Since 2018, wages for dairy beneficiary employees have increased at a faster rate than statewide wages and wages in the food manufacturing industry

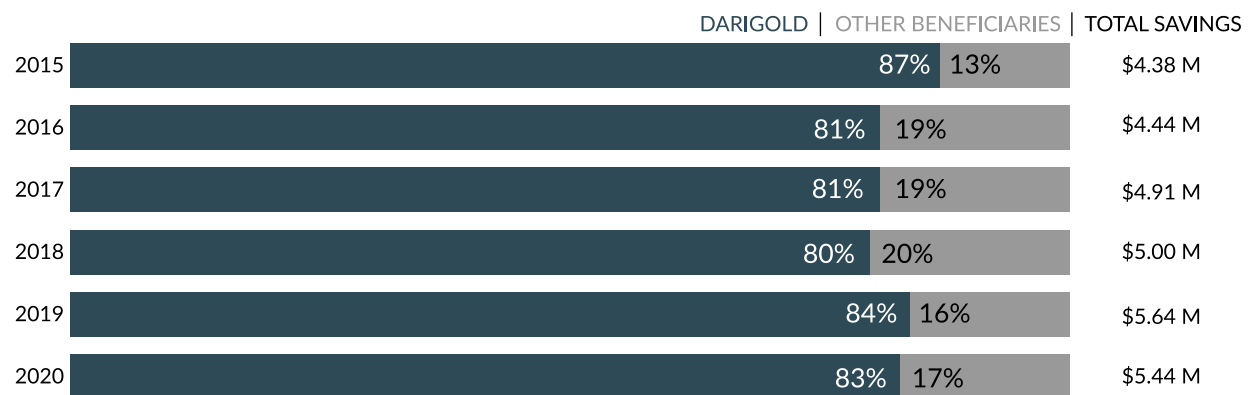


Source: JLARC staff analysis of Employment Security Department Quarterly Census of Employment wage data for: Washington total covered, total wages, all covered employees; food manufacturing industry wages, and dairy beneficiary wages for Quarter 1, 2015, through Quarter 4, 2020.

Darigold, Inc., is the largest preference user

Since 2015, Darigold, Inc., has claimed between 80% and 87% of all preference savings. The other dairy processors, ranging between 14 and 43 businesses, made up between 13% and 20% of preference users from 2015 through 2020. Appendix A provides a full listing of dairy beneficiaries and their savings.

Exhibit 2.3: Darigold claimed between 80% and 87% of total preference savings between 2015 and 2020



Source: JLARC staff analysis of Department of Revenue Incentive and Reporting Public Disclosure web page detail for dairy product deduction, 2015-2020.

Beneficiaries estimated to save \$12.6 million in the 2021-23 biennium

JLARC staff used actual beneficiary data (2015-2020) to estimate the future savings for dairy beneficiaries.

The estimate is also based on the following considerations:

- The special B&O tax exemption for dairy products sold as an ingredient to produce other dairy products will expire on June 30, 2023. Since 2015, this exemption has averaged \$62,000 in savings annually.
- JLARC staff estimated a compound average growth rate¹ of 6.44% based on use of the preference from 2015 through 2019. This rate was included in the estimate of future use of the B&O exemption through its scheduled expiration on June 30, 2025.

Exhibit 2.4: Beneficiaries estimated to save \$10.5 million in the 18 months before the B&O exemption expires

Biennium	Calendar Year	Estimated Beneficiary Savings
2019-21 (July 1, 2019 - June 30, 2021)	2020	\$5,437,000
	2021	\$5,755,000
2021-23 (July 1, 2021 -- June 30, 2023)	2022	\$6,121,000
	2023	\$6,511,000
2023-25 (July 1, 2023 -- June 30, 2025)	2024	\$6,865,000
	2025 (thru 6/30/2025)	\$3,653,000
<i>Full exemption expires June 30, 2025. Beneficiaries will pay a preferential B&O tax rate of 0.138% effective July 1, 2025.</i>		
Estimated 2023-25 Biennial Savings		\$ 10,518,000

Source: JLARC staff analysis of Department of Revenue Incentive and Reporting Public Disclosure web page for dairy product B&O tax deduction and confidential tax return detail. Future growth calculated using 6.44% compound average growth rate determined by JLARC staff based on preference use from 2015 - 2019.

¹A method for expressing multi-year growth as a constant rate of return over the time period.

Beginning July 1, 2025, dairy beneficiaries will pay a preferential B&O tax rate of 0.138% on their qualifying manufacturing and wholesaling activities. The general B&O tax rate for these activities is 0.484%. The preferential rate is scheduled to expire January 1, 2036, for dairy products.

Exhibit 2.5: Beneficiaries estimated to save \$12.2 million in the 2027-29 biennium using the preferential 0.138% B&O rate

Biennium	Calendar Year	Estimated Beneficiary Savings
2025-27 <i>(July 1, 2025 -- June 30, 2026)</i>	2025 <i>(beginning 7/01/2025)</i>	\$2,612,000
	2026	\$5,559,000
2027-29 <i>(July 1, 2026-- June 30, 2028)</i>	2027	\$5,917,000
	2028	\$6,298,000
Estimated 2027-29 Biennial Savings		\$12,215,000

Source: JLARC staff estimate based on actual B&O tax exemption use per Department of Revenue Incentive and Reporting Public Disclosure web page and confidential tax return detail. Future growth calculated using 6.44% compound average growth rate determined by JLARC staff based on actual preference use from 2015-2019.

Savings from the preference represented 0.88% of beneficiaries' total taxable amount from 2016 to 2020

The Legislature directed JLARC staff to answer the following two questions about taxable income when it extended the B&O tax exemption in 2015:

1. What is the change in total taxable income for businesses claiming the exemption?

The total taxable amount² reported on Department of Revenue tax returns for dairy beneficiaries increased from \$516 million in 2016 to \$599 million in 2019, a 16% increase. The total taxable amount dropped by \$10.1 million from 2019 to 2020.

2. What percentage of total taxable income does the exemption represent for businesses claiming it?

The preference represented between 0.80% and 0.94% of the total taxable amount for dairy beneficiaries between 2016 and 2020. The average over these five years was 0.88%.

²Total B&O tax gross receipts minus B&O tax deductions.

3. Fruit & vegetable beneficiaries: Jobs grew by 44% and wages by 69%

Wineries are the most common users of the fruit & vegetable preference. Job and wage growth for beneficiaries exceeded state and food manufacturing industry averages.

Beneficiaries manufacture and sell fruit & vegetable products, such as frozen french fries and wine

To qualify for the preference, a business must perform one of the following activities:

- Manufacture fruit or vegetable products, such as canned pears, apple juice, frozen french fries, or wine.
- Sell fruit or vegetable products wholesale to in-state buyers who then transport the products outside the state. The sellers must be the manufacturers.

Wineries comprise 71% of the fruit & vegetable beneficiaries, but claim 19% of the tax savings

Between 2015 and 2020, wineries made up between 69% and 74% of all fruit & vegetable beneficiaries. However, wineries claim between 17% and 21% of the preference savings. Many of Washington's wineries are small businesses so their total exempt income is lower than larger fruit & vegetable manufacturers. For example, in 2020, the average winery claim was \$15,800 and the average fruit & vegetable processor claim was \$178,900.

Highlights



Beneficiaries employ 74% of fruit & vegetable industry workers.

Wineries comprise 71% of the beneficiaries, but claim 19% of the tax savings.

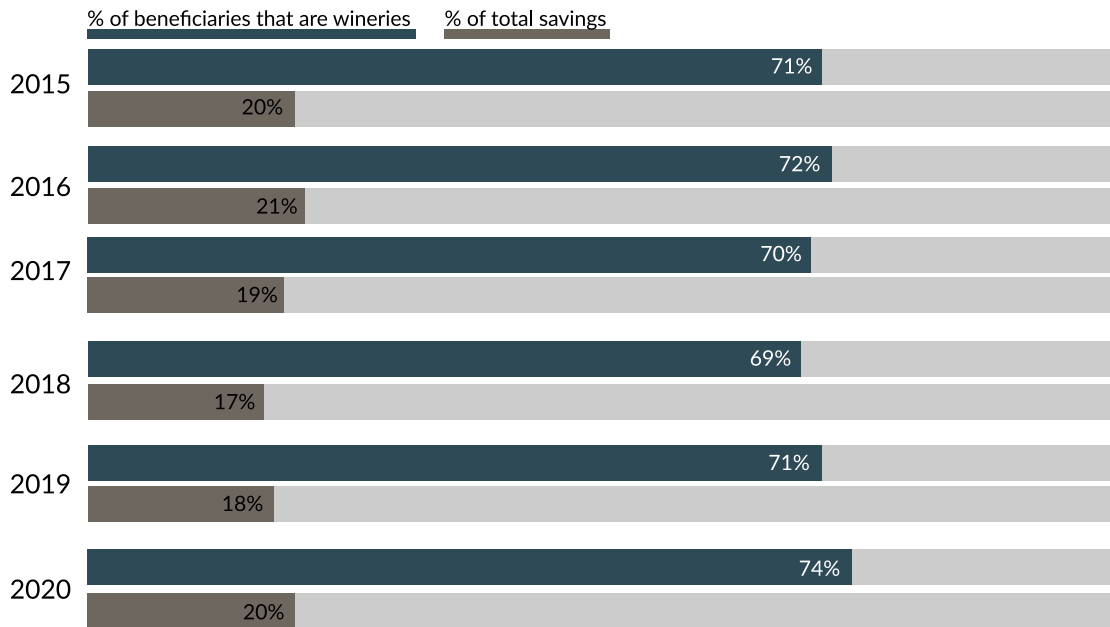
Jobs grew by 44% from 2015 to 2020.

Wages grew by 69% from 2015 to 2020.

Full exemption expires July 1, 2025.

Appendix B lists the fruit & vegetable beneficiaries, their savings, and identifies which businesses are wineries.

Exhibit 3.1: Wineries make up the majority of the beneficiaries but claim less of the savings



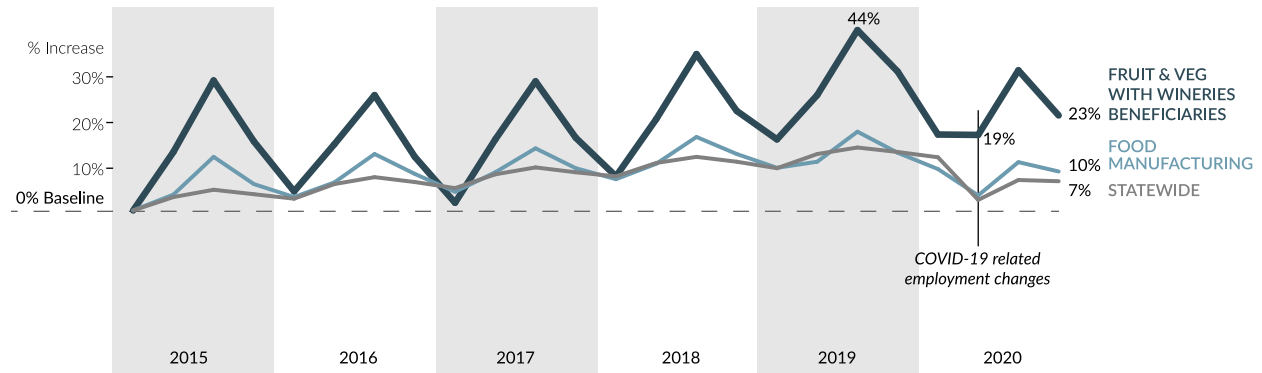
Source: JLARC staff analysis of Department of Revenue Incentive and Reporting Public Disclosure web page detail for fruit & vegetable deduction, 2015-2020.

Jobs for all fruit & vegetable beneficiaries grew 44% from 2015 to 2019, but dropped in 2020

Fruit & vegetable beneficiary employment, including wineries, grew 44% from Quarter 1, 2015, to Quarter 3, 2019.

Employment dropped in early 2020, likely due to impacted operations at the start of the COVID-19 pandemic. However, beneficiaries adapted to operating during the pandemic and experienced more job growth than the statewide average employment growth and growth in the broader food manufacturing industry through the end of 2020. Beneficiaries finished 2020 with a 23% increase in employment compared to the start of 2015.

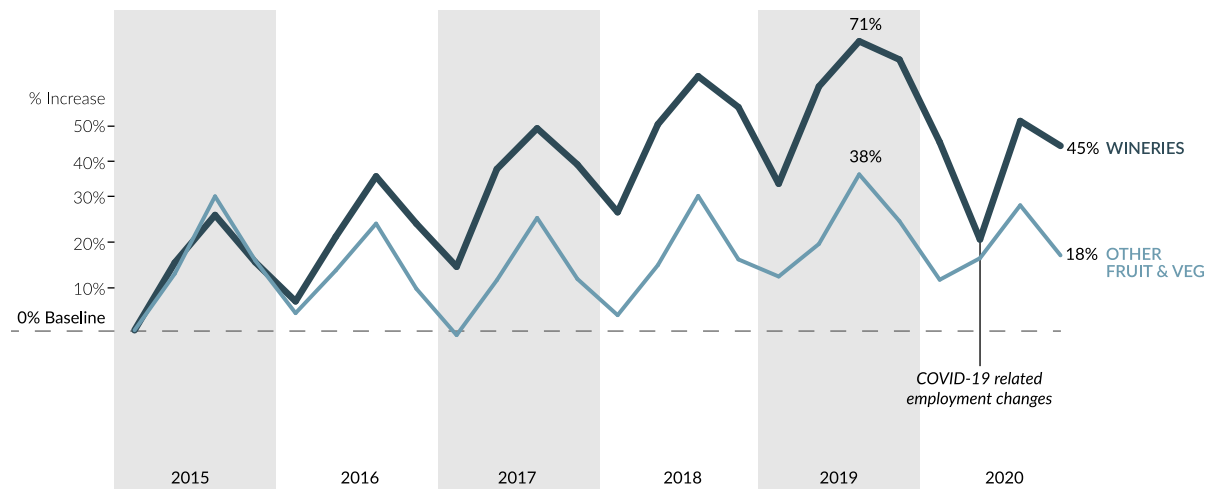
Exhibit 3.2: Job growth for beneficiaries was more than double the growth in the food manufacturing industry and more than triple the growth in statewide employment from 2015-2020



Source: JLARC staff analysis of Employment Security Department Quarterly Census of Employment data for: Washington total employment, all covered employment; food manufacturing industry employment (NAICS³ 311); and fruit & vegetable, including wineries, beneficiary employment for Quarter 1, 2015, through Quarter 4, 2020.

When wineries are separated from other fruit & vegetable beneficiaries, their growth is more than double the growth of all other fruit & vegetable beneficiaries between 2015 and 2020. Job growth for both groups peaked in 2019 and fell in 2020.

Exhibit 3.3: Job growth at wineries and other fruit & vegetable beneficiaries peaked in 2019 at 71% and 38%, respectively



Source: JLARC staff analysis of Employment Security Department Quarterly Census of Employment data for: fruit & vegetable manufacturing (NAICS 3114) and winery (NAICS 312130) beneficiary employment for Quarter 1, 2015, through Quarter 4, 2020.

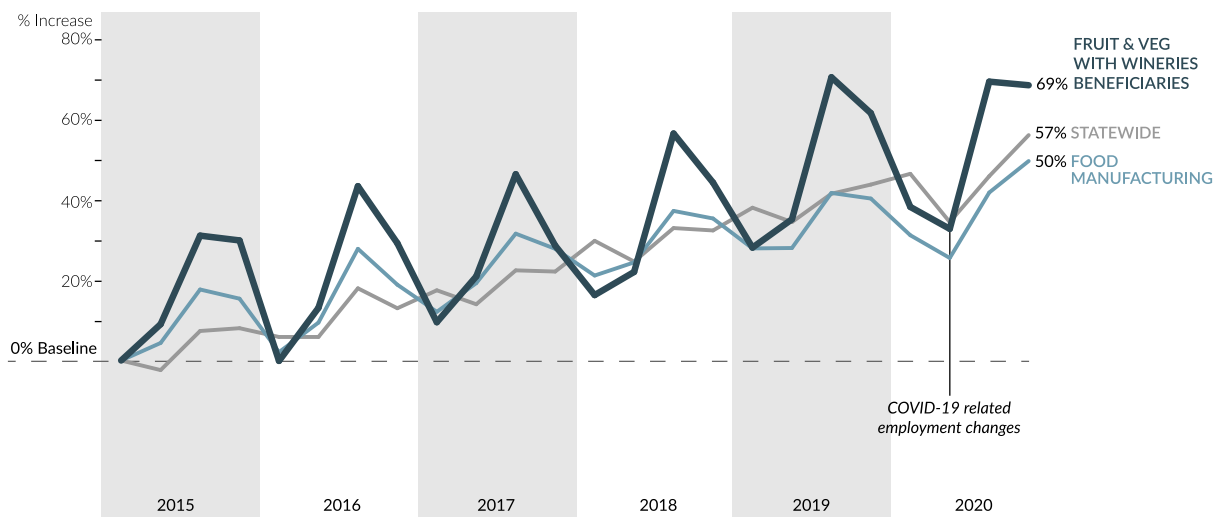
³North American Industry Classification System.

Wages grew by 69% for fruit & vegetable beneficiaries between 2015-2020

Wages paid by fruit & vegetable beneficiaries, including wineries, grew 69% from Quarter 1, 2015, through the end of 2020.

Beneficiary wages dropped during Quarter 2, 2020, in response to the impacts of the COVID-19 pandemic, but rose again at a faster rate than the rest of the food manufacturing industry. Fruit & vegetable industry representatives and beneficiaries report that wage increases are one of the main incentives they have used to hire and retain workers in the tight labor market that developed since 2019. The average wage in 2020 for fruit & vegetable beneficiaries was \$49,853.

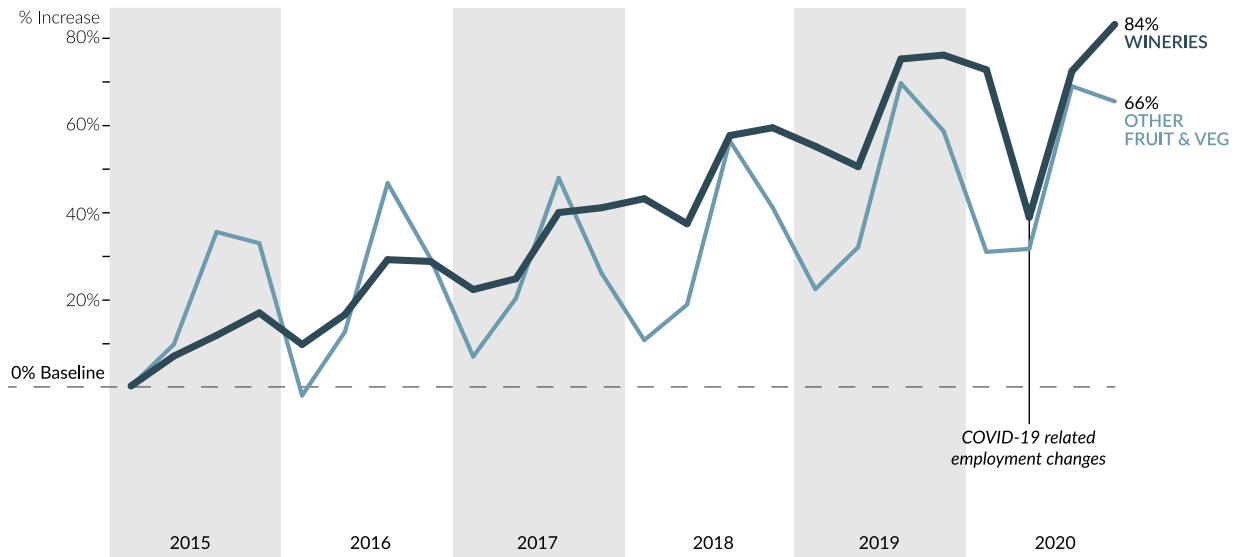
Exhibit 3.4: Beneficiary wages grew 69% between 2015-2020, surpassing growth in the broader food manufacturing industry and statewide averages



Source: JLARC staff analysis of Employment Security Department Quarterly Census of Employment wage data for: Washington total covered, total wages, all covered employees; food manufacturing industry wages; and combined fruit & vegetable processors and winery beneficiary wages for Quarter 1, 2015, through Quarter 4, 2020.

Wages for winery beneficiaries increased by 84% while wages for other fruit & vegetable beneficiaries rose by 66%. The average wage in 2020 for winery beneficiaries was \$45,605, while the average wage for other fruit & vegetable beneficiaries was \$51,019.

Exhibit 3.5: Wages for winery beneficiaries grew at a faster rate than other fruit & vegetable beneficiaries



Source: JLARC staff analysis of Employment Security Department Quarterly Census of Employment wage data for: fruit & vegetable manufacturer beneficiary wages and winery beneficiary wages for Quarter 1, 2015, through Quarter 4, 2020.

Beneficiaries estimated to save \$29 million in the 2021-23 biennium

JLARC staff estimated the future savings for fruit & vegetable beneficiaries using actual beneficiary data from calendar years 2015 through 2020.

JLARC staff estimated a compound average growth rate⁴ of 2.04% based on use of the preference from 2015 through 2019. This rate was included in the estimate of future use of the B&O exemption through its scheduled expiration on June 30, 2025.

⁴A method for expressing multi-year growth as a constant rate of return over the time period.

Exhibit 3.6: Beneficiaries estimated to save \$22.7 million in the 18 months before the B&O exemption expires

Biennium	Calendar Year	Estimated Beneficiary Savings
2019-21 (7/01/2019 - 6/30/2021)	2020	\$13,856,000
	2021	\$14,138,000
2021-23 (7/01/2021 - 6/30/2023)	2022	\$14,427,000
	2023	\$14,721,000
2023-25 (7/01/2023 - 6/30/2025)	2024	\$15,021,000
	2025 (thru 6/30/2025)	\$7,664,000
<i>Full exemption expires June 30, 2025. Beneficiaries will pay a preferential B&O tax rate of 0.138% effective July 1, 2025.</i>		
2023-2025 Biennial Savings		\$22,685,000

Source: JLARC staff analysis of Department of Revenue Incentive and Reporting Public Disclosure web page for fruit & vegetable B&O tax exemption and confidential tax return detail. Future growth calculated using 2.04% compound average growth rate calculated by JLARC staff based on preference use from 2015-2019.

Beginning July 1, 2025, fruit & vegetable beneficiaries, including wineries, will pay a preferential B&O tax rate of 0.138% on their qualifying manufacturing and wholesaling activities. The general B&O tax rate for these activities is currently 0.484%. Under current law, the preferential rate does not expire.

Exhibit 3.7: Beneficiaries estimated to save \$23 million in the 2027-29 biennium using the preferential B&O tax rate of 0.138%

Biennium	Calendar Year	Estimated Beneficiary Savings
2025-27 (July 1, 2025 -- June 30, 2026)	2025 (beginning 7/01/2025)	\$5,479,000
	2026	\$11,181,000
2027-29 (July 1, 2026-- June 30, 2028)	2027	\$11,409,000
	2028	\$11,642,000
Estimated 2027-29 Biennial Savings		\$23,051,000

Source: JLARC staff estimate based on actual B&O tax exemption use per Department of Revenue Incentive and Reporting Public Disclosure web page and confidential tax return detail. Future growth calculated using 2.04% compound average growth rate determined by JLARC staff based on actual preference use from 2015-2019.

Savings from the preference represented 1.06% of beneficiaries' total taxable amount

The Legislature directed JLARC staff to answer the following two questions about taxable income when it extended the B&O tax exemption in 2015:

1. What is the change in total taxable income for businesses claiming the exemption?

The total taxable amount⁵ reported on Department of Revenue tax returns for all beneficiaries, including wineries, increased from \$1.53 billion in 2016 to \$1.79 billion in 2019, a 17% increase. The total taxable amount dropped from 2019 to 2020 by 19.3%.

2. What percentage of total taxable income does the exemption represent for businesses claiming it?

The preference represented between 0.95% and 1.12% of the total taxable amount for all beneficiaries, including wineries, between 2016 and 2020. The average over these five years was 1.06%.

4. Seafood beneficiaries: Jobs fell 10% and wages fell 4%

Seafood beneficiaries employ 51% or less of their industry's workers. Their jobs declined, but at a slower pace than the rest of the industry. Their average wages also fell.

Beneficiaries manufacture and sell seafood products, such as frozen fish fillets and fish sticks

⁵Total B&O tax gross receipts minus B&O tax deductions.

To qualify for the preference, a business must perform one of the following activities:

- Manufacture certain seafood products, such as fish fillets or fish sticks.
- Sell seafood products wholesale or retail to in-state buyers who then transport the products outside the state. The seller does not need to be the manufacturer.

Beneficiaries employ between 35% and 51% of all seafood processing workers in Washington

Since 2015, seafood beneficiaries have employed between 35% and 51% of all workers in Washington's seafood products manufacturing industry (NAICS⁶ 3117). This is a lower share of the industry than dairy and fruit & vegetable beneficiaries employ (94% and 74%, respectively).

Based on discussions with regional economists and industry representatives and a review of state economic reports, there are several possible reasons for why beneficiaries employ a smaller portion of their industry's workers:

- Not all of Washington's seafood processing businesses are conducting qualifying activities in the state, and therefore cannot claim the preference. Seafood processing businesses may be headquartered in Washington, but conduct their processing activities out of state. For example, much of the fishing takes place in Alaska and businesses may process their seafood products on fishing vessels or in Alaska-based facilities.
- Seafood industry representatives indicated that they sometimes hire self-employed operators to fish and process their catch. The employment figures in this report are derived from unemployment insurance records. While the employees of the seafood firm are included in those records, these self-employed owners and operators are not.

⁶North American Industry Classification System.

Highlights



Seafood beneficiaries employ 51% or less of their industry's workers, a smaller share than dairy and fruit & vegetable beneficiaries.

Jobs fell 10% from 2015 to 2020.

Wages fell 4% from 2015 to 2020.

Full exemption expires July 1, 2025.

Jobs for seafood beneficiaries dropped 10% between 2015-2020, which is less than the 27% loss in seafood processing jobs overall

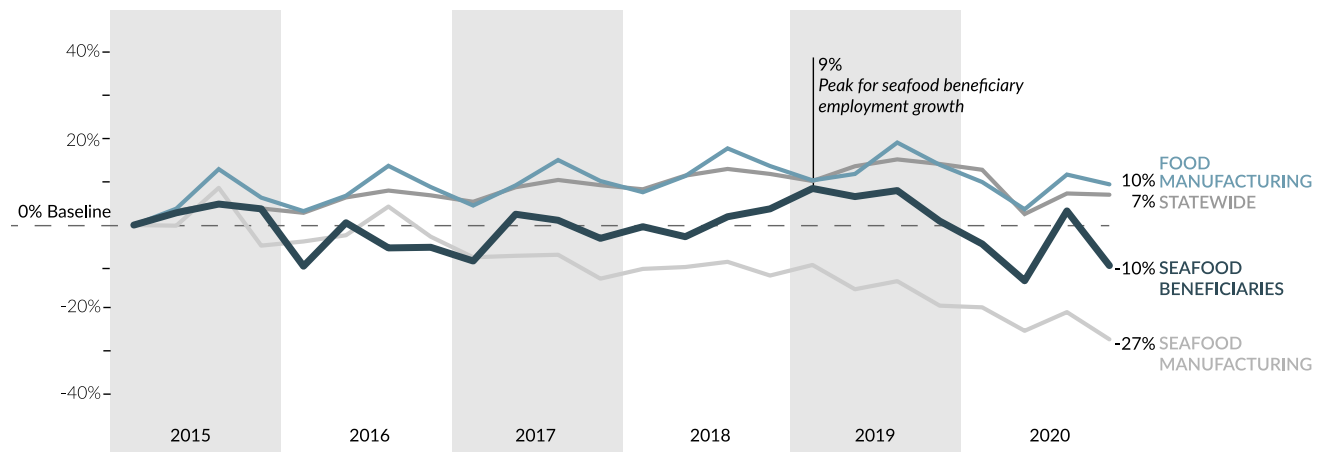
JLARC staff found that the total number of Washington seafood processing jobs decreased between 2015 and 2020. These job losses impacted beneficiaries as well as businesses that did not claim the preference.

For seafood beneficiaries, employment peaked in Quarter 1, 2019, when overall employment increased by 9% over Quarter 1, 2015. By the end of 2020, beneficiary employment dropped 10% compared to January 2015.

The broader seafood processing industry experienced a larger decrease in jobs. Industry representatives stated that they find it increasingly difficult to hire and retain employees in Washington's processing facilities.

In contrast to job losses in the seafood industry, employment grew by 10% in the food manufacturing industry and by 7% statewide.

Exhibit 4.1: Seafood beneficiary jobs declined at a slower rate than the rest of the seafood processing industry. At the same time, jobs grew statewide and in the food manufacturing industry.

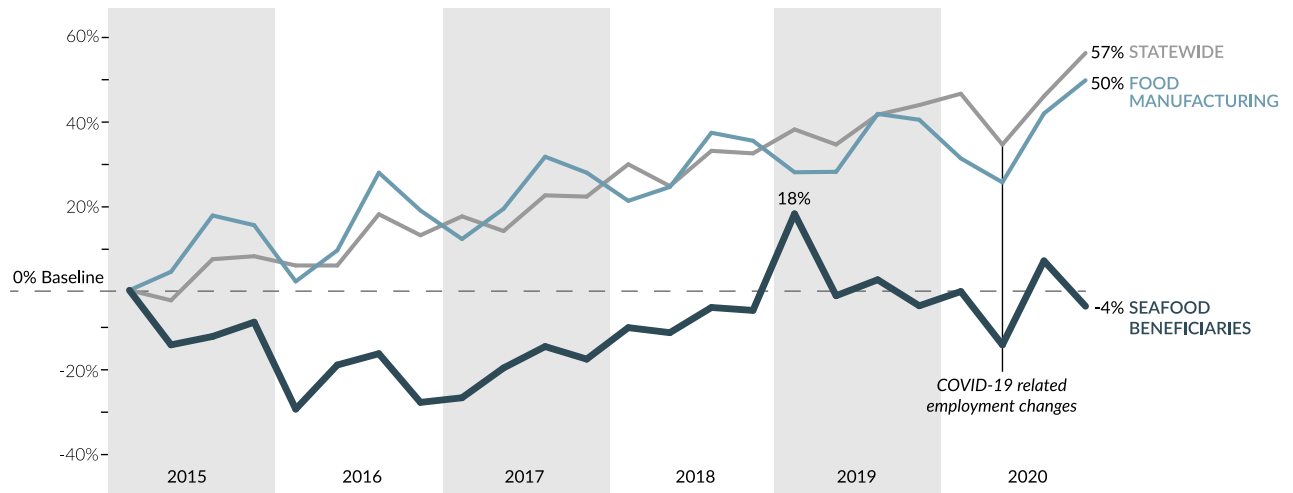


Source: JLARC staff analysis of Employment Security Department Quarterly Census of Employment data for: Washington total employment, all covered employment; food manufacturing industry employment, seafood product manufacturing industry employment, and seafood beneficiary employment for Quarter 1, 2015, through Quarter 4, 2020.

Wages decreased by 4% among beneficiaries from 2015 to 2020, while average wages increased statewide and in the food manufacturing industry

Seafood beneficiary wages decreased 4% from Quarter 1, 2015, through Quarter 4, 2020. It is unclear why beneficiary wages fell while wages for other businesses grew. The average wage for seafood beneficiaries in 2020 was \$50,909.

Exhibit 4.2: Seafood beneficiary wages fell while wages increased 50% or more statewide and in the food manufacturing industry



Source: JLARC staff analysis of Employment Security Department Quarterly Census of Employment wage data for: Washington total covered, total wages, all covered employees; food manufacturing industry wages; and seafood beneficiary wages for Quarter 1, 2015 through Quarter 4, 2020.

Beneficiaries estimated to save \$6.2 million in the 2021-23 biennium

JLARC staff estimated the future savings for seafood beneficiaries using actual beneficiary data for calendar years 2015 through 2020.

JLARC staff estimated a compound average growth rate⁷ of 2.84% based on use of the preference from 2015 through 2019. This rate was included in the estimate of future use of the B&O exemption through its scheduled expiration on June 30, 2025.

⁷A method for expressing multi-year growth as a constant rate of return over the time period.

Exhibit 4.3: Beneficiaries estimated to save \$4.9 million in the 18 months before the full B&O exemption expires

Biennium	Calendar Year	Estimated Beneficiary Savings
2019-2021 (July 1, 2019 - June 30, 2021)	2020	\$2,879,000
	2021	\$2,961,000
2021-2023 (July 1, 2021 - June 30, 2023)	2022	\$3,045,000
	2023	\$3,132,000
2023-2025 (July 1, 2023 - June 30, 2025)	2024	\$3,221,000
	2025 (thru 6/30/2025)	\$1,656,000
Full exemption expires June 30, 2025. Beneficiaries will pay a preferential B&O tax rate of 0.138% effective July 1, 2025.		
Estimated 2023-2025 Biennial Savings		\$ 4,877,000

Source: JLARC staff analysis of Department of Revenue Incentive and Reporting Public Disclosure web page for seafood product B&O tax exemption and confidential tax return detail. Future growth calculated using 2.84% compound average growth rate determined by JLARC staff based on preference use from 2015-2019.

Beginning July 1, 2025, seafood beneficiaries will pay a preferential 0.138% B&O tax rate for their qualifying manufacturing activities and for certain sales. The general B&O rate for manufacturing and wholesaling activities is 0.484% and the retailing rate is 0.471% . Under current law, the preferential rate does not expire.

Exhibit 4.4: Seafood beneficiaries estimated to save \$5.1 million in the 2027-29 biennium using the preferential 0.138% rate

Biennium	Calendar Year	Estimated Beneficiary Savings
2025-27 (July 1, 2025 - June 30, 2027)	2025 (beginning 7/01/25)	\$1,184,000
	2026	\$2,435,000
2027-29 (July 1, 2027 - June 30, 2029)	2027	\$2,505,000
	2028	\$2,576,000
Estimated 2027-2029 biennial savings		\$5,081,000

Source: JLARC staff estimate based on actual B&O exemption use per Department of Revenue Incentive and Reporting Public Disclosure web page and confidential tax return detail. Future growth calculated using 2.84% compound average growth rate determined by JLARC staff based on actual preference use from 2015-2019.

Savings from the preference represented 0.68% of beneficiaries' total taxable amount

The Legislature directed JLARC staff to answer the following two questions about taxable income when it extended the B&O tax exemption in 2015:

1. What is the change in total taxable income for businesses claiming the exemption?

The total taxable amount⁸ reported on Department of Revenue tax returns for seafood beneficiaries decreased from \$482 million in 2016 to \$454 million in 2019, a 5.8% decrease. The total taxable amount increased from 2019 to 2020 by 5%.

2. What percentage of total taxable income does the exemption represent for businesses claiming it?

The preference represents between 0.60% and 0.84% of the total taxable amount for seafood beneficiaries between 2016 and 2020. The average over five years was 0.68%.

5. Preferences reduce taxes, but WA still has highest effective tax rate

The preferences provide tax relief, but Washington continues to have a higher effective tax rate than neighboring states largely due to sales tax on facility construction and maintenance.

JLARC staff hired a tax accounting consultant (Ernst & Young) to conduct a comparative tax rate analysis for each of the three food processing industries in Washington and in the neighboring competitor states of Oregon, Idaho, and California. Industry representatives often cite these states as alternative locations for Washington-based food processors to relocate. Alaska was also included in the seafood processing industry analysis due to its significant national share of that industry.

Analysis looked at tax burdens on dairy, fruit & vegetable, and seafood processors before and after state-based incentives were applied

⁸Total B&O tax gross receipts minus B&O tax deductions.

The analysis compares estimates of the tax burdens for small and large hypothetical food processing firms investing in new facilities in Washington and neighboring competitor states. The analysis compares the impact of Washington's statutory incentives with those provided by the other states.

The analysis calculated an effective tax rate for small and large hypothetical firms that locate in each state prior to state-based incentives and after the incentives were applied. An effective tax rate (ETR) is the percentage reduction in the hypothetical firm's rate of return due to taxes over a 30-year period. The ETR includes all state and local taxes a business might pay, including sales and use, property, and B&O or income tax, as applicable.

- Pre-incentive ETRs were calculated based on each state's particular tax structure.
- Post-incentive ETRs were calculated after various state incentives were applied, reducing the tax rate by some percentage.

For Washington, the pre-incentive rate for each industry was based on a scenario where the current preference was not in effect. This meant that businesses paid the general manufacturing B&O tax rate of 0.484%.

Conclusion: Preferences provide tax relief, but Washington continues to have a higher effective tax rate than neighboring states

The consultants' analysis found that Washington's total state and local ETRs are the highest among the neighboring competitor states for both small and large firms in all three industries. This is true before the incentives are applied and after.

In each scenario, Ernst & Young noted a factor that significantly influenced the results: Washington's relatively higher combined state and local sales tax, which unlike some states applies to services for facility construction and ongoing facility maintenance.

Dairy processors ([NAICS⁹ 3115](#))

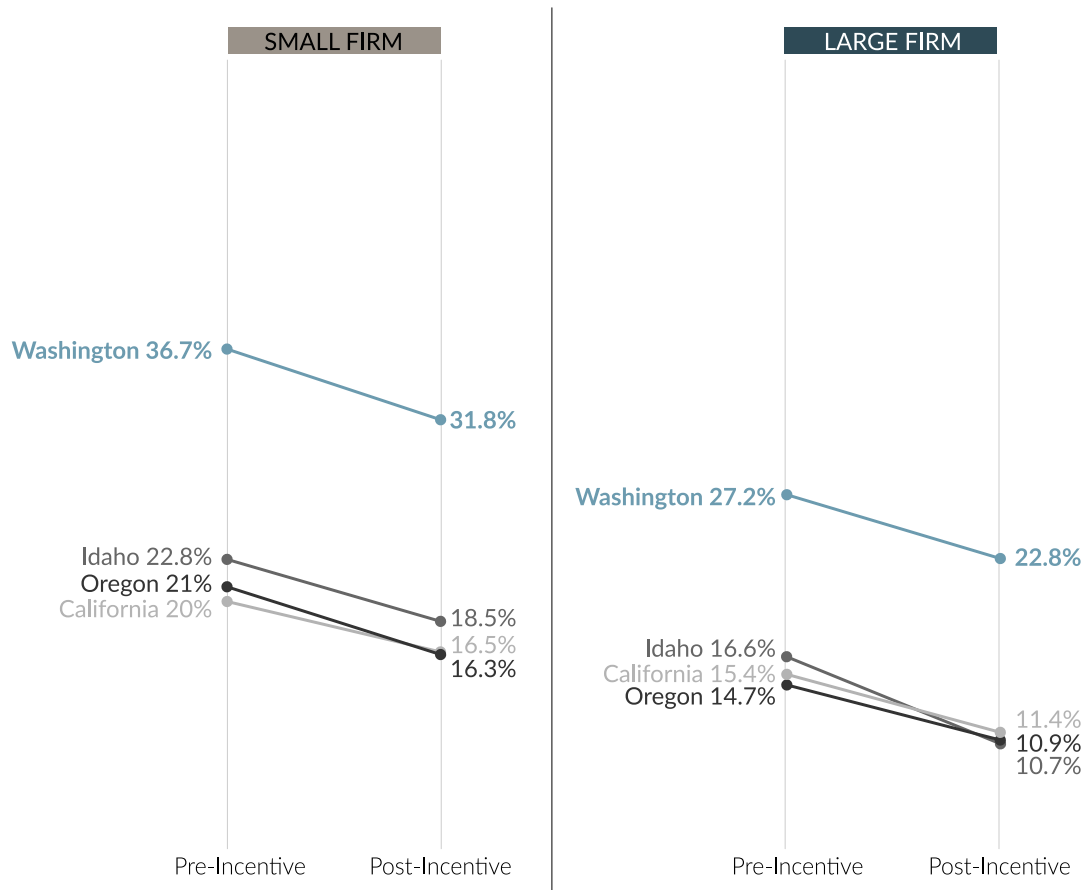
- In the small firm analysis, the preferences reduce the ETR from 36.7% to 31.8%. The next closest post-incentive ETR is Idaho's at 18.5%.

⁹North American Industry Classification System.

- In the large firm analysis, the preferences reduce the ETR from 27.2% to 22.8%. The next closest post-incentive ETR is California's at 11.4%.

The analysis found that Idaho's low post-incentive ETR for large firms is due to several incentives, including refundable income tax credits, property tax abatements, and sales and use tax exemptions and refunds.

Exhibit 5.1: Washington's post-incentive ETR for dairy processors is 31.8% for small firms and 22.8% for large firms



Source: JLARC staff analysis of Ernst & Young April 2022 report, [page 7](#).

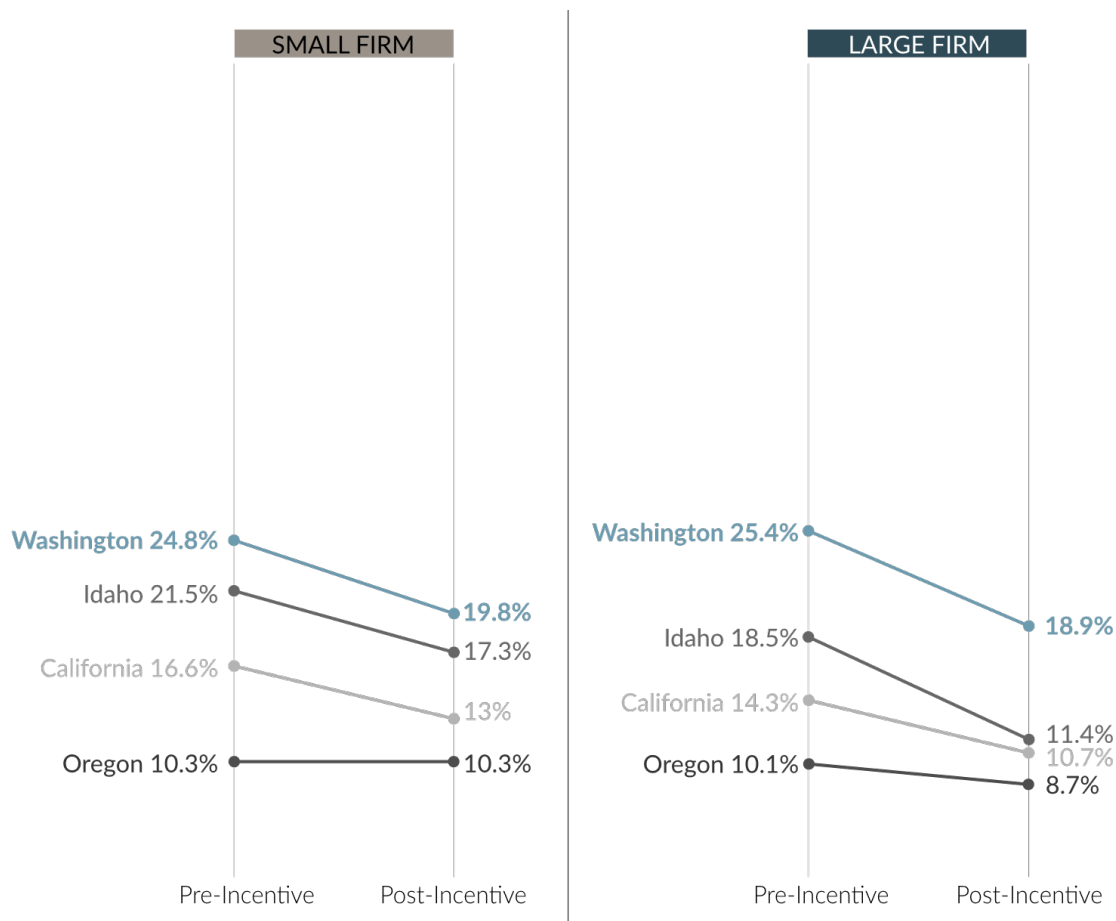
Fruit & vegetable processors (NAICS¹⁰ 3114)

The effective tax rate analysis addresses fruit & vegetable manufacturing businesses under NAICS 3114. The study does not compare the effective tax rate for wineries as an industry (NAICS 312130).

¹⁰North American Industry Classification System.

- In the small firm analysis, the preferences reduce the ETR from 24.8% to 19.8%. The closest post-incentive ETR is Idaho's at 17.3%. Oregon's small firm ETR does not change with incentives because the hypothetical firm does not meet investment levels for the state property tax incentives.
- In the large firm analysis, the preferences reduce the ETR from 25.4% to 18.9%. The closest post-incentive ETR is again Idaho's, at 11.4%. Idaho has the largest number of incentives and the largest decline in total ETR for a large firm. But Idaho's higher pre-incentive tax burden means even with a large decline, California's and Oregon's ETRs are lower.

Exhibit 5.2: Washington's post-incentive ETR for fruit & vegetable processors is 19.8% for small firms and 18.9% for large firms

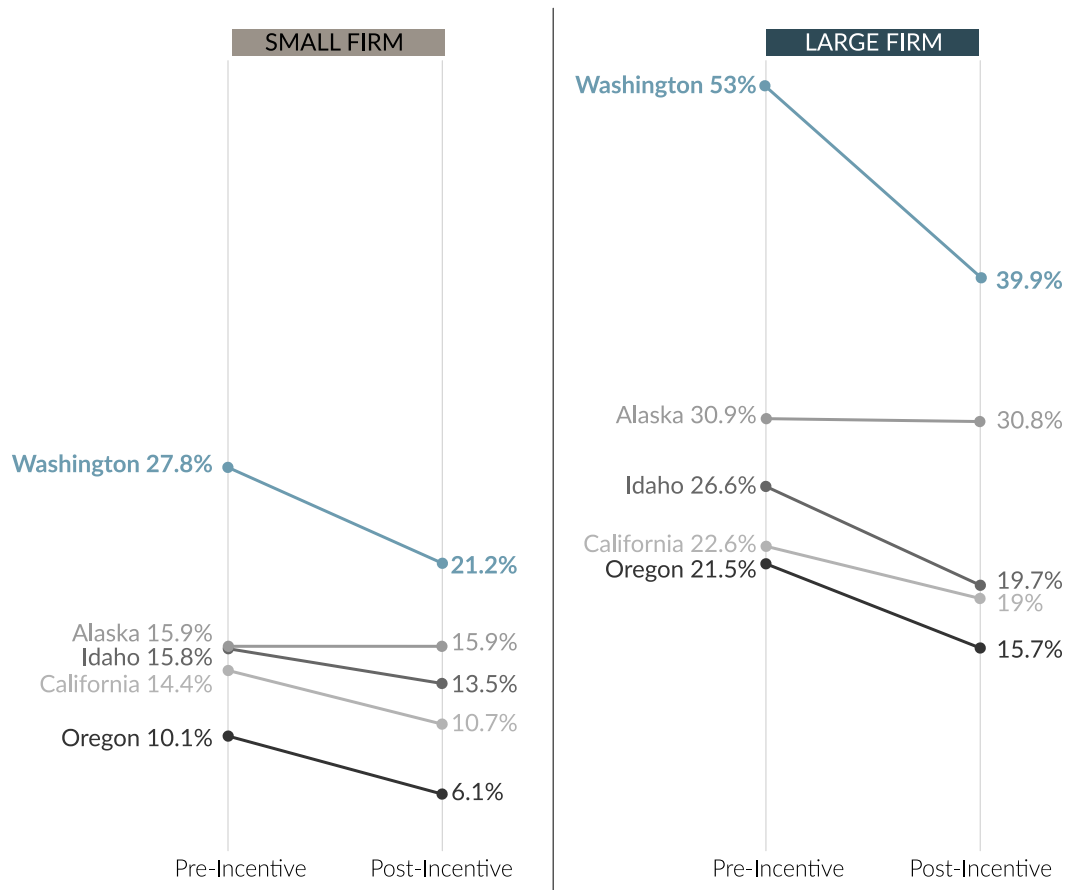


Source: JLARC staff analysis of Ernst & Young April 2022 report, [page 6](#).

Seafood processors (NAICS¹¹ 3117)

- In the small firm analysis, the preferences reduce the ETR from 27.8% to 21.2%. The next closest post-incentive ETR is Alaska's at 15.9%.
- In the large firm analysis, the preferences reduce the ETR from 53.0% to 39.9%. The report notes that despite favorable sales and property taxes, Alaska has the next highest post-incentive ETR at 30.8%. The report further notes across all five states, the large seafood firm ETRs are double that of the small firm ETRs, due to the relatively low profit margin for large seafood firms. The share of state and local taxes has a higher relative impact due to the low net income of these businesses.

Exhibit 5.3: Washington's post-incentive ETR for seafood processors is 21.2% for small firms and 39.9% for large firms



Source: JLARC staff analysis of Ernst & Young April 2022 report, [page 7](#).

¹¹North American Industry Classification System.

Other factors besides taxes influence location decisions

Interviews with beneficiary businesses in all three industries indicated that taxes - and the availability of tax incentives - are just one of many factors that influence location decisions. Other factors noted by beneficiaries include:

- Proximity to inputs, such as raw products and markets.
- Labor availability and costs.
- Transportation infrastructure.
- Energy availability and costs.

6. Job gains due to preferences likely offset by job losses in government sector

Economic modeling tool estimates the preferences likely increased employment in the food processing industries, but the gains were more than offset by a reduction in government employment.

JLARC staff used an economic modeling tool that predicts future impacts of a change, such as removal of a tax preference. The estimated results highlight the potential opportunity costs of the B&O tax preferences. See Appendix D and Appendix E for more details on the model and analysis.

Dairy processors: Estimated gain of 15 jobs in dairy and other industries would be offset by expected loss of 49 jobs in state and local government

This scenario models the impacts of the current dairy processing B&O tax exemption and the future 0.138% preferential B&O tax rate and an equivalent government spending change. The results include direct, indirect, and induced employment changes. The model estimates the impact over an 11-year period, from 2020 through 2031.

Overall, the model estimates that Washington would lose 34 jobs. A decrease in government spending due to reduced tax revenues is estimated to result in a loss of 49 state and local government jobs, offsetting the gains in employment for dairy manufacturing and other industries.

Exhibit 6.1: Preferences likely resulted in net loss of 34 jobs

Industry	Jobs added or lost
Dairy product manufacturing (NAICS ¹² 3115)	+8
Other manufacturing	+4
Other private, nonfarm	+3
State and local government	-49
Total all industries	-34

Source: JLARC staff analysis of estimated future employment impacts using Regional Economic Modeling Inc. (REMI) economic modeling tool.

Fruit & vegetable processors: Estimated gain of 62 jobs in fruit & vegetable and other industries would be offset by expected loss of 141 jobs in government and other private sector industries

This scenario models the impacts of the current fruit & vegetable processing (NAICS 3114) B&O tax exemption and the future 0.138% preferential B&O tax rate and an equivalent government spending change. The results include direct, indirect, and induced employment changes. The model estimates the impact over an 11-year period, from 2020 through 2031.

JLARC staff did not model the impact of a change in taxation to wineries as an industry (NAICS 312130). This is because the level of detail necessary to conduct the analysis is not included in the economic modeling tool. The model includes four-digit NAICS codes, but does not provide detail for six-digit industry classifications.

Overall, the model estimates Washington would lose 79 jobs. A decrease in government spending due to decreased tax revenues is estimated to result in a loss of 111 state and local government jobs, and 30 additional private sector jobs. These losses offset the estimated gains in manufacturing.

¹²North American Industry Classification System.

Exhibit 6.2: Preferences likely resulted in net loss of 79 jobs

Industry	Jobs added or lost
Fruit & vegetable manufacturing (NAICS 3114)	+57
Other manufacturing	+5
Other private, nonfarm	-30
State and local government	-111
Total all industries	-79

Source: JLARC staff analysis of estimated future employment impacts using Regional Economic Modeling Inc. (REMI) economic modeling tool.

Seafood processors: Estimated gain of 15 jobs in seafood manufacturing and other private industry would be offset by expected loss of 23 government sector jobs

This scenario models the current seafood products processing (NAICS 3117) B&O tax exemption and the future preferential 0.138% B&O tax rate and an equivalent government spending change. The results include direct, indirect, and induced employment changes. The model estimates the impact over an 11-year period, from 2020 through 2031.

Overall, the model estimates Washington would lose eight jobs. A decrease in government spending due to decreased tax revenues is estimated to result in a loss of 23 state and local government jobs, offsetting the gains in other industries.

Exhibit 6.3: Preferences likely resulted in a net loss of 8 jobs

Industry	Jobs added or lost
Seafood product preparation and packaging (NAICS 3117)	+13
Other manufacturing	0
Other private, nonfarm	+2
State and local government	-23
Total all industries	-8

Source: JLARC staff analysis of estimated future employment impacts using Regional Economic Modeling Inc. (REMI) economic modeling tool. The other private, nonfarm job gain is rounded down from 2.5 for estimating purposes.

7. Applicable statutes

RCW 82.04.260(a), (b), (c); RCW 82.04.4266; RCW 82.04.4268; RCW 82.04.4269; RCW 82.32.534 RCW 82.04.260(a), (b), and (c)

Tax on manufacturers and processors of various foods and by-products—Research and development organizations—Travel agents—Certain international activities— Stevedoring and associated activities—Low-level waste disposers—Insurance producers, surplus line brokers, and title insurance agents—Hospitals—Commercial airplane activities—Timber product activities—Canned salmon processors.

RCW 82.04.260(a), (b), and (c)

*** CHANGE IN 2022 *** (SEE 1210-S2.SL) ***

(1) Upon every person engaging within this state in the business of manufacturing:

(a) Wheat into flour, barley into pearl barley, soybeans into soybean oil, canola into canola oil, canola meal, or canola by-products, or sunflower seeds into sunflower oil; as to such persons the amount of tax with respect to such business is equal to the value of the flour, pearl barley, oil, canola meal, or canola by-product manufactured, multiplied by the rate of 0.138 percent;

(b) Beginning July 1, 2025, seafood products that remain in a raw, raw frozen, or raw salted state at the completion of the manufacturing by that person; or selling manufactured seafood products that remain in a raw, raw frozen, or raw salted state at the completion of the manufacturing, to purchasers who transport in the ordinary course of business the goods out of this state; as to such persons the amount of tax with respect to such business is equal to the value of the products manufactured or the gross proceeds derived from such sales, multiplied by the rate of 0.138 percent. Sellers must keep and preserve records for the period required by RCW 82.32.070 establishing that the goods were transported by the purchaser in the ordinary course of business out of this state;

(c)(i) Except as provided otherwise in (c)(iii) of this subsection, from July 1, 2025, until January 1, 2036, dairy products; or selling dairy products that the person has manufactured to purchasers who either transport in the ordinary course of business the goods out of state or purchasers who use such dairy products as an ingredient or component in the manufacturing of a dairy product; as to such persons the tax imposed is equal to the value of the products manufactured or the gross proceeds derived from such sales multiplied by the rate of 0.138 percent. Sellers must keep and preserve records for the period required by RCW 82.32.070 establishing that the goods were transported by the purchaser in the ordinary course of business out of this state or sold to a manufacturer for use as an ingredient or component in the manufacturing of a dairy product.

(ii) For the purposes of this subsection (1)(c), "dairy products" means:

(A) Products, not including any marijuana-infused product, that as of September 20, 2001, are identified in 21 C.F.R., chapter 1, parts 131, 133, and 135, including by-products from the manufacturing of the dairy products, such as whey and casein; and

(B) Products comprised of not less than seventy percent dairy products that qualify under (c)(ii)(A) of this subsection, measured by weight or volume.

(iii) The preferential tax rate provided to taxpayers under this subsection (1)(c) does not apply to sales of dairy products on or after July 1, 2023, where a dairy product is used by the purchaser as an ingredient or component in the manufacturing in Washington of a dairy product;

(d)(i) Beginning July 1, 2025, fruits or vegetables by canning, preserving, freezing, processing, or dehydrating fresh fruits or vegetables, or selling at wholesale fruits or vegetables manufactured by the seller by canning, preserving, freezing, processing, or dehydrating fresh fruits or vegetables and sold to purchasers who transport in the ordinary course of business the goods out of this state; as to such persons the amount of tax with respect to such business is equal to the value of the products manufactured or the gross proceeds derived from such sales multiplied by the rate of 0.138 percent. Sellers must keep and preserve records for the period required by RCW 82.32.070 establishing that the goods were transported by the purchaser in the ordinary course of business out of this state.

(ii) For purposes of this subsection (1)(d), "fruits" and "vegetables" do not include marijuana, useable marijuana, or marijuana-infused products;

(JLARC note: The remainder of the statute is not shown, as it does not apply to the preferences currently under review.)

[2021 c 145 § 7; 2020 c 165 § 3. Prior: 2019 c 425 § 1; 2019 c 336 § 4; 2018 c 164 § 3; 2017 c 135 § 11; prior: 2015 3rd sp.s. c 6 § 602; 2015 3rd sp.s. c 6 § 205; prior: 2014 c 140 § 6; (2014 c

140 § 5 expired July 1, 2015); 2014 c 140 § 4; (2014 c 140 § 3 expired July 1, 2015); 2013 3rd sp.s. c 2 § 6; (2013 3rd sp.s. c 2 § 5 expired July 1, 2015); 2013 2nd sp.s. c 13 § 203; (2013 2nd sp.s. c 13 § 202 expired July 1, 2015); prior: (2012 2nd sp.s. c 6 § 602 expired July 1, 2015); 2012 2nd sp.s. c 6 § 204; 2011 c 2 § 203 (Initiative Measure No. 1107, approved November 2, 2010); 2010 1st sp.s. c 23 § 506; (2010 1st sp.s. c 23 § 505 expired June 10, 2010); 2010 c 114 § 107; prior: 2009 c 479 § 64; 2009 c 461 § 1; 2009 c 162 § 34; prior: 2008 c 296 § 1; 2008 c 217 § 100; 2008 c 81 § 4; prior: 2007 c 54 § 6; 2007 c 48 § 2; prior: 2006 c 354 § 4; 2006 c 300 § 1; prior: 2005 c 513 § 2; 2005 c 443 § 4; prior: 2003 2nd sp.s. c 1 § 4; 2003 2nd sp.s. c 1 § 3; 2003 c 339 § 11; 2003 c 261 § 11; 2001 2nd sp.s. c 25 § 2; prior: 1998 c 312 § 5; 1998 c 311 § 2; prior: 1998 c 170 § 4; 1996 c 148 § 2; 1996 c 115 § 1; prior: 1995 2nd sp.s. c 12 § 1; 1995 2nd sp.s. c 6 § 1; 1993 sp.s. c 25 § 104; 1993 c 492 § 304; 1991 c 272 § 15; 1990 c 21 § 2; 1987 c 139 § 1; prior: 1985 c 471 § 1; 1985 c 135 § 2; 1983 2nd ex.s. c 3 § 5; prior: 1983 1st ex.s. c 66 § 4; 1983 1st ex.s. c 55 § 4; 1982 2nd ex.s. c 13 § 1; 1982 c 10 § 16; prior: 1981 c 178 § 1; 1981 c 172 § 3; 1979 ex.s. c 196 § 2; 1975 1st ex.s. c 291 § 7; 1971 ex.s. c 281 § 5; 1971 ex.s. c 186 § 3; 1969 ex.s. c 262 § 36; 1967 ex.s. c 149 § 10; 1965 ex.s. c 173 § 6; 1961 c 15 § 82.04.260; prior: 1959 c 211 § 2; 1955 c 389 § 46; prior: 1953 c 91 § 4; 1951 2nd ex.s. c 28 § 4; 1950 ex.s. c 5 § 1, part; 1949 c 228 § 1, part; 1943 c 156 § 1, part; 1941 c 178 § 1, part; 1939 c 225 § 1, part; 1937 c 227 § 1, part; 1935 c 180 § 4, part; Rem. Supp. 1949 § 8370-4, part.]

NOTES:

Findings—Intent—Effective date—2020 c 165: See notes following RCW 82.04.2602.

Effective date—2019 c 425: "This act is necessary for the immediate preservation of the public peace, health, or safety, or support of the state government and its existing public institutions, and takes effect July 1, 2019." [2019 c 425 § 2.]

Findings—Intent—2019 c 336: See notes following RCW 82.04.261.

Tax preference performance statement—Effective date—2018 c 164: See notes following RCW 82.08.900.

Effective date—2017 c 135: See note following RCW 82.32.534.

Expiration date—2015 3rd sp.s. c 6; 2012 2nd sp.s. c 6 § 602: "Section 602 of this act expires July 1, 2015." [2015 3rd sp.s. c 6 § 603; 2012 2nd sp.s. c 6 § 704.]

Findings—Intent—Tax preference performance statement—2015 3rd sp.s. c 6 § 602: "(1) The legislature finds that over the last fifteen years, technological transformation and other developments have radically changed the newspaper industry business model, which remains in transition. The legislature further finds that the economic hardship wrought by this digital transformation has been substantial. The legislature finds that a strong and vibrant newspaper

industry in Washington is beneficial to the state's citizens and to the conduct of good government at every level. The legislature further finds that advertising revenue of all United States newspapers fell from 63.5 billion dollars in 2000 to about twenty-three billion dollars in 2013, and is still falling. The legislature further finds that traditional news organizations' ability to support high quality news gathering and reporting relied primarily on a model in which advertisers paid to reach mass audiences attracted by newspapers. The legislature further finds that advertisers found it advantageous to pay to reach a mass audience because other advertising mediums were limited and less effective. The digital era has greatly fractured traditional spending by advertisers and turned this model on its head such that newspapers continue to require time to adapt so they may continue their public service mission. The legislature also finds that the business and occupation tax rate for the newspaper industry was pegged to the general manufacturing and wholesaling rate from 1937 until 2009, when the legislature extended tax relief to the industry due to this shift. It is the legislature's intent to extend this tax relief to the industry until its revenues and business model have stabilized. It is the legislature's further intent to provide a uniform tax rate for the industry to minimize the burden of reporting state business and occupation taxes for different types of revenue, which oftentimes are impossible to account for separately by the taxpayer.

(2)(a) This subsection is the tax preference performance statement for the newspaper tax preferences in section 602 of this act. The performance statement is only intended to be used for subsequent evaluation of the tax preference. It is not intended to create a private right of action by any party or be used to determine eligibility for preferential tax treatment.

(b) The legislature categorizes this tax preference as one intended to provide temporary tax relief as described in RCW 82.32.808(2)(e).

(c) It is the legislature's specific public policy objective to provide business and occupation tax relief to the newspaper industry as it continues to adjust to significant revenue shifts and technological changes. As a secondary public policy objective, it is the legislature's intent to provide a permanent uniform rate for the industry.

(d) To measure the effectiveness of the preference provided in this act in achieving the specific public policy objective described in (c) of this subsection, the joint legislative audit and review committee must evaluate year-to-year changes in gross revenue derived from all sources for newspaper firms claiming the preferential tax rate under RCW 82.04.260(14). If the average year-to-year change in gross revenue is positive, including the last three years included in the tax preference review by the joint legislative audit and review committee, it is the legislature's intent to allow the tax preference to expire and to reinstate the traditional rate of 0.484 percent.

(e)(i) The information provided in the annual tax preference accountability report submitted by taxpayers as required by the department of revenue and taxpayer data provided by the department of revenue is intended to provide the informational basis for the evaluation under (d) of this subsection.(ii) In addition to the data source described under (e)(i) of this subsection, the joint legislative audit and review committee may use any other data it deems necessary in performing the evaluation under (d) of this subsection." [2015 3rd sp.s. c 6 § 601.]

Effective dates—2015 3rd sp.s. c 6: See note following RCW 82.04.4266.

Tax preference performance statement—2015 3rd sp.s. c 6 §§ 202-205: See note following RCW 82.04.4266.

Contingent effective date—2014 c 140 § 6: "Section 6 of this act takes effect July 1, 2015, subject to the contingency stated in section 2, chapter 2, Laws of 2013 3rd sp. sess." [2014 c 140 § 39.]

Contingent expiration date—2014 c 140 § 5: "Section 5 of this act expires July 1, 2015, subject to the contingency stated in section 2, chapter 2, Laws of 2013 3rd sp. sess." [2014 c 140 § 38.]

Effective date—2014 c 140 § 4: "Section 4 of this act takes effect July 1, 2015." [2014 c 140 § 37.]

Expiration date—2014 c 140 § 3: "Section 3 of this act expires July 1, 2015." [2014 c 140 § 36.]

Effective date—2013 3rd sp.s. c 2 § 6: "Subject to section 2 of this act, section 6 of this act takes effect July 1, 2015." [2013 3rd sp.s. c 2 § 16.]

Expiration date—2013 3rd sp.s. c 2 § 5: "Subject to section 2 of this act, section 5 of this act expires July 1, 2015." [2013 3rd sp.s. c 2 § 15.]

Contingent effective date—2013 3rd sp.s. c 2: See RCW 82.32.850.**Findings—Intent—2013 3rd sp.s. c 2:** See note following RCW 82.32.850.

Effective date—2013 2nd sp.s. c 13 § 203: "Section 203 of this act takes effect July 1, 2015." [2013 2nd sp.s. c 13 § 1902.]

Expiration date—2013 2nd sp.s. c 13 § 202: "Section 202 of this act expires July 1, 2015." [2013 2nd sp.s. c 13 § 1901.]

Intent—2013 2nd sp.s. c 13: "The intent of part II of this act is to incentivize the creation of additional jobs in Washington in the dairy industry and related industries that manufacture dairy-based products. More specifically, it is the intent of part II of this act to encourage infant formula producers to locate new facilities in Washington or expand existing facilities in Washington through an extension of a preferential business and occupation tax rate for dairy producers. It is

the further intent of the legislature to provide this tax incentive in a fiscally responsible manner where the actual revenue impact of the legislation substantially conforms with the fiscal estimate provided in the legislation's fiscal note." [2013 2nd sp.s. c 13 § 201.]

Effective date—2013 2nd sp.s. c 13: See note following RCW 82.04.43393.

Existing rights, liabilities, or obligations—Effective dates—Contingent effective dates—2012 2nd sp.s. c 6: See notes following RCW 82.04.29005.

Findings—Construction—2011 c 2 (Initiative Measure No. 1107): See notes following RCW 82.08.0293.

Expiration date—2010 1st sp.s. c 23 §§ 503, 505, and 514: See note following RCW 82.04.4266.

Effective date—2010 1st sp.s. c 23 §§ 504, 506, and 515: See note following RCW 82.04.4266.

Findings—Intent—2010 1st sp.s. c 23: See notes following RCW 82.04.220.

Effective date—2010 1st sp.s. c 23: See note following RCW 82.04.4292.

Application—Finding—Intent—2010 c 114: See notes following RCW 82.32.534.

Effective date—2009 c 479: See note following RCW 2.56.030.

Effective date—Contingent effective date—2009 c 461: See note following RCW 82.04.280.

Effective date—2009 c 162: See note following RCW 48.03.020.

Retroactive application—2008 c 296: "Section 1 of this act applies retroactively to July 1, 2007, as well as prospectively." [2008 c 296 § 2.]

Severability—Effective date—2008 c 217: See notes following RCW 48.03.020.

Findings—Savings—Effective date—2008 c 81: See notes following RCW 82.08.975.

Severability—2007 c 54: See note following RCW 82.04.050.

Effective date—2007 c 48: "This act is necessary for the immediate preservation of the public peace, health, or safety, or support of the state government and its existing public institutions, and takes effect July 1, 2007." [2007 c 48 § 9.]

Effective dates—2006 c 354: See note following RCW 82.04.4268.

Effective dates—Contingent effective date—2006 c 300: See note following RCW 82.04.261.

Effective dates—2005 c 513: See note following RCW 82.04.4266.

Finding—Intent—Effective date—2005 c 443: See notes following RCW 82.08.0255.

Finding—2003 2nd sp.s. c 1: See note following RCW 82.04.4461.

Effective dates—2003 c 339: See note following RCW 84.36.640.

Effective dates—2003 c 261: See note following RCW 84.36.635.

Purpose—Intent—2001 2nd sp.s. c 25: "The purpose of sections 2 and 3 of this act is to provide a tax rate for persons who manufacture dairy products that is commensurate to the rate imposed on certain other processors of agricultural commodities. This tax rate applies to persons who manufacture dairy products from raw materials such as fluid milk, dehydrated milk, or by-products of milk such as cream, buttermilk, whey, butter, or casein. It is not the intent of the legislature to provide this tax rate to persons who use dairy products as an ingredient or component of their manufactured product, such as milk-based soups or pizza. It is the intent that persons who manufacture products such as milk, cheese, yogurt, ice cream, whey, or whey products be subject to this rate." [2001 2nd sp.s. c 25 § 1.]

Part headings not law—2001 2nd sp.s. c 25: "Part headings used in this act are not any part of the law." [2001 2nd sp.s. c 25 § 7.]

Effective date—Savings—1998 c 312: See notes following RCW 82.04.332.

Effective date—1998 c 170: See note following RCW 82.04.331.

Severability—Effective date—1996 c 148: See notes following RCW 82.04.050.

Effective date—1996 c 115: "This act shall take effect July 1, 1996." [1996 c 115 § 2.]

Effective date—1995 2nd sp.s. c 12: "This act is necessary for the immediate preservation of the public peace, health, or safety, or support of the state government and its existing public institutions, and shall take effect July 1, 1995." [1995 2nd sp.s. c 12 § 2.]

Effective date—1995 2nd sp.s. c 6: "This act is necessary for the immediate preservation of the public peace, health, or safety, or support of the state government and its existing public institutions, and shall take effect July 1, 1995." [1995 2nd sp.s. c 6 § 2.]

Severability—Effective dates—Part headings, captions not law—1993 sp.s. c 25: See notes following RCW 82.04.230.

Findings—Intent—1993 c 492: See notes following RCW 43.20.050.

Short title—Savings—Reservation of legislative power—Effective dates—1993 c 492: See RCW 43.72.910 through 43.72.915.

Effective dates—1991 c 272: See RCW 81.108.901.

Severability—1985 c 471: "If any provision of this act or its application to any person or circumstance is held invalid, the remainder of the act or the application of the provision to other persons or circumstances is not affected." [1985 c 471 § 17.]

Effective date—1985 c 471: "This act is necessary for the immediate preservation of the public peace, health, and safety, the support of the state government and its existing public institutions, and shall take effect July 1, 1985." [1985 c 471 § 18.]

Construction—Severability—Effective dates—1983 2nd ex.s. c 3: See notes following RCW 82.04.255.

Effective dates—1983 1st ex.s. c 55: See note following RCW 82.08.010.

Severability—1982 2nd ex.s. c 13: "If any provision of this act or its application to any person or circumstance is held invalid, the remainder of the act or the application of the provision to other persons or circumstances is not affected." [1982 2nd ex.s. c 13 § 2.]

Effective date—1982 2nd ex.s. c 13: "This act is necessary for the immediate preservation of the public peace, health, and safety, the support of the state government and its existing public institutions, and shall take effect August 1, 1982." [1982 2nd ex.s. c 13 § 3.]

Severability—1982 c 10: See note following RCW 6.13.080.

Effective dates—1981 c 172: See note following RCW 82.04.240.

Effective date—1979 ex.s. c 196: See note following RCW 82.04.240.

Effective dates—Severability—1975 1st ex.s. c 291: See notes following RCW 82.04.050.

Effective date—1971 ex.s. c 186: See note following RCW 82.04.110.

Exemptions—Fruit & vegetable businesses. (Expires July 1, 2025.)

RCW 82.04.4266

*** CHANGE IN 2022 *** (SEE 1210-S2.SL) ***

(1) This chapter does not apply to the value of products or the gross proceeds of sales derived from:

(a) Manufacturing fruits or vegetables by canning, preserving, freezing, processing, or dehydrating fresh fruits or vegetables; or

(b) Selling at wholesale fruits or vegetables manufactured by the seller by canning, preserving, freezing, processing, or dehydrating fresh fruits or vegetables and sold to purchasers who

transport in the ordinary course of business the goods out of this state. A person taking an exemption under this subsection (1)(b) must keep and preserve records for the period required by RCW 82.32.070 establishing that the goods were transported by the purchaser in the ordinary course of business out of this state.

(2) For purposes of this section, "fruits" and "vegetables" do not include marijuana, useable marijuana, or marijuana-infused products.

(3) A person claiming the exemption provided in this section must file a complete annual tax performance report with the department under RCW 82.32.534.

(4) This section expires July 1, 2025.

[2020 c 139 § 5; 2015 3rd sp.s. c 6 § 202; 2014 c 140 § 9; 2012 2nd sp.s. c 6 § 201; 2011 c 2 § 202 (Initiative Measure No. 1107, approved November 2, 2010); 2010 1st sp.s. c 23 § 504; (2010 1st sp.s. c 23 § 503 expired June 10, 2010); 2010 c 114 § 111; 2006 c 354 § 3; 2005 c 513 § 1.]

NOTES:

Effective dates—2020 c 272; 2017 c 323; 2015 3rd sp.s. c 6: "(1) Except as provided otherwise in this part, this act is necessary for the immediate preservation of the public peace, health, or safety, or support of the state government and its existing public institutions, and takes effect July 1, 2015.

(2) Parts IV, VI, VIII, and XIX of this act are necessary for the immediate preservation of the public peace, health, or safety, or support of the state government and its existing public institutions, and take effect September 1, 2015.

(3) Part X of this act takes effect October 1, 2016.

(4) Section 1105 of this act takes effect January 1, 2016.

(5) Except for section 2004 of this act, Part XX of this act takes effect January 1, 2019." [2020 c 272 § 5; 2017 c 323 § 301; 2015 3rd sp.s. c 6 § 2301.]

Tax preference performance statement—2015 3rd sp.s. c 6 §§ 202-205: "This section is the tax preference performance statement for the agricultural processor tax exemptions in sections 202 through 205 of this act. The performance statement is only intended to be used for subsequent evaluation of the tax preference. It is not intended to create a private right of action by any party or be used to determine eligibility for preferential tax treatment.

(1) The legislature categorizes this tax preference as one intended to accomplish the general purposes indicated in RCW 82.32.808(2) (c) and (e).

(2) It is the legislature's specific public policy objective to create and retain jobs and continue providing tax relief to the food processing industry.

(3) To measure the effectiveness of the exemptions in sections 202 through 205 of this act in achieving the public policy objectives described in subsection (2) of this section, the joint legislative audit and review committee must evaluate the following:(a) The number of businesses that claim the exemptions in sections 202 through 205 of this act;(b) The change in total taxable income for taxpayers claiming the exemptions under sections 202 through 205 of this act;(c) The change in total employment for taxpayers claiming the exemptions under sections 202 through 205 of this act; and(d) For each calendar year, the total amount of exemptions claimed under sections 202 through 205 of this act as a percentage of total taxable income for taxpayers within taxable income categories.

(4) The information provided in the annual survey submitted by the taxpayers under *RCW 82.32.585, tax data collected by the department of revenue, and data collected by the employment security department is intended to provide the informational basis for the evaluation under subsection (3) of this section.

(5) In addition to the data sources described under subsection (4) of this section, the joint legislative audit and review committee may use any other data it deems necessary in performing the evaluation under subsection (3) of this section." [2015 3rd sp.s. c 6 § 201.]

***Reviser's note:** RCW 82.32.585 was repealed by 2017 c 135 § 2, effective January 1, 2018.

Existing rights, liabilities, or obligations—Effective dates—Contingent effective dates—2012 2nd sp.s. c 6: See notes following RCW 82.04.29005.

Findings—Construction—2011 c 2 (Initiative Measure No. 1107): See notes following RCW 82.08.0293.

Expiration date—2010 1st sp.s. c 23 §§ 503, 505, and 514: "Sections 503, 505, and 514 of this act expire June 10, 2010." [2010 1st sp.s. c 23 § 1711.]

Effective date—2010 1st sp.s. c 23 §§ 504, 506, and 515: "Sections 504, 506, and 515 of this act are necessary for the immediate preservation of the public peace, health, or safety, or support of the state government and its existing public institutions, and take effect June 10, 2010." [2010 1st sp.s. c 23 § 1712.]

Findings—Intent—2010 1st sp.s. c 23: See notes following RCW 82.04.220.

Effective date—2010 1st sp.s. c 23: See note following RCW 82.04.4292.

Application—Finding—Intent—2010 c 114: See notes following RCW 82.32.534.

Effective dates—2006 c 354: See note following RCW 82.04.4268.

Effective dates—2005 c 513: "This act takes effect July 1, 2007, except for sections 1 through 3 of this act which are necessary for the immediate preservation of the public peace, health, or safety, or support of the state government and its existing public institutions, and take effect July 1, 2005, and section 5, chapter 513, Laws of 2005, which takes effect April 30, 2007." [2007 c 243 § 1; 2005 c 513 § 14.]

Exemptions—Dairy product businesses. (Expires July 1, 2025.)

RCW 82.04.4268

(1) In computing tax there may be deducted from the measure of tax, the value of products or the gross proceeds of sales derived from:

(a) Manufacturing dairy products; or

(b) Selling dairy products manufactured by the seller to purchasers who either transport in the ordinary course of business the goods out of this state or purchasers who use such dairy products as an ingredient or component in the manufacturing of a dairy product. A person taking an exemption under this subsection (1)(b) must keep and preserve records for the period required by RCW 82.32.070 establishing that the goods were transported by the purchaser in the ordinary course of business out of this state or sold to a manufacturer for use as an ingredient or component in the manufacturing of a dairy product.

(2) "Dairy products" has the same meaning as provided in RCW 82.04.260.

(3) A person claiming the exemption provided in this section must file a complete annual tax performance report with the department under RCW 82.32.534.

(4) This section expires July 1, 2025.

[2020 c 139 § 6; 2015 3rd sp.s. c 6 § 203; 2013 2nd sp.s. c 13 § 204; 2012 2nd sp.s. c 6 § 202; 2010 c 114 § 112; 2006 c 354 § 1.]

NOTES:

Effective dates—2015 3rd sp.s. c 6: See note following RCW 82.04.4266.

Tax preference performance statement—2015 3rd sp.s. c 6 §§ 202-205: See note following RCW 82.04.4266.

Intent—2013 2nd sp.s. c 13: See note following RCW 82.04.260.

Effective date—2013 2nd sp.s. c 13: See note following RCW 82.04.43393.

Exemptions—Seafood product businesses. (Expires July 1, 2025.)

RCW 82.04.4269

(1) This chapter does not apply to the value of products or the gross proceeds of sales derived from:

(a) Manufacturing seafood products that remain in a raw, raw frozen, or raw salted state at the completion of the manufacturing by that person; or

(b) Selling manufactured seafood products that remain in a raw, raw frozen, or raw salted state to purchasers who transport in the ordinary course of business the goods out of this state. A person taking an exemption under this subsection (1)(b) must keep and preserve records for the period required by RCW 82.32.070 establishing that the goods were transported by the purchaser in the ordinary course of business out of this state.

(2) A person claiming the exemption provided in this section must file a complete annual tax performance report with the department under RCW 82.32.534.

(3) This section expires July 1, 2025.

[2020 c 139 § 7; 2015 3rd sp.s. c 6 § 204; 2012 2nd sp.s. c 6 § 203; 2010 c 114 § 113; 2006 c 354 § 2.]

NOTES:

Effective dates—2015 3rd sp.s. c 6: See note following RCW 82.04.4266.

Tax preference performance statement—2015 3rd sp.s. c 6 §§ 202-205: See note following RCW 82.04.4266.

Existing rights, liabilities, or obligations—Effective dates—Contingent effective dates—2012 2nd sp.s. c 6: See notes following RCW 82.04.29005.

Application—Finding—Intent—2010 c 114: See notes following RCW 82.32.534.

Effective dates—2006 c 354: See note following RCW 82.04.4268.

Annual report requirement for tax preferences.

RCW 82.32.534

*** CHANGE IN 2022 *** (SEE 5800.SL) ***

(1)(a)(i) Beginning in calendar year 2018, every person claiming a tax preference that requires an annual tax performance report under this section must file a complete annual report with the department. The report is due by May 31st of the year following any calendar year in which a person becomes eligible to claim the tax preference that requires a report under this section.

(ii) If the tax preference is a deferral of tax, the first annual tax performance report must be filed by May 31st of the calendar year following the calendar year in which the investment project is certified by the department as operationally complete, and an annual tax performance report must be filed by May 31st of each of the seven succeeding calendar years.

(iii) The department may extend the due date for timely filing of annual reports under this section as provided in RCW 82.32.590.

(b) The report must include information detailing employment and wages for employment positions in Washington for the year that the tax preference was claimed. However, persons engaged in manufacturing commercial airplanes or components of such airplanes may report employment and wage information per job at the manufacturing site for the year that the tax preference was claimed. The report must not include names of employees. The report must also detail employment by the total number of full-time, part-time, and temporary positions for the year that the tax preference was claimed. In lieu of reporting employment and wage data required under this subsection, taxpayers may instead opt to allow the employment security department to release the same employment and wage information from unemployment insurance records to the department and the joint legislative audit and review committee. This option is intended to reduce the reporting burden for taxpayers, and each taxpayer electing to use this option must affirm that election in accordance with procedures approved by the employment security department.

(c) Persons receiving the benefit of the tax preference provided by RCW 82.16.0421 or claiming any of the tax preferences provided by RCW 82.04.2909, 82.04.4481, 82.08.805, 82.12.805, or 82.12.022(5) must indicate on the annual report the quantity of product produced in this state during the time period covered by the report.

(d) If a person filing a report under this section did not file a report with the department in the previous calendar year, the report filed under this section must also include employment and wage information for the calendar year immediately preceding the calendar year for which a tax preference was claimed.

(2)(a) As part of the annual report, the department and the joint legislative audit and review committee may request additional information necessary to measure the results of, or determine eligibility for, the tax preference.

(b) The report must include the amount of the tax preference claimed for the calendar year covered by the report. For a person that claimed an exemption provided in RCW 82.08.025651 or 82.12.025651, the report must include the amount of tax exempted under those sections in the prior calendar year for each general area or category of research and development for which exempt machinery and equipment and labor and services were acquired in the prior calendar year.

(3) Other than information requested under subsection (2)(a) of this section, the information contained in an annual report filed under this section is not subject to the confidentiality provisions of RCW 82.32.330 and may be disclosed to the public upon request.

(4)(a) Except as otherwise provided by law, if a person claims a tax preference that requires an annual report under this section but fails to submit a complete report by the due date or any extension under RCW 82.32.590, the department must declare:

(i) Thirty-five percent of the amount of the tax preference claimed for the previous calendar year to be immediately due and payable;

(ii) An additional fifteen percent of the amount of the tax preference claimed for the previous calendar year to be immediately due and payable if the person has previously been assessed under this subsection (4) for failure to submit a report under this section for the same tax preference; and

(iii) If the tax preference is a deferral of tax, the amount immediately due under this subsection is twelve and one-half percent of the deferred tax. If the economic benefits of the deferral are passed to a lessee, the lessee is responsible for payment to the extent the lessee has received the economic benefit.

(b) The department may not assess interest or penalties on amounts due under this subsection.

(5) The department must use the information from this section to prepare summary descriptive statistics by category. No fewer than three taxpayers may be included in any category. The department must report these statistics to the legislature each year by December 31st.

(6) For the purposes of this section:(a) "Person" has the meaning provided in RCW 82.04.030 and also includes the state and its departments and institutions.

(b) "Tax preference" has the meaning provided in RCW 43.136.021 and includes only the tax preferences requiring a report under this section.

[2021 c 145 § 19; 2017 c 135 § 1; 2016 c 175 § 1; 2014 c 97 § 102; 2010 c 114 § 103.]

NOTES:

Effective date—2017 c 135: "This act takes effect January 1, 2018." [2017 c 135 § 48.]

Effective date—2016 c 175: "This act takes effect July 1, 2016." [2016 c 175 § 4.]

Application—Prospective and retroactive—2016 c 175: "(1) In addition to applying prospectively, sections 1(4) and 2(6) of this act apply retroactively for a taxpayer who has filed an appeal regarding taxes, penalties, and interest owed under RCW 82.32.534 or * 82.32.585 before January 1, 2016, and the appeal is pending before the department of revenue or the board of tax appeals as of July 1, 2016.(2) Except for taxpayers described in subsection (1) of this section, sections 1(4) and 2(6) of this act apply to amounts due and payable under sections 1(4) and 2(6) of this act on or after July 1, 2017." [2016 c 175 § 3.]

***Reviser's note:** RCW 82.32.585 was repealed by 2017 c 135 § 2, effective January 1, 2018.

Annual surveys and reports—Recommendations to update and improve—2013 2nd sp.s. c 13:

"By December 1, 2013, the department of revenue, in consultation with the joint legislative audit and review committee, must make recommendations to the appropriate fiscal committees of the legislature on ways to update and improve the annual report and annual survey. The recommendations must include suggested revisions to the report and survey that would make the data more relevant and reduce the administrative burden on the taxpayer." [2013 2nd sp.s. c 13 § 1801.]

Application—2010 c 114: "Those provisions of sections 101 through 103, 105 through 109, 111 through 116, 118 through 122, 124, 126 through 128, 130, 132 through 149, and 151 through 153 of this act that relate to annual surveys and annual reports apply beginning with annual surveys and annual reports due in 2011 and thereafter." [2010 c 114 § 203.]

Finding—Intent—2010 c 114: "(1) The legislature finds that accountability and effectiveness are important aspects of setting tax policy. In order to make policy choices regarding the best use of limited state resources, the legislature needs information on how a tax preference is used. In recent years, the legislature has enacted or extended numerous tax preferences that require the reporting of information to the department of revenue. Although there are many similarities in the requirements, and only two distinct accountability documents, there is a lack of uniformity in the information reported, penalties for failure to file, due dates, filing extensions, and filing requirements. Greater uniformity in the data reported is necessary to adequately compare tax preference programs. The legislature intends to create two sets of uniform reporting requirements that apply to the existing tax preferences and can be used in future legislation granting additional tax preferences.

(2) The legislative fiscal committees or the department of revenue are required to study many of the existing tax preferences and report to the legislature at least once. Because chapter 43.136 RCW now requires the joint legislative audit and review committee, with support from the department of revenue, to comprehensively review most tax preferences every ten years and provide a report to the legislature, a number of redundant studies by the legislative fiscal committees and the department of revenue have been eliminated. However, the department of revenue will continue to prepare summary descriptive statistics by category and report the statistics to the legislature each year." [2010 c 114 § 101.]

Appendix A: Dairy beneficiaries

Dairy product beneficiaries and their tax savings: 2015-2020

This table reflects all businesses that used the dairy product processing B&O tax deduction and filed an Annual Tax Performance Report in any year from 2015 through 2020. This detail is publicly disclosable per RCW 82.32.534(3). The yearly totals may differ from the amounts listed for beneficiary savings totals in Section 2 because those totals may include businesses that did not file Annual Reports with the Department of Revenue (DOR).

Exhibit A1: Dairy beneficiaries, 2015-2020

DOR Account No.	Business Name	2015 Preference Value	2016 Preference Value	2017 Preference Value	2018 Preference Value	2019 Preference Value	2020 Preference Value
603520031	100979 LLC	-	-	-	\$0	-	-
600176354	ANDERSEN DAIRY, INC.	\$137,661	\$78,379	\$132,523	\$89,379	\$71,292	\$70,548
601592929	APPEL FARMS, L.L.C.	ND	\$14,128	ND	\$9,520	\$9,949	\$9,676
171000095	AUBURN DAIRY PRODUCTS, INC.	-	\$235,847	\$241,405	\$247,566	\$211,438	\$213,725

DOR Account No.	Business Name	2015 Preference Value	2016 Preference Value	2017 Preference Value	2018 Preference Value	2019 Preference Value	2020 Preference Value
602269023	BEECHER'S HANDMADE CHEESE LLC	-	-	-	\$13,830	\$11,794	\$11,153
602965580	BURTON HILL FARM, LLC	-	-	\$5	-	-	-
603396541	CASCADIA CREAMERY LLC	-	\$2,183	\$2,466	\$3,118	\$3,210	\$2,614
602676133	CHERRY VALLEY DAIRY LLC	\$237	\$338	\$427	\$484	\$702	\$533
602025735	COUNTRY MORNING FARMS, INC.	\$25,397	\$54,900	\$39,232	\$40,087	\$50,811	\$46,060
178005035	DARIGOLD, INC.	\$3,811,628	\$3,613,656	\$3,958,886	\$4,007,598	\$4,722,771	\$4,539,662
601610139	EDALEEN DAIRY, L.L.C.	-	\$15,911	\$15,233	\$16,848	\$22,730	\$20,697
603120419	FERNDALE FARMSTEAD, LLC	-	\$1,425	\$1,818	-	-	\$3,406
600164727	FLOYD PETERSON COMPANY	\$24,200	\$25,410	\$46,552	\$58,580	\$68,822	\$16,815
603239975	FLYING COW	-	-	-	\$0	-	-

DOR Account No.	Business Name	2015 Preference Value	2016 Preference Value	2017 Preference Value	2018 Preference Value	2019 Preference Value	2020 Preference Value
	CREAMERY LLC						
602990 711	FRISIA DAIRY & CREAMERY LLC	\$1,434	\$1,443	-	-	-	-
603436 995	GOLDEN GLEN CREAMERY , LLC	-	-	ND	\$21	-	-
603011 163	GONZALEZ -ORTEGA, TANIA ELENA	-	\$75	\$749	\$8	\$44	\$123
603585 907	HARBOR HOME FARM LLC	-	-	ND	-	-	-
602991 207	HERON POND FARMS LLC	-	\$57	ND	\$5	-	-
603176 735	ICE CREAM SOCIAL, LLC	-	\$4,005	\$6,564	\$9,415	\$9,881	\$6,330
604578 320	IDAHO MILK PRODUCTS , INC.	-	-	\$19,205	\$18,853	\$18,966	\$12,427
604118 379	INGREDIA INC	-	-	-	-	\$198	\$327

DOR Account No.	Business Name	2015 Preference Value	2016 Preference Value	2017 Preference Value	2018 Preference Value	2019 Preference Value	2020 Preference Value
602726525	LAMB WESTON, INC.	\$47,110	\$26,378	\$54,339	-	-	-
603351623	LAUREL'S CROWN, LLC	-	-	ND	\$0	-	-
603462245	LITTLE ISLAND CREAMERY, LLC	-	-	ND	\$0	\$52	-
603114758	LOPEZ ISLAND CREAMERY LLC	-	ND	ND	\$7	\$403	\$256
601015157	MISTERLY, RICHARD MICHAEL	-	-	-	-	\$0	-
602292515	MONTEILL ET FROMAGERIE, LLC	-	-	\$47	\$60	\$84	\$152
603159583	MORA LLC	-	\$30	\$2,705	-	-	-
602405011	MT. TOWNSEND CREAMERY CORPORATION	-	\$3,350	\$3,126	\$3,964	\$2,594	\$250
604056888	NANAK FOODS	-	-	-	\$5,698	\$54,643	\$59,039

DOR Account No.	Business Name	2015 Preference Value	2016 Preference Value	2017 Preference Value	2018 Preference Value	2019 Preference Value	2020 Preference Value
	INCORPORATED						
603480806	NORTH WHIDBEY FARM LLC	-	-	ND	\$0	-	-
603257840	NUTRADRIED FOOD COMPANY, LLC	\$10,174	\$15,531	\$28,485	\$78,985	\$113,853	\$104,392
602947823	PORT TOWNSEND LOCAL MARKETPLACE, LLC	-	-	-	\$0	\$152	-
603008164	PRIDE & JOY CREAMERY, LLC	-	-	ND	-	-	-
604202432	ROSECREST FARM LLC	-	-	-	\$1,828	\$1,170	-
600643518	SAFEWAY INC.	\$115,479	\$197,354	\$204,237	\$182,283	\$106,146	\$203,820
600643518	SAFEWAY INC.	\$194,595	\$139,746	\$141,777	\$178,605	\$149,489	\$97,837
602513313	SIRENA GELATO, LLC	-	\$2,118	-	-	-	-
603569617	SKAGIT MAID	-	ND	ND	\$83	\$27	-

DOR Account No.	Business Name	2015 Preference Value	2016 Preference Value	2017 Preference Value	2018 Preference Value	2019 Preference Value	2020 Preference Value
	CREAMERY , LLC						
173002203	SMITH BROTHERS FARMS, INC.	ND	\$5,677	ND	\$25,317	\$7,865	\$8,826
603051774	SNOOK, JOYCE MARIE	-	\$1	\$1	\$54	-	-
601766387	SNOQUALMIE GOURMET ICE CREAM, INC.	\$12,676	-	\$8,957	\$7,891	-	\$6,910
604033670	THE COLOMBIAN TRADE COMPANY LLC	-	-	-	\$0	-	-
603219468	TUNAWERTH LLC	-	-	-	-	\$126	-
602653887	TWIN BROOK CREAMERY , LLC	ND	\$368	ND	\$407	\$528	\$989
603268987	TWIN SISTERS CREAMERY , LLC	-	ND	ND	\$489	\$1,662	\$1,336

DOR Account No.	Business Name	2015 Preference Value	2016 Preference Value	2017 Preference Value	2018 Preference Value	2019 Preference Value	2020 Preference Value
600514 627	WELCH, EDWARD CALVIN	ND	-	-	-	-	-
604137 933	WIIC LLC	-	-	ND	-	-	-
603132 384	WIND MOUNTAIN CREAMERY LLC	\$71	-	-	-	-	-
603304 775	ZAUHAR'S ARTISAN CHEESE LLC	-	ND	ND	\$21	\$23	-
	TOTAL	\$4,380, 661	\$4,438, 311	\$4,908, 738	\$5,001, 004	\$5,641, 425	\$5,437, 902

NOTE: "ND" means that a business filed a "0" credit amount or that it selected to not disclose the amount of the credit taken (this option was available from 2006 - 2017 when the credit taken was less than \$10,000).

Source: JLARC staff analysis of Department of Revenue Incentive and Reporting Public Disclosure web page for dairy processor deductions, 2015-2020.

Appendix B: Fruit & vegetable beneficiaries

Fruit & vegetable product beneficiaries and their tax savings: 2015-2020

This table reflects all businesses that used the fruit & vegetable processors B&O tax deduction and filed an Annual Tax Performance Report in any year from 2015 through 2020. This detail is publicly disclosable per RCW 82.32.534(3). The yearly totals may differ from the amounts listed for beneficiary savings totals in Section 3 because those totals may include businesses that did not file Annual Reports with the Department of Revenue (DOR).

JLARC staff determined which of the beneficiaries are wineries by using one of two methods:

- Identifying the NAICS code (312130) for the winery industry in the Department of Revenue's business information data.
- Researching the business name and location to determine its main activity.

Exhibit B1: Fruit & vegetable beneficiaries, including wineries, 2015-2020

DOR Account No.	Business Activity	Business Name	2015 Preference Value	2016 Preference Value	2017 Preference Value	2018 Preference Value	2019 Preference Value	2020 Preference Value
603477516	W	A.R.T. LLC	-	\$24	\$231	\$481	-	-
603366848	W	ABBOTT-HARRISON, L.L.C.	\$55	-	-	-	-	-
602067973	W	ABEJA, LLC	\$3,737	\$3,459	\$3,716	\$4,052	\$4,087	\$6,274
603006295	FV	ACTIVE BERRY PACKERS, LLC	\$5,597	\$7,039	ND	\$8,296	\$8,449	\$13,910
602539657	W	AIRPORT RANCH ESTATES, L.L.C.	\$5,836	ND	ND	\$7,251	\$9,864	\$9,250
603033102	W	ALLEROMB WINERY GROUP LLC	-	\$2	\$22	-	-	-
602885027	W	ALTA CELLARS LLC	\$6	\$22	\$6	\$9	\$24	-

DOR Account No.	Business Activity	Business Name	2015 Preference Value	2016 Preference Value	2017 Preference Value	2018 Preference Value	2019 Preference Value	2020 Preference Value
602188562	W	AMAVI, L.L.C.	\$6,173	\$2,674	\$3,252	\$3,963	\$4,515	\$3,987
601149817	W	AMERICAN WINE TRADE, INC.	\$26,309	\$21,517	\$17,536	\$16,995	\$19,764	\$14,741
603380378	W	ANCIENT LAKE WINE COMPANY, LLC	\$1,553	ND	\$16,509	\$22,141	\$18,786	\$28,244
600441790	W	ANDERSON RESOURCES INCORPORATED	\$10	\$25	\$26	\$13	\$33	\$19
603485433	W	ANICHE CELLARS WASHINGTON, LLC	-	-	-	-	\$210	\$1,096
600138447	W	ARBOR CREST WINERIES AND NURSERY, INC.	\$1,348	\$844	\$465	\$1,018	\$419	\$171
603445585	W	ARCHEUS WINES, LLC.	-	-	ND	\$38	\$13	-
603262205	W	ARMSTRONG FAMILY	ND	ND	ND	\$95	\$292	\$376

DOR Account No.	Business Activity	Business Name	2015 Preference Value	2016 Preference Value	2017 Preference Value	2018 Preference Value	2019 Preference Value	2020 Preference Value
		WINERY LLC						
602644794	W	ATLAS DRINKS, L.L.C.	-	-	\$2,440	\$2,589	\$4,655	\$7,659
602824721	W	AUCLAIR WINERY LLC	\$67	\$6	ND	\$5	-	-
603606550	FV	BAD GRANNY CIDER CO., LLC	-	-	-	-	\$2,482	-
601693978	W	BADGER MOUNTAIN, INC.	\$17,519	\$16,124	\$27,457	\$18,377	\$20,576	\$21,329
602052815	W	BAER WINERY LLC	\$1,984	\$1,066	\$558	\$1,315	\$1,315	\$839
603232695	W	BAINBRIDGE VINEYARDS, LLC	\$15	-	-	-	-	-
604068480	W	BALBOA WINERY, LLC	-	-	-	\$947	\$1,666	\$1,741
602656615	W	BARRAGE CELLARS, LLC	ND	ND	ND	\$106	\$448	\$248

DOR Account No.	Business Activity	Business Name	2015 Preference Value	2016 Preference Value	2017 Preference Value	2018 Preference Value	2019 Preference Value	2020 Preference Value
602879376	W	BARTHOLOMEW WINERY, INC.	ND	ND	ND	\$35	\$45	\$71
604277438	FV	BAUMAN, RICHARD	-	-	-	\$10	-	-
603416485	FV	BEAVER BEND FARM LLC	-	-	\$0	\$0	-	-
602265494	W	BERGHAN VINEYARDS MANAGEMENT, INC.	-	-	ND	\$240	\$389	\$489
604287816	FV	BEYOND PICKLES LLC	-	-	-	-	\$1	\$2
602147628	FV	BJELLAND, LISA ELAINE	-	-	\$0	-	-	-
603258665	FV	BLUE BUS FERMENTS, LLC	-	ND	ND	\$623	\$649	\$673
603113807	FV	BLUE DRAGON FARMS LLC	-	-	-	-	\$1,606	-

DOR Account No.	Business Activity	Business Name	2015 Preference Value	2016 Preference Value	2017 Preference Value	2018 Preference Value	2019 Preference Value	2020 Preference Value
603381880	FV	BLUE SKIES FARM OF PUGET ISLAND, LLC	-	-	-	\$10	-	-
603176548	FV	BOARDMAN FOODS INC	\$2,550	ND	\$3,537	\$9,906	-	-
603402162	FV	BONA FIDE POTENTS LLC	-	-	ND	\$10	-	\$44
603247018	FV	BONACHE SAUCE, LLC	-	-	\$0	\$46	-	-
604289903	FV	BONNIE BS PEPPERS, LLC	-	-	-	\$231	\$8	-
603413649	W	BONTZU CELLARS LLC	-	-	\$48	\$46	\$189	-
601847450	W	BOOKWALTER WINERY, L.L.C.	ND	ND	ND	\$3,536	\$5,497	\$6,226
602409634	W	BRIAN CARTER CELLARS, LLC	\$866	\$840	ND	\$624	\$730	-

DOR Account No.	Business Activity	Business Name	2015 Preference Value	2016 Preference Value	2017 Preference Value	2018 Preference Value	2019 Preference Value	2020 Preference Value
604094829	FV	BRUNSON MARTIN ENTERPRISES LLC	-	-	-	\$234	\$288	\$568
602986570	W	BURNT BRIDGE CELLARS, LLC	\$66	\$116	\$103	\$110	\$15	\$29
602087832	W	BUTY WINERY, LLC	ND	\$1,701	\$1,742	\$1,666	\$2,674	\$1,845
602224359	W	CAMARADERIE CELLARS, LLC	ND	ND	ND	\$434	\$363	\$356
601177191	W	CAMARDA CORP., INC.	ND	\$5,670	ND	\$5,010	\$3,572	\$5,953
602727108	W	CASTILLO DE FELICIANA VINEYARD AND WINERY, LLC	\$0	ND	ND	\$2,677	-	-
602134644	W	CAVE B LLC	\$206	ND	ND	\$212	\$221	\$372
604292618	FV	CCL UNLIMITED LLC	-	-	-	\$0	-	-

DOR Account No.	Business Activity	Business Name	2015 Preference Value	2016 Preference Value	2017 Preference Value	2018 Preference Value	2019 Preference Value	2020 Preference Value
603233659	FV	CELLAR CIDERS LLC	-	-	-	\$0	-	-
601858545	W	CHANDLER REACH VINEYARDS, L.L.C.	\$5,321	\$22	\$1,139	\$1,140	\$763	\$670
603172548	FV	CHANG, XIA	-	-	ND	\$19	-	-
601788719	W	CHARLES REININGER, L.L.C.	\$2,555	\$1,746	\$2,435	\$5,497	\$3,489	\$2,978
602761118	W	CHARLES SMITH WINES LLC	\$115,439	\$119,259				
604157444	W	CHATEAU BECK, LLC	-	-	-	\$21	\$87	\$8
602109947	W	CHATEAU FAIRE LE PONT LLC	ND	\$3,816	ND	\$4,145	\$5,091	\$4,539
602499736	W	CHATEAU ROLLAT WINERY, LLC	\$1	\$2	\$2	\$1	-	-
602223615	W	CHELAN RIDGE LLC	-	-	ND	\$0	-	-

DOR Account No.	Business Activity	Business Name	2015 Preference Value	2016 Preference Value	2017 Preference Value	2018 Preference Value	2019 Preference Value	2020 Preference Value
602194319	W	CHELAN WINE COMPANY L.L.C.	\$37	\$608	\$52	\$35	\$4	\$15
600594678	W	CHINOOK WINES	\$5	\$6	\$8	-	-	-
603362207	FV	CHRISTIAN, SETH	ND	-	-	-	-	-
600647795	FV	CHUKAR CHERRY COMPANY	\$1,129	\$1,210	\$1,556	-	-	-
604111434	FV	CHUNN, CHELSEA RHEA	-	-	ND	\$5	-	-
603216800	FV	CIDER ARCHITECTS, LLC	-	-	-	\$0	\$42	\$57
604005193	FV	CIDERAUCTION, LLC	-	-	-	-	\$52	\$64
603210160	W	CIELO, LLC	-	-	ND	\$476	\$477	\$609
601701240	W	CLAAR CELLARS, L.L.C.	\$2,705	\$4,031	\$2,654	\$2,701	\$2,056	\$1,245

DOR Account No.	Business Activity	Business Name	2015 Preference Value	2016 Preference Value	2017 Preference Value	2018 Preference Value	2019 Preference Value	2020 Preference Value
602523778	W	COL SOLARE, LLP	-	-	\$17,142	\$18,083	\$11,442	\$8,789
602395265	FV	COLUMBIA FRUIT HOLDING ENTERPRISES, LLC	\$175,773	\$310,248	\$311,662	\$76,614	-	-
604204303	FV	COLUMBIA FRUIT PROCESSING, LLC	-	-	-	\$371,006	\$344,350	\$510,653
602802639	W	COLUMBIA HILLS WINERY, LLC	-	-	-	\$1,153	\$1,201	\$693
601758099	FV	COLUMBIA MANUFACTURING INC.	\$12,680	\$7,281	\$2,906	-	-	-
603052859	W	COLUMBIA VALLEY FAMILY FARMS, INC.	-	-	\$45,291	\$16,847	\$16,044	\$20,763
602358718	W	CONFLUENCE CELLARS, L.L.C.	-	-	-	-	\$73	\$73
602118590	W	CONSTELLATION BRANDS, INC.	\$127,311	\$133,076	\$241,207	\$235,225	\$205,092	-

DOR Account No.	Business Activity	Business Name	2015 Preference Value	2016 Preference Value	2017 Preference Value	2018 Preference Value	2019 Preference Value	2020 Preference Value
602909690	W	CONVERGENCE ZONE CELLARS, LLC	ND	\$3	\$7	\$14	\$68	\$118
602139603	W	COOPER WINE COMPANY, LLC	\$572	-	-	-	-	\$1,530
604202282	FV	COOTS, JAMES EDWARD	-	-	-	\$0		\$7
602933688	W	CORLISS ESTATE L.L.C.	-	-	\$6,502	\$6,687	\$1,640	\$1,962
602523728	W	CORVUS CELLARS LLC	-	-	ND	-	-	-
602102392	W	COUGAR HILLS, LLC	\$2,577	\$2,234	\$1,888	\$1,485	\$1,287	\$80
601082376	W	COVENTRY VALE WINERY, INC.	\$76,623	\$110,211	\$18,141	\$135,403	\$16,759	\$15,300
602523116	W	COYOTE CANYON WINERY LLC	-	\$20	\$42	\$68	\$244	\$357

DOR Account No.	Business Activity	Business Name	2015 Preference Value	2016 Preference Value	2017 Preference Value	2018 Preference Value	2019 Preference Value	2020 Preference Value
603287784	FV	CRF FROZEN FOODS, LLC	\$345,834	\$151,892	-	-	-	-
602112503	FV	CRUNCH PAK, LLC	\$543,141	\$571,583	\$524,553	\$546,169	\$563,793	\$525,129
603175064	FV	CUIZINA FOOD COMPANY, LLC	\$117,212	\$37,822	-	-	-	-
603238139	W	DAMSEL CELLARS, LLC	-	ND	ND	\$50	\$73	\$109
602812816	W	DARBY WINERY, INC.	ND	ND	ND	\$767	\$442	\$614
603214301	W	DDDK LLC	ND	ND	ND	\$825	\$1,031	\$1,317
603262772	W	DELILLE CELLARS, LLC	\$4,327	\$7,085	\$12,977	\$13,430	\$14,143	\$12,508
603138239	W	DELMAS, LLC	ND	ND	ND	\$312	\$563	\$897
601826429	W	DELVO, JONATHAN PAUL	-	ND	-	-	-	-

DOR Account No.	Business Activity	Business Name	2015 Preference Value	2016 Preference Value	2017 Preference Value	2018 Preference Value	2019 Preference Value	2020 Preference Value
602430248	W	DES VOIGNE WINERY LLC	\$15	\$3	\$78	\$10	\$14	\$10
603524004	W	DEVONA, LLC	\$776	ND	\$63	\$258	\$244	\$552
602170365	W	DINEEN FAMILY VINEYARDS, L.L.C.	ND	-	ND	\$0	\$29	\$54
602445782	W	DOUBLE CANYON VINEYARDS, LLC	-	-	-	\$17,514	\$20,814	\$10,107
603584939	W	DOUBLE CANYON WINERY LLC	-	ND	\$13,819	\$437	-	-
603221720	W	DOUBLE D WINERY LLC	-	-	\$73	\$533	\$110	\$1,370
602930459	W	DOUBLEBACK, LLC	-	-	\$11,221	\$12,525	\$14,739	\$4,762
603445225	W	DRINK WASHINGTON STATE, LLC	-	ND	\$15	\$48	-	\$125

DOR Account No.	Business Activity	Business Name	2015 Preference Value	2016 Preference Value	2017 Preference Value	2018 Preference Value	2019 Preference Value	2020 Preference Value
601931471	FV	DRR FRUIT PRODUCTS COMPANY, INC.	\$24,740	\$37,444	\$36,436	\$36,010	\$38,454	\$36,680
60226640	W	DUMAS STATION WINES, L.L.C.	-	-	-	-	-	\$1,385
601898746	W	DUNHAM CELLARS, L.L.C.	\$4,261	\$6,993	ND	\$7,705	\$12,867	\$9,087
600163093	W	E. & J. GALLO WINERY	\$78,392	\$53,176	\$57,329	\$40,642	\$74,679	\$29
604298735	FV	EARLY BIRD BERRIES LLC	-	-	-	\$0	-	-
603040117	W	EIDOLON WINERY, INC.	ND	-	-	-	-	-
602663720	W	ELEGANT E' CELLARS, L.L.C.	-	-	\$17	\$99	-	\$27
603133954	W	ELEVEN WINERY, INC.	-	\$118	\$183	\$231	\$488	\$690

DOR Account No.	Business Activity	Business Name	2015 Preference Value	2016 Preference Value	2017 Preference Value	2018 Preference Value	2019 Preference Value	2020 Preference Value
601843571	FV	EMPIRE FRUIT, INC.	ND	ND	ND	\$4,417	\$2,491	-
603521013	W	EPONA, L.L.C.	-	-	\$0	\$1	-	-
602302491	W	FALL LINE WINERY, LLC	\$239	\$63	\$60	\$2	\$1	\$1
600615548	FV	FANTASIA, DENELLE SUZANNE	-	-	\$0	\$0	-	-
604445928	FV	FARMERS INVESTMENT CO.	-	-	-	-	\$433	\$180
602726550	W	FIGGINS ESTATE LLC	\$3,905	\$4,904	\$4,141	\$4,210	\$4,278	\$4,692
602829686	W	FINN HILL WINERY, LLC	-	-	\$4	\$0	\$0	-
601920774	W	FIRE HOUSE, L.L.C.	\$7,831	\$5,631	\$6,260	\$2,923	-	-
604060719	FV	FIREFLOWER SAUCE, LLC	-	-	-	\$0	\$1	-

DOR Account No.	Business Activity	Business Name	2015 Preference Value	2016 Preference Value	2017 Preference Value	2018 Preference Value	2019 Preference Value	2020 Preference Value
601536695	FV	FIRESTONE PACIFIC FOODS, LLC	\$126,013	\$148,719	\$171,110	\$254,966	\$251,240	\$278,921
602849088	W	FLETCHER BAY WINERY, LLC	-	\$155	-	\$86	\$126	\$175
602822700	W	FLYING DREAMS, LLC	\$37	\$21	\$14	\$1	-	-
603275990	FV	FOGGY RIDGE LLC	-	ND	\$63	-	-	-
604040242	FV	FOOD SERVICE SLICING, LLC	-	-	\$37,842	\$70,499	\$86,171	-
602120884	W	FORGERON CELLARS, LLC	\$813	\$1,152	\$550	\$989	\$900	\$1,192
602318161	W	FOUNDRY VINEYARDS LLC	\$1,028	ND	\$247	\$240	\$81	\$299
603300017	W	FOX IN A BOX WINES, LLC	ND	ND	\$73	\$83	\$64	\$119

DOR Account No.	Business Activity	Business Name	2015 Preference Value	2016 Preference Value	2017 Preference Value	2018 Preference Value	2019 Preference Value	2020 Preference Value
601888041	FV	FRESH FOODS OF WASHINGTON, LLC	\$545,785	\$569,183	\$570,964	\$535,631	-	-
601166938	W	FRIES, CAMERON SCOTT	\$0	-	-	-	-	-
600451260	FV	FRUITSMART, INC.	\$197,827	\$255,379	\$287,936	\$361,316	\$227,060	-
600492614	W	G. WOLF ENTERPRISES, INC.	\$5,605	\$5,844	\$4,439	\$3,027	-	-
602310190	W	GAMACHE VINTNERS, LLC	\$2,796	\$2,832	ND	\$442	\$219	\$323
601042431	FV	GARDEN FRESH FOODS, INC.	\$7,872	\$11,265	\$13,186	\$13,728	\$10,966	\$10,311
602923077	W	GECKO WINE COMPANY LLC	-	\$5	-	-	-	-
602827645	W	GIANT WINE COMPANY, LLC	ND	ND	ND	\$301	\$259	-

DOR Account No.	Business Activity	Business Name	2015 Preference Value	2016 Preference Value	2017 Preference Value	2018 Preference Value	2019 Preference Value	2020 Preference Value
602507566	W	GILBERT CELLARS, LLC	ND	ND	ND	\$955	\$692	\$471
602925224	W	GINO CUNEO CELLARS LLC	\$258	\$283	\$148	\$214	\$91	\$260
600574245	W	GORDON BROTHERS CELLARS INC.	-	\$12,313	ND	\$1,384	\$1,690	\$1,951
602143549	FV	GORGE DELIGHTS, INC.	\$1,448					
602738830	W	GRAND REVE VINTNERS, LLC	-	-	ND	\$581	\$653	-
602314517	W	GRAPE VISIONS LLC	\$6,316	\$5,680	\$5,235	\$7,023	\$5,061	\$6,115
603132162	W	GRAPES & GRAIN, L.L.C.	\$77	\$85	ND	\$182	\$129	\$184
604315255	FV	GREENLEAF FOODS, SPC	-	-	-	\$124,227	\$264,961	\$235,813

DOR Account No.	Business Activity	Business Name	2015 Preference Value	2016 Preference Value	2017 Preference Value	2018 Preference Value	2019 Preference Value	2020 Preference Value
6024 6466 3	W	GREG & PAM HARRINGTON WINES LLC	ND	ND	ND	\$8,984	\$5,802	\$6,660
6031 9609 3	FV	GRIMMWAY ENTERPRISES, INC.	-	-	-	-	\$19,436	-
6042 2381 1	W	GROSGRAIN VINEYARDS LLC	-	-	-	-	\$36	\$251
6025 5467 4	W	GUARDIAN CELLARS, LLC	ND	ND	ND	\$1,196	\$1,082	\$1,427
6034 2251 7	W	HANATORO WINERY, LIMITED LIABILITY COMPANY	\$102					
6032 0157 0	W	HARMELL CELLARS, LLC	\$6,248	\$7,974	\$13,951	\$14,765	-	-
6025 3654 3	W	HENCE CELLARS, L.L.C.	-	-	\$0	\$0	-	-
6035 3099 2	W	HENRY EARL	ND	\$170	\$67	\$250	\$79	\$19

DOR Account No.	Business Activity	Business Name	2015 Preference Value	2016 Preference Value	2017 Preference Value	2018 Preference Value	2019 Preference Value	2020 Preference Value
		ESTATES, LLC						
603442287	FV	HIGH J ORCHARDS, LLC	-	-	\$240	\$449	\$40	-
602707727	W	HIGHTOWER CELLARS LLC	\$165	\$132	ND	\$262	\$194	\$361
603221997	W	HOHIMER FAMILY WINES LLC	-	-	ND	-	-	-
600367461	W	HOODSPORT WINERY, INC.	\$1,015	\$923	\$1,046	\$997	\$822	\$824
601473873	W	HORN, RACHAEL A	-	-	-	\$1,824	\$944	-
602881807	W	H T SJOLUND LLC	ND	\$90	ND	-	-	-
603091521	W	HUBBARD, KIRK WESLEY	-	-	-	\$84	-	-
603340484	W	HURRICANE HILLS, LLC	-	-	-	\$0	-	-

DOR Account No.	Business Activity	Business Name	2015 Preference Value	2016 Preference Value	2017 Preference Value	2018 Preference Value	2019 Preference Value	2020 Preference Value
601959691	W	HYATT FARM PARTNERSHIP, L.P.	ND	ND	ND	\$2,992	\$1,770	\$1,573
603008961	W	ICON CELLARS LLC	-	-	\$6		-	-
604028975	FV	ILA'S FOOD, LLC	-	-	-	\$0	-	-
601842886	FV	INGREDIENT INCORPORATED	-	\$46,224	\$77,811	\$124,432	-	-
604463527	FV	INNOVATIVE FREEZE DRIED FOOD, LLC	-	-	-	-	\$2,871	-
602736130	FV	INVENTURE - WA, INC.	\$434,816	\$371,897	-	-	-	-
601876709	W	ISENHOWER CELLARS, LLC	\$1,050	\$814	\$991	\$1,115	\$1,094	\$1,549
602226221	W	J B GEORGE, LLC	\$665	-	-	-	-	-

DOR Account No.	Business Activity	Business Name	2015 Preference Value	2016 Preference Value	2017 Preference Value	2018 Preference Value	2019 Preference Value	2020 Preference Value
134001535	FV	J. R. SIMPLOT COMPANY	\$1,533,279	\$1,708,958	\$1,947,960	\$1,980,214	\$2,086,081	\$1,983,573
603153552	W	J&J VINTNERS LLC.	-	\$18				
602820158	W	J & S CRUSHING, LLC	-	ND	-	\$6,686	-	-
603283733	W	JESTER CELLARS, LLC	-	-	-	\$41	\$123	\$199
602928145	FV	JEWEL APPLE, LLC	\$118,589	\$116,304	\$143,014	\$193,519	\$156,473	\$141,486
602229670	W	J-NH WINE GROUP, LLC	\$4,225	ND	ND	\$3,589	\$16,593	\$5,691
602668292	W	JOE FOREST WINES LLC	-	ND	ND	\$72	\$116	\$203
602467310	FV	JOHNSON BERRY FARM, LLC	-	-	\$0	\$0	-	-
397010545	FV	JOHNSON FOODS, INC.	\$118,062	\$100,901	\$87,887	\$119,842	\$13,486	\$93,946

DOR Account No.	Business Activity	Business Name	2015 Preference Value	2016 Preference Value	2017 Preference Value	2018 Preference Value	2019 Preference Value	2020 Preference Value
602139095	W	K VINTNERS, L.L.C.	\$20,840	\$38,536	\$88,233	\$106,165	\$117,492	\$135,815
603585869	W	K&R WINES, LLC	-	-	-	-	\$95	\$314
602356326	W	KARMA VENTURES, LLC	\$82					
603176047	FV	KANSHA NATURAL FOODS LLC	-	\$423	\$758	\$174	\$46	-
603460279	W	KASIA WINERY, LLC	-	ND	ND	\$0	-	-
600627711	FV	KENNEDY ENDEAVORS, LLC	\$60,679	\$104,568	\$173,191	\$120,395	\$150,454	\$83,226
601993681	W	KESTREL PROPERTIES, LLC	\$2,235	\$4,700	\$1,147	\$360	\$145	\$299
603074628	W	KEVIN WHITE WINES LLC	\$84	\$132	\$248	\$201	\$195	\$292
604267579	W	KIKASS DONNI & THINGS LLC	-	-	-	-	-	\$50

DOR Account No.	Business Activity	Business Name	2015 Preference Value	2016 Preference Value	2017 Preference Value	2018 Preference Value	2019 Preference Value	2020 Preference Value
6023 8990 2	W	KING ESTATE WINERY LIMITED PARTNER SHIP	ND	-	-	-	-	-
6030 9561 6	W	KIONA VINEYARDS, LLC	\$4,369	ND	ND	\$4,879	\$4,559	\$4,596
6028 6412 5	W	KITZKE CELLARS LLC	\$18	ND	-	-	-	\$1,249
6023 3091 6	W	KOLIBRI ENTERPRISES LLC	-	-	-	\$4	\$3	\$3
6028 0056 6	W	KONTOS WINE GROUP LIMITED LIABILITY COMPANY	-	\$523	-	-	-	-
6025 8270 9	FV	KOSKI, KARI LYNN	ND	-	-	\$0	-	-
6042 9842 4	FV	KULPIT, MICHAEL WILLIAM	-	-	-	\$1	-	-
6012 2307 8	FV	KYLE MATHISON ORCHARDS, INC.	\$77	\$52	\$45	\$206	\$202	\$65

DOR Account No.	Business Activity	Business Name	2015 Preference Value	2016 Preference Value	2017 Preference Value	2018 Preference Value	2019 Preference Value	2020 Preference Value
602069293	W	LAKE CHELAN TRADING COMPANY, LLC	-	-	\$704	\$704	\$760	\$393
602862166	FV	LAMB WESTON BSW, LLC	\$354,976	\$453,203	\$481,626	\$595,313	-	-
602726525	FV	LAMB WESTON, INC.	\$2,341,907	\$2,516,034	\$3,266,474	\$3,830,029	\$4,712,519	-
601835477	FV	LAO, YANG L	-	ND	\$34	\$25	-	-
601550471	FV	LARSON, EYHILD CHRISTIN	-	-	\$0	\$0	\$0	-
600471954	W	LATAH CREEK WINE CELLARS, LTD.	\$202	\$210	\$193	\$176	\$131	\$140
603487701	W	LATTA WINES, LLC	\$153	\$2,371	ND	\$1,877	\$497	\$993
602803069	FV	LATTINS COUNTRY CIDER MILL & FARM, INC.	\$659	\$725	\$616	\$674	\$554	\$534

DOR Account No.	Business Activity	Business Name	2015 Preference Value	2016 Preference Value	2017 Preference Value	2018 Preference Value	2019 Preference Value	2020 Preference Value
602567547	W	LAURELHURST CELLARS, LLC	\$0	ND	ND	\$5	\$1	-
603286341	FV	LAWLOR, AUDRA QUERY	-	\$242	\$18	-	-	-
602429420	W	LAWRELI N WINE COMPANY	-	\$8	\$8	\$117	\$10	\$11
602611617	W	LAWRENCE CELLARS, LLC	ND	ND	ND	\$414	\$237	\$499
602169159	FV	LAZY J TREE FARM, INC.	-	-	ND	-	-	-
601866881	W	LEAF CELLARS, L.L.C.	ND	ND	ND	\$1,243	\$1,233	\$1,188
602082269	W	LEONETTI CELLAR, LLC	\$15,239	\$15,199	\$15,020	\$15,505	\$15,733	\$15,590
603592735	FV	LESEDI FARM LLC	-	-	ND	\$56	-	-
601937916	W	LIGHTNING RIDGE	\$211	\$176	\$132	\$129	\$102	\$86

DOR Account No.	Business Activity	Business Name	2015 Preference Value	2016 Preference Value	2017 Preference Value	2018 Preference Value	2019 Preference Value	2020 Preference Value
		INVESTMENTS, LLC						
603371573	FV	LICHTENFELS, MARIE-CLAIRE	ND	-	\$0	-	-	-
602422560	W	LIVIN RIGHT WINES LLC	\$23	\$28	\$38	\$12	\$23	\$43
602555331	W	LODMELL CELLARS, LLC	\$2	ND	\$21	\$68	\$36	\$14
602237984	W	LONG SHADOWS VINTNERS LLC	\$16,989	\$18,115	\$17,392	\$6,170	\$15,095	\$17,797
603381739	W	LOVE THAT RED, LLC	-	-	ND	\$11	\$18	-
600255034	W	LOWDEN SCHOOL HOUSE CORPORATION	ND	ND	ND	\$5,897	\$6,470	-
600544786	FV	LUND, ANGEL K	-	-	-	-	\$0	-

DOR Account No.	Business Activity	Business Name	2015 Preference Value	2016 Preference Value	2017 Preference Value	2018 Preference Value	2019 Preference Value	2020 Preference Value
603391014	W	M & L PRODUCTION, LLC	ND	-	-	\$0	-	-
603335759	W	M & Z VINTNERS, LLC	-	-	-	-	-	\$10
602369649	W	M. E. M. LLC	\$819	\$896	\$1,188	\$1,045	\$41	\$1,050
602941959	W	MACKEY VINEYARDS LLC	\$20	\$14	\$1	\$5	\$5	-
602488948	W	MAD CAR WINE COMPANY, LLC	ND	\$853	\$693	\$613	\$477	\$428
602737463	W	MADSEN FAMILY CELLARS, LLC	-	-	ND	\$0	\$3	-
602360436	W	MANNIN A CELLARS, LLC	-	\$33	\$0	-	-	-
602998212	W	MANSSION CREEK CELLARS LLC	-	-	-	-	-	\$104
602292786	W	MARK RYAN	ND	ND	ND	\$4,457	\$2,689	\$8,031

DOR Account No.	Business Activity	Business Name	2015 Preference Value	2016 Preference Value	2017 Preference Value	2018 Preference Value	2019 Preference Value	2020 Preference Value
		WINERY, LLC						
602859270	W	MARKET VINEYARDS LLC	-	-	\$171	\$163	\$1,364	\$257
601979642	W	MARSHAL'S WINERY, INC.	ND	ND	ND	\$79	-	-
602551067	W	MARTINEZ VINEYARD L.L.C.	\$2	\$2	ND	\$48	-	-
602624040	W	MATRICK HOLDINGS, CORPORATION	ND	ND	ND	\$2,833	\$2,815	\$2,209
601540932	FV	MAYAN SUN, INC.	ND	ND	-	-	-	-
601359694	W	MCCREA CELLARS, INC.	ND	ND	ND	\$84	\$32	\$68
602619275	W	MERCER WINE ESTATES, LLC	\$20,020	\$20,785	\$14,236	\$1,100	-	-
601911298	FV	METHOW VALLEY	-	-	-	\$1	-	-

DOR Account No.	Business Activity	Business Name	2015 Preference Value	2016 Preference Value	2017 Preference Value	2018 Preference Value	2019 Preference Value	2020 Preference Value
		CIDERHO USE INC.						
603160190	FV	MIDORI FARM LLC	-	-	\$7	\$806	-	-
602238543	W	MILLIE JONES IRREVOCABLE INTERVIVOS TRUST FOR THE FAMILY OF*	-	ND	\$981	\$8,100	-	-
602915783	FV	MILNE ASEPTICS LLC	\$16,054	-	-	-	-	
600171170	FV	MILNE FRUIT PRODUCTS, INC.	\$275,557	\$367,157	\$370,255	\$384,720	\$366,477	\$354,614
603321664	W	MONTICULE GROUP, LLC	-	-	-	\$0	-	-
602092303	W	MORCHELLA WINE CELLARS, LLC	ND	ND	ND	\$1,818	\$2,833	\$2,922
603139170	FV	MOSES LAKE PROCESSING LLC	\$4,876	\$4,211	\$2,880	\$20,059	\$21,970	-

DOR Account No.	Business Activity	Business Name	2015 Preference Value	2016 Preference Value	2017 Preference Value	2018 Preference Value	2019 Preference Value	2020 Preference Value
602908005	W	MOSQUITO FLEET WINERY LLC	\$63	ND	ND	\$10	\$113	\$57
178000544	FV	NATIONAL FROZEN FOODS CORPORATION	\$797,434	\$878,622	\$784,994	\$908,497	\$841,567	\$1,117,451
603309473	W	NEIGEL VINTNERS LLC	-	-	-	\$333	\$208	\$103
601928853	W	NEW FOOTHILLS PROPERTIES L.L.C.	\$11	\$47				
603603375	FV	NEWGEM FOODS, LLC	-	-	ND	\$3,204	\$3,615	\$3,936
604056134	FV	NOBO MICROFARMS, LLC	-	-	-	\$105	\$73	\$26
602686084	FV	NORTHWEST BERRY CO-OP	\$50,686	\$14,716	\$12,839	\$14,902	\$29,431	\$48,261
602379205	W	NORTHWEST CELLARS, LLC	\$491	\$328	\$455	\$379	\$276	\$711

DOR Account No.	Business Activity	Business Name	2015 Preference Value	2016 Preference Value	2017 Preference Value	2018 Preference Value	2019 Preference Value	2020 Preference Value
602981795	FV	NORTHWEST FROZEN, LLC	\$23,509	-	-	\$71,909	\$85,198	\$51,050
604050892	FV	NORTHWEST SNACKS, INC.	-	-	\$2	-	-	-
603441391	W	NOVIELLO VINEYARDS, L.L.C.	\$12	\$8	ND	\$19	-	\$12
602305962	FV	NPCP QUINCY, LLC	\$142,730	\$92,274	\$102,948	\$80,733	\$64,744	-
601835720	W	O. S. WINERY LLC	ND	ND	ND	\$38	\$4	-
602847224	W	OBELISCO ESTATES, LLC	ND	ND	ND	\$498	\$548	\$654
141004575	FV	OCEAN SPRAY CRANBERRIES, INC.	\$250,978	\$252,903	\$262,627	\$131,899	\$118,198	\$118,472
603180360	FV	OLAM WEST COAST INC	-	-	-	\$5,556	\$289	\$320

DOR Account No.	Business Activity	Business Name	2015 Preference Value	2016 Preference Value	2017 Preference Value	2018 Preference Value	2019 Preference Value	2020 Preference Value
602470974	W	OLDFIELD CELLARS, LLC	\$1,668	\$2,563	\$1,879	\$1,571	\$1,439	\$1,008
604369280	FV	OLYKRAUT SPC	-	-	-	-	\$1,067	\$1,487
604073373	W	OPAL WEST WINES, LLC	-	-	-	-	-	\$2,708
603386655	FV	ORASELLA FOODS, LLC	-	-	-	\$205	\$10	\$63
602070392	FV	OREGON POTATO COMPANY	\$463,564	\$281,213	\$486,933	\$599,134	\$677,088	\$906,749
604215690	W	ORENDA WINERY, LLC	-	-	-	-	-	\$8
603471511	FV	PABLITO'S SALSA COMPANY LLC	-	-	ND	-	-	-
602655028	W	PACIFIC RIM WINEMAKERS, INC.	\$33,707	\$44,653	\$41,876	\$50,936	\$37,401	\$29,742
603039642	W	PACIFIC WINE	ND	ND	ND	\$2	-	-

DOR Account No.	Business Activity	Business Name	2015 Preference Value	2016 Preference Value	2017 Preference Value	2018 Preference Value	2019 Preference Value	2020 Preference Value
		ENTERPRISES, LLC						
602336410	W	PAGE CELLARS LLC	\$145	-	\$469	\$722	\$472	-
603006816	W	PANDORA CELLARS LLC	\$12	ND	-	-	-	-
602701974	W	PAPINEAU LLC	ND	\$957	\$1,488	\$2,700	\$9,360	\$8,288
602814603	FV	PASCO PROCESSING, LLC	\$561,870	\$501,454	\$499,902	\$416,880	\$225,802	\$555,651
602271021	W	PASEK CELLARS WINERY, INC.	\$280	-	\$1,158	\$1,354	\$1,093	\$954
604404892	FV	PENSIEVE FOODS LLC	-	-	-	-	\$0	-
601904720	W	PEPPER BRIDGE WINERY, L.L.C.	\$3,727	\$3,311	\$3,987	\$4,197	\$4,269	\$3,925
604095663	FV	PIE LOVE LLC	-	-	ND	\$0	-	-

DOR Account No.	Business Activity	Business Name	2015 Preference Value	2016 Preference Value	2017 Preference Value	2018 Preference Value	2019 Preference Value	2020 Preference Value
603414888	W	PLAIN CELLARS, LLC	ND	ND	ND	\$14	\$6	\$10
602504551	W	PONDERA WINERY L.L.C.	-	-	ND	\$132	-	-
604155224	FV	PORTER GREENE INC.	-	-	-	\$0	-	-
602207746	W	PRECEPT BRANDS LLC	-	-	\$559,680	\$173,503	\$254,545	\$325,827
601137315	FV	PREMIER PACKING COMPANY	ND	ND	ND	\$290	\$944	-
603426046	W	PROJECT LOGAN, LLC	-	ND	\$134	\$59	\$814	\$2,852
603083812	W	PROLETARIAT WINE COMPANY, LLC	\$1,863	ND	ND	\$1,852	\$2,396	\$1,333
604030766	W	PURSUED BY BEAR, LLC	-	-	\$405	\$2,190	\$2,220	\$3,254
600294241	W	QUILCEDA CREEK VINTNERS, INC.	\$39,116	\$34,783	\$41,683	\$47,829	\$37,989	\$55,678

DOR Account No.	Business Activity	Business Name	2015 Preference Value	2016 Preference Value	2017 Preference Value	2018 Preference Value	2019 Preference Value	2020 Preference Value
603436789	FV	RAINMAKER CIDER LLC	ND	\$388	-	-	-	-
602750435	W	RASA VINEYARDS, LLC	\$915	\$2,084	\$1,466	\$4,253	\$2,950	\$3,791
604014724	W	RECKONING LLC	-	-	-	\$38	\$16	-
604286079	W	RED BAND CELLARS, LLC	-	-	-	\$2,264	-	\$8,042
602542517	W	RED MOUNTAIN VITICULTURE, LLC	ND	ND	ND	\$326	\$223	\$216
409022068	FV	RESER'S FINE FOODS, INC.	\$443,405	\$448,534	\$457,897	\$523,100	\$591,692	\$403,934
602606494	W	REVELRY VINTNERS, LLC	\$5,181	\$6,511	ND	\$5,468	\$5,752	\$4,767
602470939	W	REYNVAAN FAMILY VINEYARDS, LLC	-	-	-	\$0	\$0	-

DOR Account No.	Business Activity	Business Name	2015 Preference Value	2016 Preference Value	2017 Preference Value	2018 Preference Value	2019 Preference Value	2020 Preference Value
603066733	W	REZABEK VINEYARDS, LLC	-	ND	-	\$3	\$5	-
602283783	W	RIVERAERIE CELLARS, L.L.C.	\$192	\$155	\$3,457	\$194	\$146	\$196
602897317	W	ROBERTS FAMILY ENTERPRISES, INC.	ND	-	-	-	-	-
602663644	W	ROBISON RANCH CELLARS, LLC	\$15	-	-	-	-	-
602555957	W	ROCKWALL CELLARS LLC	\$97	-	-	-	-	-
604632843	FV	ROOT 24 FARMS, INC	-	-	-	-	-	\$9,950
604037215	FV	ROOT CELLAR FARM LLC	-	-	-	\$0	-	-
602073831	FV	ROYAL RIDGE FRUIT & COLD STORAGE, LLC	-	-	\$173,116	\$190,964	\$199,359	\$223,093

DOR Account No.	Business Activity	Business Name	2015 Preference Value	2016 Preference Value	2017 Preference Value	2018 Preference Value	2019 Preference Value	2020 Preference Value
604329260	W	ROYAL SLOPE VINTNERS LLC	-	-	-	-	-	\$240
602102170	W	RRJ REAL PROPERTIES, LLC	-	-	-	\$164	\$514	\$682
601866508	W	RUSSELL CREEK, L.L.C.	ND	-	\$3	\$6	-	-
603338820	W	RYAN HERSHEY ENTERPRISES, INC.	\$15,951	\$20,200	\$20,831	\$14,317	\$22,521	\$17,609
601216044	FV	SAKUMA BROTHERS PROCESSING, INC.	\$85,973	\$102,347	\$99,010	\$92,239	\$69,473	\$93,914
604012551	W	SALAMIDA CELLARS LLC	-	-	-	-	-	\$4
602868710	W	SAN JUAN VINEYARDS	\$132	-	-	-	-	-
604176906	W	SAN JUAN VINEYARD L.L.C.	-	-	-	\$961	\$33	\$70

DOR Account No.	Business Activity	Business Name	2015 Preference Value	2016 Preference Value	2017 Preference Value	2018 Preference Value	2019 Preference Value	2020 Preference Value
600480881	FV	SANTOS, CLARITA P	-	-	ND	-	-	-
603182574	W	SAVAGE GRACE WINES LLC	ND	ND	ND	\$344	\$499	\$292
602095845	W	SAVIAH ROSE WINERY LLC	\$3,853	\$4,676	ND	\$5,435	\$5,453	\$6,239
603265251	FV	SCABLAND JUICE, LLC	\$33	\$33	ND	-	-	-
602419037	W	SCHAFER WINERY, LLC	ND	ND	\$1,082	\$767	\$1,473	\$846
603538978	W	SECRET SQUIRREL WINE L.L.C.	-	-	\$2,732	\$3,752	\$1,479	\$1,675
602297281	FV	SEGO'S HERB FARM LLC	ND	\$893	ND	\$745	-	-
603104449	FV	SEIBERT, MARY E	-	-	-	\$10	-	-
600309447	FV	SENECA FOODS CORPORATION	-	-	-	\$109,611	\$12,973	\$13,499

DOR Account No.	Business Activity	Business Name	2015 Preference Value	2016 Preference Value	2017 Preference Value	2018 Preference Value	2019 Preference Value	2020 Preference Value
602252467	FV	SENECA SNACK COMPANY	\$70,522	\$75,564	\$59,734	\$57,080	\$61,158	-
601162933	FV	SHONAN (U.S.A.), INC.	\$39,163	\$39,542	\$39,266	\$53,097	\$63,289	\$46,097
603519974	W	SIGHTGLASS CELLARS LLC	-	-	-	\$22	\$109	\$77
603055346	W	SIGILLO CELLARS, LLC	-	\$21	\$38	\$34	-	\$133
602747589	W	SILVER OWL, LLC	\$44	\$140	\$111	\$101	\$61	\$85
603507442	W	SIMPATIO CELLARS, LLC	-	-	ND	\$40	\$47	\$69
604203643	FV	SIMPLOT FROZEN VEGETABLES, LLC	-	-	-	\$128,881	\$314,431	\$313,696
602975823	W	SINCLAIR ESTATE VINEYARDS, LLC	-	\$134	-	\$177	\$90	-

DOR Account No.	Business Activity	Business Name	2015 Preference Value	2016 Preference Value	2017 Preference Value	2018 Preference Value	2019 Preference Value	2020 Preference Value
603150289	W	SIREN SONG WINES LLC	-	-	\$39	\$40	\$123	\$134
602529857	W	SKYLITE CELLARS LLC	-	\$387	\$110	\$83	-	-
602304618	W	SLEEPING GIANT WINERY, LLC	\$1,599	\$2,057	\$2,159	\$2,061	\$1,575	\$2,253
602696027	W	SLEIGHT OF HAND CELLARS, LLC	\$1,455	\$5,277	ND	\$4,618	\$4,886	\$5,040
603146332	FV	SLICKFORK RANCH LLC	-	-	-	\$0	-	-
604215083	W	SMAK LLC	-	-	-	-	\$183	\$260
247000013	FV	SMITH & NELSON, INC.	\$21,606	-	-	-	-	-
602211649	FV	SMUCKER FRUIT PROCESSING COMPANY	\$99,949	\$108,677	\$210,274	\$279,848	\$259,692	\$182,516

DOR Account No.	Business Activity	Business Name	2015 Preference Value	2016 Preference Value	2017 Preference Value	2018 Preference Value	2019 Preference Value	2020 Preference Value
602451205	FV	SNO-CO BERRY PAK, LLC	\$19,863	\$18,066	\$12,944	\$15,766	\$13,550	\$17,848
399003097	FV	SNOW & SONS PRODUCE CO.	\$27,491	-	\$38,275	\$43,998	\$36,624	\$20,761
602991322	W	SOL STONE, LLC	-	-	-	\$3	\$27	\$45
602466474	W	SOOS CREEK WINE CELLARS, LLC	\$516	\$874	\$976	\$1,052	\$548	\$514
604105522	FV	SORBATT O LLC	-	-	\$10	-	-	\$239
602503446	W	SPARKMAN CELLARS LLC	ND	ND	ND	\$2,569	\$2,817	\$2,206
602869094	FV	SPRINGBOARD KRAUT LLC	\$109	\$116	-	-	-	-
603160724	FV	SPRINGRAIN FARM AND ORCHAR D, INC.	-	-	-	\$0	-	-

DOR Account No.	Business Activity	Business Name	2015 Preference Value	2016 Preference Value	2017 Preference Value	2018 Preference Value	2019 Preference Value	2020 Preference Value
600099424	W	STE. MICHELLE WINE ESTATES LTD.	\$2,782,192	\$2,936,037	\$2,011,307	\$1,857,347	\$1,918,911	\$1,846,913
602277940	W	STEPHENSON CELLARS LLC	-	-	ND	-	-	-
602516216	W	STEPPE CELLARS LLC	-	ND	ND	-	-	-
602250130	W	STEVENS WINERY LLC	ND	ND	ND	\$310	\$231	\$271
603342208	W	STEWART FAMILY WINES, LLC	-	-	-	-	\$23	\$29
603379729	W	STORY CELLARS, LLC	\$42					
604222489	FV	STYSKAL, MICHAEL	-	-	-	-	-	\$5
601099075	FV	SUNFRESH FOODS, INC.	-	\$11,935	\$12,138	\$12,592	\$13,237	\$4,332
603067601	FV	SUN-RYPE CONCENT	\$46,975	\$32,255	\$32,953	\$44,305	\$35,343	\$50,525

DOR Account No.	Business Activity	Business Name	2015 Preference Value	2016 Preference Value	2017 Preference Value	2018 Preference Value	2019 Preference Value	2020 Preference Value
		RATES, INC.						
603054535	FV	SUN-RYPE PRODUCTS (USA), INC.	\$78,875	\$85,148	\$79,480	\$68,460	\$82,814	\$47,766
602038242	FV	SVZ USA WASHINGTON, INC.	\$181,059	\$173,799	\$164,715	\$178,240	\$181,889	\$200,310
603582941	W	SWANBERG, YVONNE R	-	ND	ND	-	-	-
602636943	W	SWEET VALLEY WINES L.L.C.	ND	ND	ND	\$9	-	-
602949207	W	TASARA, LLC	ND	ND	ND	\$34	\$31	-
602502079	FV	TATOES, LLC	-	-	\$2,906	-	-	-
603422354	FV	TAYLOR FARMS NORTHWEST, LLC	-	-	-	\$37,767	\$69,928	\$98,420
602205228	W	TENOR WINES, LLC	ND	ND	ND	\$1,210	\$1,360	\$3,498

DOR Account No.	Business Activity	Business Name	2015 Preference Value	2016 Preference Value	2017 Preference Value	2018 Preference Value	2019 Preference Value	2020 Preference Value
601466895	W	TERRA BLANCA VINTNERS, INC.	\$12,851	\$14,096	\$15,102	\$16,306	\$16,158	\$4,275
602859728	W	TERRA VINUM, LLC	\$460	\$418	ND	\$253	\$671	-
602509317	W	TERTULIA CELLARS LLC	ND	ND	-	-	-	-
602493267	W	THE ANGELS' SHARE, LLC	ND	ND	ND	\$866	\$522	\$616
601752752	FV	THE FIELD ROAST GRAIN MEAT COMPANY SPC	\$47,952	-	\$258,356	\$305,086	-	-
604100290	FV	THE GIRL MEETS DIRT COMPANY	-	-	ND	\$734	\$1,682	\$2,560
600539083	FV	THE NEIL JONES FOOD COMPANY	\$318,671	\$204,723	\$204,606	\$184,554	\$243,006	\$244,571
604607816	FV	THE SOURCE	-	-	-	-	-	\$39

DOR Account No.	Business Activity	Business Name	2015 Preference Value	2016 Preference Value	2017 Preference Value	2018 Preference Value	2019 Preference Value	2020 Preference Value
		CIDER LLC						
602855212	W	THIRD LEAF, LLC	\$114					
603314428	FV	THREE OF CUPS, LLC	\$198	\$19	\$13	\$492	\$930	\$32
602839264	FV	TIETON CIDER WORKS, LLC	-	-	-	-	-	\$6,798
603236088	W	TRANCHE ESTATE L.L.C.	-	-	\$3,374	\$5,307	\$761	\$707
603473053	FV	TREASURE VALLEY TURF INC.	-	-	\$0	-	-	-
392000956	FV	TREE TOP, INC.	\$1,037,487	\$957,754	\$1,025,834	\$963,560	\$820,130	\$975,004
602602024	W	TRIO WINE CO. LLC	ND	-	-	-	-	-
601016191	FV	TRIPLE "B" CORPORATION	-	ND	ND	\$4,649	\$5,655	\$4,516

DOR Account No.	Business Activity	Business Name	2015 Preference Value	2016 Preference Value	2017 Preference Value	2018 Preference Value	2019 Preference Value	2020 Preference Value
602867849	FV	TROUT LAKE ABBEY LLC	-	-	-	\$0	\$2	-
602597675	W	TUURI WINES, LLC	-	\$58	ND	\$120	\$104	\$164
600585886	FV	TWIN CITY FOODS, INC.	\$665,721	\$712,915	\$703,136	\$770,016	\$422,972	\$492,055
602842144	FV	UNCOMM ONLY GOOD LLC	-	\$0	-	-	-	-
603405824	W	UNDERGROUND WINE PROJECT, LLC	ND	ND	ND	\$1,728	\$4,704	\$2,372
603169364	W	UPCHURCH VINEYARD L.L.C.	ND	ND	ND	\$734	\$1,163	-
603227968	W	UPROOTED WINES, LLC	-	\$12	\$24	\$114	\$14	\$22
601981617	W	V&C, LLC	\$9,038	\$8,433	\$36,096	\$42,729	\$8,079	\$12,526

DOR Account No.	Business Activity	Business Name	2015 Preference Value	2016 Preference Value	2017 Preference Value	2018 Preference Value	2019 Preference Value	2020 Preference Value
603415131	W	V SQUARED VINEYARDS LLC	-	\$333	\$288	\$850	-	-
604086099	W	VALDEMAR ESTATES USA, INC.	-	-	-	-	-	\$454
600379627	FV	VALLEY PROCESSING, INC.	\$0	-	-	-	-	-
603036880	FV	VASHON CIDERWORKS, LLC	\$174	\$242	\$256	\$145	\$256	\$163
604134445	FV	VEGANIC CHOICE MICROFARMS, LLC	-	-	-	\$295	-	-
602416648	W	VILLA DI MELLISONI VINEYARDS, LLC	-	-	-	\$0	\$60	\$70
602210703	W	VINE & SUN, L.L.C.	\$1,844	-	\$254	\$86	\$328	\$1,188
603511933	W	VINTAGE WINE ESTATES, INC.	-	-	-	-	-	\$4,236

DOR Account No.	Business Activity	Business Name	2015 Preference Value	2016 Preference Value	2017 Preference Value	2018 Preference Value	2019 Preference Value	2020 Preference Value
604049082	W	VITAL WINES	-	-	-	-	-	\$209
602949113	W	VORTEX CELLARS, LLC	\$9	\$2	-	-	-	-
602575231	W	VOTRE VIGNERON LLC	\$179	\$244	\$353	\$351	\$196	\$528
602504853	W	WAHLUKE WINE COMPANY, INC.	\$17,297	\$25,773	\$27,005	\$36,827	\$25,361	\$24,100
602203272	W	WALISER WINERY, L.L.C.	-	-	-	\$90	-	-
603073492	W	WAPATO POINT CELLARS, LLC	-	-	-	-	-	\$127
602466157	W	WARD JOHNSON WINERY, LLC	-	-	-	\$13	\$14	-
603295784	W	WARR-KING WINES LLC	ND	\$11	ND	\$2	\$6	-

DOR Account No.	Business Activity	Business Name	2015 Preference Value	2016 Preference Value	2017 Preference Value	2018 Preference Value	2019 Preference Value	2020 Preference Value
602127411	W	WASHINGTON VINTNERS L.L.C.	\$4,650	\$4,692	\$6,522	\$919	\$46	\$22
602005402	W	WASHINGTON WINE COMPANY LLC	\$290	\$341	\$373	\$455	\$532	\$1,088
602088438	W	WAVING TREE, LTD.	-	-	\$79	-	\$112	\$148
603040276	W	WBWCO LLC	ND	ND	ND	\$1,668	\$1,491	\$2,247
600105869	FV	WELCH FOODS INC., A COOPERATIVE	\$83,492	\$84,168	\$73,715	\$152,830	-	\$248,370
603515257	FV	WELSH, PEGGY J	-	ND	ND	\$77	-	-
602568936	W	WHIDBEY ISLAND VINEYARD & WINERY LTD.	-	\$107	\$163	\$136	\$105	\$145
603112617	W	WHITE SPACE COMPANIES, LLC	\$323	\$547	\$300	\$42	-	-

DOR Account No.	Business Activity	Business Name	2015 Preference Value	2016 Preference Value	2017 Preference Value	2018 Preference Value	2019 Preference Value	2020 Preference Value
602930469	W	WILLOW CREST WINE ESTATES, LLC	-	-	\$99	\$4,032	-	-
602968204	FV	WILSON BANNER RANCH, L.L.C.	\$148	-	ND	\$167	\$68	-
603162670	W	WINCHES TER WINERY LLC	-	\$0	-	-	-	-
603206041	FV	WIND RIVER BIOMASS UTILITY LLC	-	-	-	-	-	\$497
602307606	FV	WM. BOLTHO USE FARMS, INC.	\$138,976	\$168,652	\$144,651	\$39,592	\$136,371	\$767
603432486	FV	WOODIN VILLE CIDERWORKS, LLC	-	-	\$0	-	-	-
601017882	W	WOODWARD CANYON WINERY, INC.	-	\$5,369	\$4,941	\$4,574	\$4,255	\$4,805

DOR Account No.	Business Activity	Business Name	2015 Preference Value	2016 Preference Value	2017 Preference Value	2018 Preference Value	2019 Preference Value	2020 Preference Value
602006636	W	WWSB, LLC	ND	-	-	-	-	-
601116052	FV	WYCKOFF FARMS, INCORPORATED	\$74,558	\$96,627	\$81,438	\$102,338	\$56,487	\$98,675
602365157	W	WYLIE-YOUNG L.L.C.	-	ND	ND	\$4,205	\$4,568	\$4,327
604127985	FV	YOUNKER, JUSTIN	-	-	ND	-	-	-
602160682	W	Z - WINES, LLC	-	ND	ND	\$107	\$73	\$156
603318161	W	ZIMMEL UNRUH CELLARS, LLC	-	\$1	-	-	-	-
		Total	\$16,690,987	\$17,017,355	\$18,016,066	\$19,546,429	\$18,192,122	\$13,726,401

NOTE: Winery (W) or Fruit & Vegetable Processors (FV). "ND" means that a business filed a "0" credit amount or that it selected to not disclose the amount of the credit taken (this option was available from 2006 - 2017 when the credit taken was less than \$10,000).

Source: JLARC staff analysis of Department of Revenue Incentive and Reporting Public Disclosure web page for fruit & vegetable processor deductions, 2015-2020.

Appendix C: Seafood beneficiaries

Seafood product beneficiaries and their savings, 2015 - 2020

This table reflects all businesses that used the seafood product processing B&O tax deduction and filed an Annual Tax Performance Report in any year from 2015 through 2020. This detail is publicly disclosable per RCW 82.32.534(3). The yearly totals may differ from the amounts listed for beneficiary savings in section 4 because those totals may include businesses that did not file Annual Reports with the Department of Revenue.

Exhibit C1: Seafood beneficiaries, 2015-2020

DOR Account No.	Business Name	2015 Preference Value	2016 Preference Value	2017 Preference Value	2018 Preference Value	2019 Preference Value	2020 Preference Value
602544878	ALLEN SHELLFISH LLC	-	-	\$829	\$1,125	\$874	\$782
601596024	AWERS, INC.	\$14,253	\$13,627	\$16,597	\$18,850	\$17,542	\$23,727
602018765	BARLEAN'S FISHERY INC.	ND	-	ND	\$284	-	-
601959543	BELL BUOY CRAB CO., INC.	\$34,194	\$46,262	\$27,121	-	-	-
602410318	BENTHIC FISHING, LLC	ND	ND	\$21,892	\$17,061	\$13,946	\$6,301
602213008	BLOSSOM ENTERPRISES, L.L.C.	\$5	\$0	-	-	-	-
371003179	BORNSTEIN	\$54,844	\$67,517	\$66,950	\$104,622	\$74,743	\$58,116

DOR Account No.	Business Name	2015 Preference Value	2016 Preference Value	2017 Preference Value	2018 Preference Value	2019 Preference Value	2020 Preference Value
	SEAFOODS , INC.						
601672 453	BRATTON & OLHEISER	-	-	\$1,881	\$2,092	\$1,765	\$1,451
603324 294	CHETLO HARBOR SHELLFISH LLC	-	-	\$3,288	\$3,306	\$1,566	\$4,012
603025 517	COASTAL VILLAGES POLLOCK LLC	-	ND	\$203,989	\$244,792	\$238,334	\$294,219
602825 648	COOKE AQUACULTURE PACIFIC, LLC	\$11,130	\$24,735	\$159,424	\$190,977	\$143,082	-
601547 809	DANA F. BESECKER COMPANY, INC.	-	\$279,838	\$284,395	\$196,359	\$175,379	\$206,987
602118 869	EELY, INC.	-	\$351	\$888	\$309	-	-
600442 821	EKONE OYSTER COMPANY	\$23,212	\$25,376	ND	-	-	-
603365 089	ELKHORN OYSTER LLC	\$944	ND	\$577	\$908	\$1,160	\$1,974

DOR Account No.	Business Name	2015 Preference Value	2016 Preference Value	2017 Preference Value	2018 Preference Value	2019 Preference Value	2020 Preference Value
602878 152	FAT-CAT FISH, LLC	\$17,154	\$13,425	\$23,385	\$29,352	\$31,057	\$37,906
602398 756	FISHING VESSEL SEAFOODS, LLC	-	\$0	-	\$0	-	-
600329 138	FRANCO FISH PRODUCTS, INC.	\$11,733	\$19,506	\$26,738	\$17,680	\$8,326	\$6,314
603424 390	GOLDBELT SEAFOODS, LLC	\$16,175	-	-	-	-	-
239000 847	HAMA HAMA COMPANY	\$4,371	\$5,978	\$12,507	\$11,500	\$6,436	\$22
601886 060	HIGH ROCK FISH CAMP, INC.	\$8	-	-	-	-	-
600159 809	JESSIE'S ILWACO FISH COMPANY, INC.	\$7,148	-	\$46,992	\$29,309	\$18,618	\$6,313
601292 651	LOKI FISH COMPANY	\$1,808	\$1,354	\$663	\$747	-	-
603002 877	LUSAMERICA FOODS, INC.	\$36,936	\$15,640	\$119,718	\$213,830	\$153,805	\$149,707

DOR Account No.	Business Name	2015 Preference Value	2016 Preference Value	2017 Preference Value	2018 Preference Value	2019 Preference Value	2020 Preference Value
602845777	MARINE HARVEST USA LLC	\$7,340	\$9,598	\$5,090	\$2,581	-	-
602310378	MBR GEODUCK L.L.C.	ND	ND	ND	\$356	\$224	\$264
603216558	MINTERBROOK OYSTER CO.	\$8,685	-	-	\$11,522	-	-
342010181	NATIONAL FISH AND OYSTER CO., INC.	\$10,454	-	-	-	-	-
601951991	NET VENTURE FARMS, INC.	-	-	\$0	\$2,408	-	\$1,235
600088328	NORTHERN FISH PRODUCTS, INCORPORATED	-	\$21,903	\$43,519	\$38,686	\$29,972	\$23,019
602354657	NORTHSTAR SEA FOODS, INC.	ND	\$10,542	\$2,194	\$2,581	\$12,265	-
600260087	NORTHWEST CASTER & EQUIPMENT, INC.	\$5	\$17	\$6	-	-	-

DOR Account No.	Business Name	2015 Preference Value	2016 Preference Value	2017 Preference Value	2018 Preference Value	2019 Preference Value	2020 Preference Value
604588 894	OBS SMOKED & DISTRIBUTION, LLC	-	-	-	-	-	\$120,192
602732 618	OCEAN BEAUTY SEAFOODS LLC	-	\$82,020	\$87,969	\$187,650	\$184,681	\$83,337
601568 741	OCEAN GOLD SEAFOODS , INC	-	-	\$122,273	\$141,745	\$142,262	\$102,753
600427 977	ODYSSEY ENTERPRISES, INC.	\$171,117	\$179,077	\$53,649	\$185,388	-	-
604104 818	ORCA BAY FOODS, LLC	-	-	-	\$0	\$241,538	\$216,353
600594 540	ORCA BAY SEAFOODS , INC.	\$726,418	\$816,613	\$821,590	-	-	-
602564 955	PALIX OYSTER, INC.	\$403	\$405	\$649	\$793	-	-
602163 563	PALOMINO FOODS, L.L.C.	ND	\$8,293	\$28,052	\$12,232	-	\$4,602
600358 246	RAU, GLEN W	ND	ND	ND	\$697	\$164	-

DOR Account No.	Business Name	2015 Preference Value	2016 Preference Value	2017 Preference Value	2018 Preference Value	2019 Preference Value	2020 Preference Value
602010 547	RUBIN SALES INC.	-	\$7,260	-	-	-	-
603120 238	SEA FALCON LLC	-	-	-	-	-	-
600544 166	SEABEAR COMPANY	\$16,839	\$5,474	\$6,221	\$5,808	\$5,132	\$10,281
603005 358	SEAFOODS PROCESSING CONTRACTORS INC.	\$19,902	-	-	-	-	-
601612 434	SHELFORD'S BOAT, LTD.	\$6,419	\$3,966	\$36,891	\$47,131	\$30,835	\$550
603424 158	SILVER BAY SEAFOODS, LLC	-	-	\$299,519	\$291,554	\$574,231	\$383,493
602810 789	SOUTH BEND PRODUCTS LLC	\$33,656	\$33,334	\$23,224	\$71,915	\$68,191	\$92,731
603371 446	SOUTH SOUND MARICULTURE LIMITED LIABILITY COMPANY	-	ND	ND	\$1	\$297	\$0
602868 104	SPARKS, CHRISTOPHER PETER	\$3,394	-	-	-	-	-

DOR Account No.	Business Name	2015 Preference Value	2016 Preference Value	2017 Preference Value	2018 Preference Value	2019 Preference Value	2020 Preference Value
602245630	SPORTSMEN'S CANNERY, INC.	-	-	ND	\$100	\$110	\$156
602839679	TRANS OCEAN SEAFOODS, INC.	\$17,718	\$13,580	\$10,689	\$13,338	\$15,098	\$9,823
601005522	TRIDENT SEAFOODS CORPORATION	\$1,351,521	\$1,091,426	\$1,198,704	\$1,048,915	\$810,722	\$880,231
603554200	U.S. MARINE RANCH GROUP CO	-	-	ND	\$797	\$13	-
602014308	WALLIN'S OYSTERS AND CLAMS LLC	\$5,484	\$5,271	ND	-	-	-
602003278	WESTERN UNITED FISH COMPANY INC.	\$167,957	\$201,408	\$182,869	\$171,092	\$133,485	\$110,159
603510558	WESTPORT CUSTOM SEAFOOD, LLC	-	-	-	-	-	\$170
602146022	WESTPORT SEAFOOD, INC.	\$5,073	\$6,371	\$6,387	\$8,271	\$9,072	\$11,380

DOR Account No.	Business Name	2015 Preference Value	2016 Preference Value	2017 Preference Value	2018 Preference Value	2019 Preference Value	2020 Preference Value
259001167	WIEGARDT BROS., INC.	\$30,777	-	-	\$19,020	\$23,636	\$23,772
604197199	WILD GRILL FOODS LLC		-	-	\$3,984	\$5,771	\$6,984
	Total	\$2,817,075	\$3,010,167	\$3,947,328	\$3,351,671	\$3,174,332	\$2,879,315

NOTE: "ND" means that a business filed a "0" credit amount or that it selected to not disclose the amount of the credit taken (this option was available from 2006 - 2017 when the credit taken was less than \$10,000).

Source: JLARC staff analysis of Department of Revenue (DOR) Incentive and Reporting Public Disclosure web page for seafood product processor deductions, 2015-2020.

Appendix D: REMI overview

What is REMI?

JLARC staff used Regional Economic Models, Inc.'s (REMI) single-region, 160 industry sector Tax-PI software (version 2.5) to model the economic impacts of the B&O tax deductions and preferential rates for dairy product, fruit & vegetable, and seafood product processors and certain sellers.

Multiple state governments, private sector consulting firms, and research universities also use REMI's dynamic economic modeling to evaluate policy impacts.

Model is tailored to Washington and includes a government sector

Tax-PI is an economic impact tool used to evaluate the fiscal and economic effects and the demographic impacts of a tax policy change. The software includes various features that make it particularly useful for analyzing the economic and fiscal impacts of tax preferences:

- REMI staff consulted with staff from the Office of Financial Management (OFM) and customized a statewide model to reflect Washington's economy.

- The model contains 70 industry sectors, based on the North American Industry Classification system (NAICS) codes.
- In contrast to other modeling software, Tax-PI includes state and local government as a sector. This permits users to see the trade-offs associated with tax policy changes (e.g., effects on Washington's economy from both increased expenditures by businesses due to a tax preference, along with decreased spending by government due to the associated revenue loss).
- For current revenue and expenditure data, users can input information to reflect their state's economic and fiscal situation. This allows JLARC staff to calibrate a state budget using up-to-date information from the Economic and Revenue Forecast Council (ERFC) and the Legislative Evaluation and Accountability Program (LEAP).
- The model can forecast economic and revenue impacts multiple years into the future.

Model simulates the full impact of a tax policy change

The REMI model accounts for the direct, indirect, and induced effects as they spread through the state's economy, which allows users to simulate the full impact of a tax policy change over time.

- Direct effects are industry specific and capture how a target industry responds to particular policy change (e.g., changes in industry employment following a change in tax policy).
- Indirect effects capture employment and spending decisions by businesses in the targeted industry's supply chain that provide goods and services.
- Induced effects capture the in-state spending and consumption habits of employees in targeted and related industries.

The REMI model produces year-by-year estimates of the total statewide effects of a tax policy change. Impacts are measured as the difference between a baseline economic and revenue forecast and the estimated economic and revenue effects after the policy change.

Model includes economic, demographic, and fiscal variables

The REMI model is a macroeconomic impact model that incorporates aspects of four major economic modeling approaches: input-output; general equilibrium; econometric; and new economic geography. The foundation of the model, the inter-industry matrices found in the input-output models, captures Washington's industry structure and the transactions between

industries. Layered on top of this structure is a complex set of mathematical equations used to estimate how private industry, consumers, and state and local governments respond to a policy change over time.

- The supply side of the model includes many economic variables representing labor supply, consumer prices, and capital and energy costs.
- Regional competitiveness is modeled via imports, exports, and output.
- Demographics are modeled using population dynamics (births, deaths, and economic and retirement migration) and include cohorts for age, sex, race, and retirement.
- Demographic information informs the model's estimates for economic consumption and labor supply.
- The dynamic aspect comes from the ability to adjust variables over time as forecasted economic conditions change.

While the model is complex and forecasting involves some degree of uncertainty, Tax-PI provides a tool for practitioners to simulate how tax policy and the resulting industry changes affect Washington's economy, population, and fiscal situation.

Appendix E: REMI Analysis

REMI analysis shows the range of potential employment impacts if the Legislature removes the three food processor preferences

JLARC staff used Regional Economic Models, Inc.'s (REMI) single-region, 160 industry sector Tax-PI software (version 2.5) tool to model scenarios that illustrate potential employment effects if the tax preferences (B&O exemptions and future preferential B&O rates) for dairy product, fruit & vegetable, and seafood product manufacturers are removed.

JLARC staff did not model a scenario to address removal of the preferences for wineries because that industry is not available in the 160 industry sector Tax-PI software tool.

This technical appendix provides context and supporting information for the analysis summarized in Section 6 of the report.

REMI methodology

User inputs in REMI

REMI's Tax-PI model allows users to estimate the impacts of policy changes to Washington's economic activity and government finances (see Appendix D for an overview of the REMI model).

Before modeling policy scenarios, JLARC staff set parameters by calibrating the model to the state budget. JLARC staff used the November 2021 revenue estimates produced by the Economic and Revenue Forecast Council (ERFC) and budgeted expenditures from the 2021 budget, as reported by the Legislative Evaluation and Accountability Program (LEAP) Committee. This provides the budget and revenue data for the model and serves as the starting point for Tax-PI's economic and fiscal forecasts.

Users also specify whether government expenditures are determined by demand or revenue.

- "By demand" imposes a level of government spending in future years that is necessary to maintain the same level of service as the final year in which budget data is entered.
- "By revenue" ties government expenditures to estimated changes in revenue collections.

JLARC staff modeled the scenarios with expenditures determined by demand. This avoids assumptions about how policymakers may alter spending priorities in the future. In addition, current budget allocations are carried forward for each expenditure category.

In order to best isolate the effects of a hypothetical removal of the tax preferences, JLARC staff modeled the scenarios with the balanced budget restriction option turned off. If the balanced budget restriction were turned on, it would force revenue and expenditures to be equivalent, and doing so may impose some limitations on economic activity and obscure the effects of a policy change.

Data for the REMI model

The REMI model includes historical economic and demographic data from 2001 onward. The data comes from federal government agencies, such as the U.S. Census Bureau, U.S. Energy Information Administration, the Bureau of Labor Statistics, and the Bureau of Economic Analysis. As described above, current revenue and expenditure data for Washington comes from ERFC and LEAP. The inputs for the three modeled scenarios described below are based on JLARC staff estimates of future dairy product, fruit & vegetable, and seafood product manufacturing levels and beneficiary savings.

JLARC staff based the growth rate for each industry classification on the beneficiary savings estimate through 2025, and on the growth rate of REMI's baseline projection for each respective industry's output for subsequent years.

Beneficiary industries in REMI

The scenarios described below estimate the economic activity and tax revenue impact using North American Industry Classification System (NAICS) codes:

- 3114 - Fruit & vegetable preserving and specialty food manufacturing.
- 3115 - Dairy product manufacturing.
- 3117 - Seafood product preparation and packaging.

The scenarios capture the inter-industry purchases by the three food manufacturing industries. The results below focus on the estimated employment impacts of the three industries, based on the stated public policy objectives for the preferences.

Modeled scenarios estimate the employment impact if the tax preferences were removed

To illustrate the industries' potential response and the associated employment effects, JLARC staff simulated a removal of the tax preferences. The scenarios assume the economic burden of the removal is experienced by the three food manufacturing industries through an increase in production costs.

The discussion in section 6 of the report expresses these changes as adding, rather than removing, the preferences.

Model forecasts future impacts

The REMI model is a forecasting tool. It estimates change in economic activity and government revenues based on underlying model data and the budget parameters described above.

JLARC staff modeled the effects of removing the tax preferences beginning in 2020, the first forecast year in the model. This provides estimates of employment beginning in fiscal year 2020 through fiscal year 2031.

Removing the tax preferences increases production costs

To model this scenario, JLARC staff assumed removal of the preferences increases each industry's production costs. The approach used the following parameters:

- Loss of beneficiary savings begins the first day of fiscal year 2020, when the tax preferences are removed.
- Model inputs are estimated by increasing production costs by each industry's tax savings. Through fiscal year 2025, these values are the staff estimate of beneficiary savings. In subsequent years, the savings are grown at the same rate as the baseline level of each industry's output in the REMI model.
- State and local governments will spend the increased revenue from the removal of the tax preferences.

The estimates for the increases in production costs (and corresponding equivalent increases in government spending) for each respective industry are shown below (\$ in millions).

Exhibit E1: Production costs are expected to increase in all three industries when tax preferences are removed

Industry	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Production costs for Fruit & vegetable preserving & specialty food manufacturing - (3114)	\$13.9 M	\$14.1 M	\$14.4 M	\$14.7 M	\$15.0 M	\$15.3 M	\$11.0 M	\$11.1 M	\$11.1 M	\$11.2 M	\$11.3 M	\$11.4 M
Production costs for Dairy product manufacturing - (3115)	\$5.5 M	\$5.7 M	\$6.1 M	\$6.4 M	\$6.9 M	\$7.3 M	\$5.3 M	\$5.4 M	\$5.4 M	\$5.5 M	\$5.6 M	\$5.7 M
Production costs for Seafood product preparation and packaging - (3117)	\$2.9 M	\$3.0 M	\$3.0 M	\$3.1 M	\$3.2 M	\$3.3 M	\$2.4 M	\$2.5 M	\$2.5 M	\$2.5 M	\$2.6 M	\$2.6 M

Source: JLARC staff analysis of confidential Department of Revenue tax return data.

The removal of the preferences in this scenario results in a net increase of 121 jobs, averaged over fiscal year 2020 to fiscal year 2031. The individual industry changes that comprise this total include:

- Average of 59 jobs lost in the fruit & vegetable preserving & specialty food manufacturing industry.
- Average of 8 jobs lost in the dairy product manufacturing industry.
- Average of 13 jobs lost in the seafood product preparation and packaging industry.
- Average of 8 jobs lost in other manufacturing industries.
- Average of 184 state and local government jobs and 25 other private nonfarm jobs gained statewide. This employment increase is driven by the assumption that increased tax revenues would be spent in the public sector.

Exhibit E2: Jobs are expected to increase in state and local government and private nonfarm industries if tax preferences are removed

Industry	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
All Industries	145.6	135.4	138.7	141.4	144.7	149.1	95.2	99.2	100.0	101.7	101.5	101.4
Fruit & vegetable preserving & specialty food manufacturing (3114)	-72.6	-72.3	-71.4	-70.7	-70.1	-69.4	-49.5	-48.1	-46.8	-45.7	-44.6	-43.6
Dairy product manufacturing (3115)	-8.6	-8.9	-9.2	-9.5	-9.9	-10.2	-7.5	-7.3	-7.2	-7.1	-7.0	-6.9
Seafood product preparation & packaging (3117)	-17.9	-17.4	-16.8	-16.2	-15.8	-15.3	-10.6	-10.1	-9.7	-9.3	-8.9	-8.5
Other manufacturing	-8.2	-8.9	-9.0	-9.1	-9.1	-9.0	-6.9	-6.5	-6.2	-5.9	-5.7	-5.6
Other private nonfarm	39.2	27.3	28.9	29.4	30.4	31.7	14.1	18.2	19.1	20.6	20.5	20.5
State and local government	213.7	215.6	216.3	217.6	219.1	221.4	155.5	153.1	150.8	149.1	147.2	145.5

Source: JLARC staff REMI analysis.

Appendix F: Ernst & Young analysis

JLARC contracted with Ernst & Young to estimate the impact of state tax preferences on effective tax rates in Washington and neighboring states

Ernst & Young (EY) analyzed the state and local tax climate for three food manufacturing industries in Washington and four neighboring competitor states. EY compared estimates of the tax burdens for small and large hypothetical firms investing in alternative locations for Washington-based food processors or because of their significant presence in the industry (i.e., Alaska for seafood industry):

- California
- Idaho
- Oregon
- Alaska (seafood only)

The industries included in the analysis and their North American Industry Classification System (NAICS) codes are:

- 3114 - Fruit & vegetable preserving and specialty food manufacturing
- 3115 - Dairy product manufacturing
- 3117 - Seafood product preparation and packaging

Wineries are not included in the analysis for fruit & vegetable manufacturers. Wineries are classified under a separate NAICS code (312130).

Consultant analysis modeled additional scenarios for each preference

The consultants modeled two scenarios each for fruit & vegetable and seafood product processors:

1. Scenario 1: The tax preferences are applied as in current law. The B&O exemption is in effect through June 30, 2025, and then replaced by the preferential 0.138% B&O rate until 2052 (30 years in the future).
2. Scenario 2: The current B&O exemption is extended through 2052.

For the dairy product processing analysis, the consultants modeled three scenarios:

1. Scenario 1: The tax preferences are applied as in current law. The B&O exemption is in effect through June 30, 2025, and then replaced by the preferential 0.138% rate until January 1, 2036, after which the general 0.484% manufacturing B&O rate applies through 2052.
2. Scenario 2: The B&O exemption is extended through 2052.
3. Scenario 3: The B&O exemption is replaced July 1, 2025, by the 0.138 preferential B&O rate, which is extended through 2052.

The results detailed below are based on scenario 1, since that scenario approximates the impact of current law. The other scenarios would reduce the effective tax rate in Washington further than current law does. The results for other scenarios are available in the Ernst & Young report [available here](#).

Details of the analysis

To perform the analysis, EY used a discounted cash flow model programmed with the financial features of each industry and the relevant tax features and rates in each state.

The financial profiles estimate metrics such as employment, wages, business assets, income, and expenses based on public data and EY calculations. The size of the representative small and large firms varies by industry, based on the distribution of firm sizes in each industry in Washington and the competitor states.

Exhibit F1: EY calculated small and large representative firms for each industry classification

Industry	Small firm employment	Large firm employment
Fruit & vegetable preserving and specialty food manufacturing	45	250
Dairy product manufacturing	20	235
Seafood product preparation and packaging	15	165

Source: JLARC staff analysis of EY report.

EY analyzed the tax systems in each of the competitor states and coded them into its model. The model estimates the tax burdens resulting from corporate income tax, sales tax on business

inputs, property tax, franchise tax, and gross receipts taxes such as the Washington B&O tax. The burden of these taxes was combined to estimate the effective tax rate (ETR), expressed as the percentage change in the hypothetical business's rate of return due to taxes.

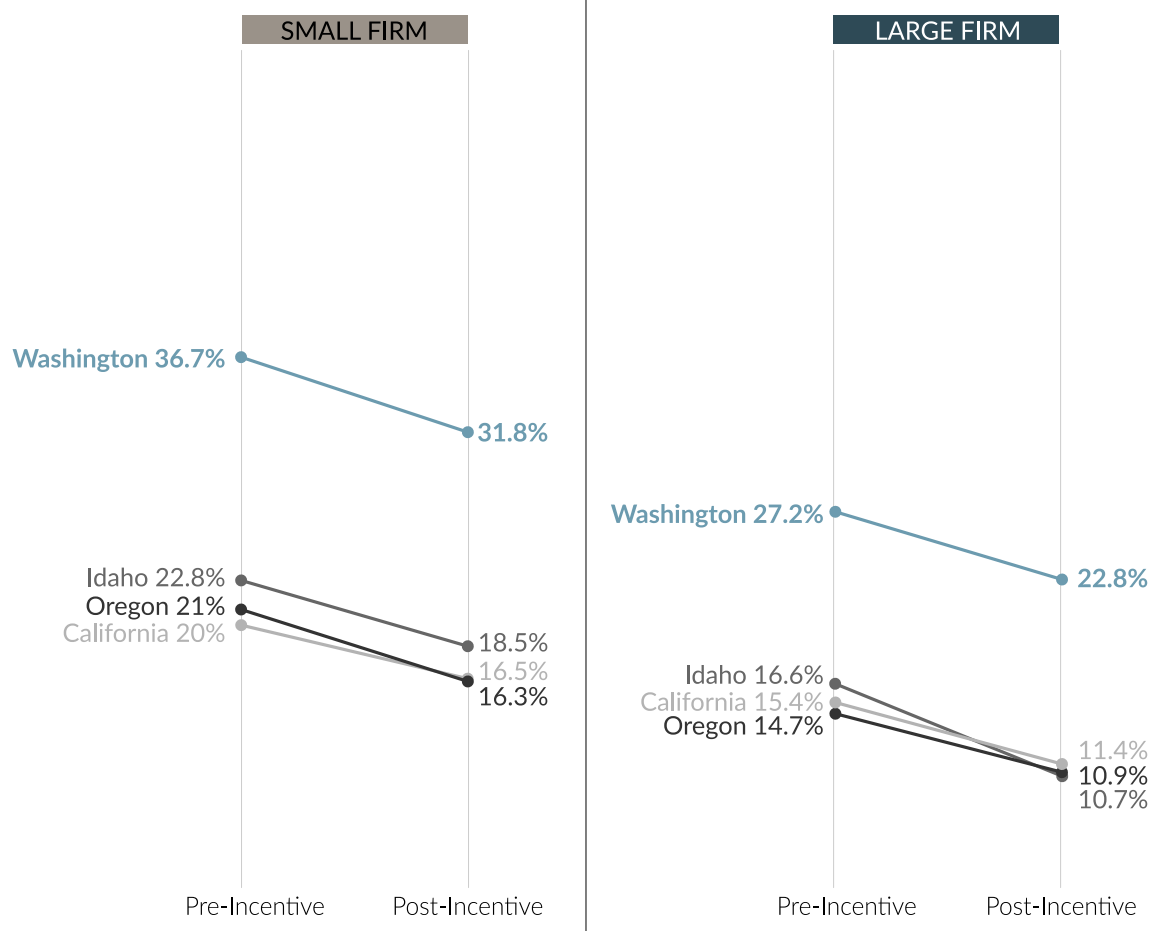
Next, EY analyzed the availability of statutory and negotiated tax incentives and evaluated their impact on each business's ETR in each state. The analysis included the following categories of statutory tax incentives, available to all businesses that meet statutory eligibility requirements:

- Tax credits due to job creation.
- Tax credits due to investment.
- Wage rebates.
- Preferential tax rates.
- Tax credits due to research and experimentation (R&E) expenditures.
- Sales and use tax exemptions on capital investments.

The analysis also included a review of discretionary or negotiated incentives that may be available to the representative businesses. This portion of the review relies on the experience and knowledge of EY professionals and the typical incentive size for similar projects. Because of their discretionary nature, there is no formal source for the level of benefits and the impact of such potentially available incentives would not be verifiable public information.

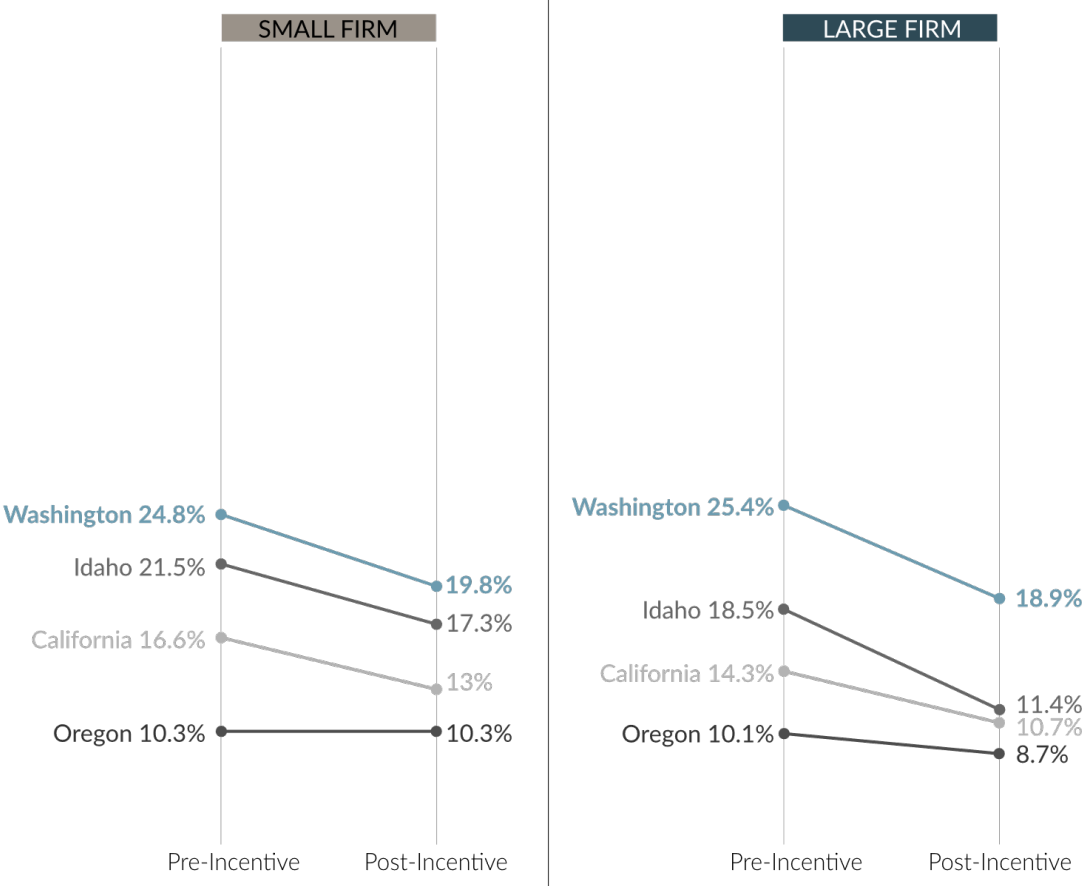
The results are presented as a comparison of the states' effective tax rates for a small and a large representative business before any tax incentives and after statutory and negotiated incentives. The states' pre-incentive and post-incentives ETRs are reported in the exhibits below for a small and the large firm in each of the three industries.

Exhibit F2: Incentives reduce dairy industry ETR, but WA rate is highest before and after incentives



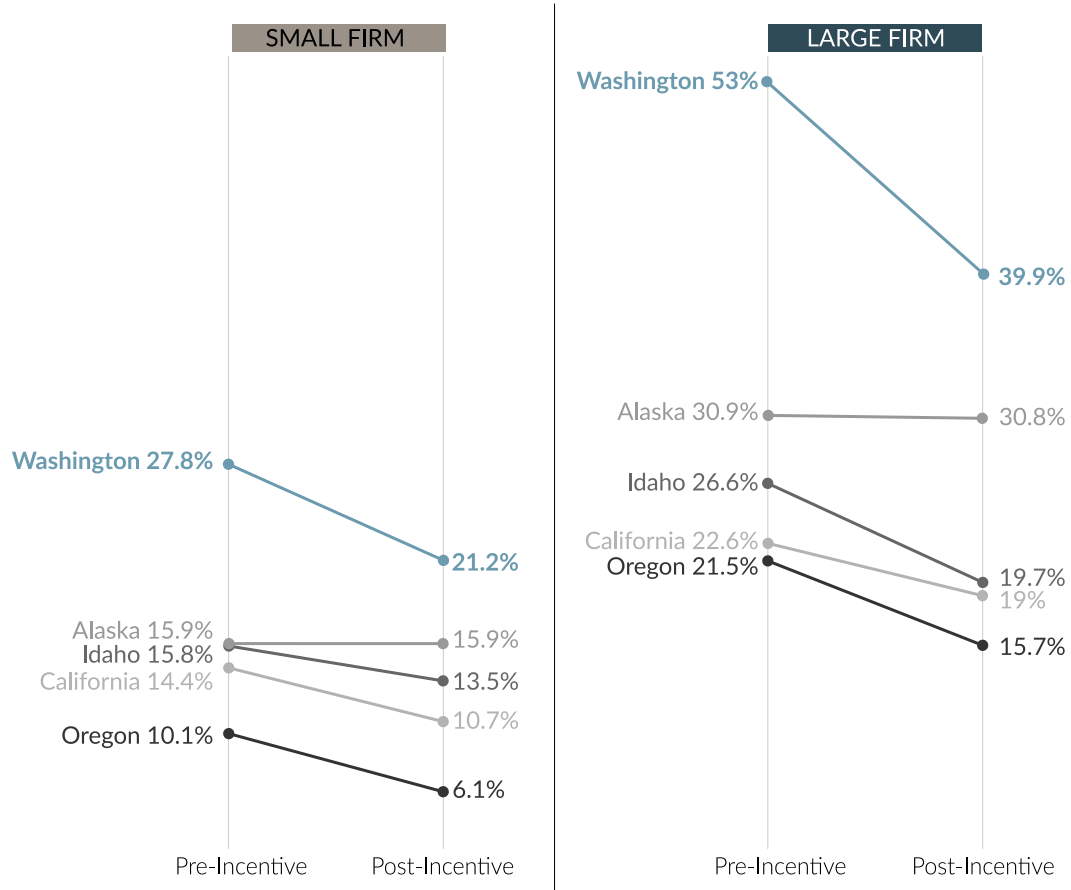
Source: JLARC staff analysis of EY report.

Exhibit F3: Incentives reduce fruit & vegetable industry ETR, but WA rate is highest before and after incentives



Source: JLARC staff analysis of EY report.

Exhibit F4: Incentives reduce seafood industry ETR, but WA rate is highest before and after incentives



Source: JLARC staff analysis of EY report.

Full Ernst & Young report available

Click here for the [full EY report](#), which provides additional detail about the methodology, data sources, and results of the analysis.

RECOMMENDATIONS & RESPONSES

Legislative Auditor's Recommendations

Legislative Auditor's Recommendations:

B&O preferences for dairy processors: Continue and clarify

The Legislature should continue the B&O tax preferences for dairy product processors because they are meeting the objectives of providing tax relief and creating and retaining industry jobs. To facilitate future reviews, the Legislature should clarify its expectations for job and wage growth and determine the level of tax relief needed to meet those expectations.

Legislation Required: Yes

Fiscal Impact: Depends on legislative action.

B&O preference for dairy products used as an ingredient or component to create other dairy products: Allow to expire

The Legislature should allow the preference for dairy products used as an ingredient or component to create other dairy products **to expire** as scheduled, June 30, 2023. The infant formula production in Sunnyside that the preference was intended for in 2013 did not occur.

Legislation Required: No

Fiscal Impact: None

B&O preferences for fruit & vegetable processors: Continue and clarify

The Legislature should continue the B&O tax preferences for fruit & vegetable processors because they are meeting the objectives of providing tax relief and creating and retaining industry jobs. To facilitate future reviews, the Legislature should clarify its expectations for job and wage growth and determine the level of tax relief needed to meet those expectations.

Legislation Required: Yes

Fiscal Impact: Depends on legislative action.

B&O tax preferences for seafood processors: Review and clarify

The Legislature should review the B&O tax preferences for seafood product processors because they are only meeting one of two objectives. While the preferences provide tax relief, beneficiary jobs in Washington have declined and their employee wages have decreased. It is unclear why more businesses are not using the preference or what the Legislature's expectations are for the industry's jobs and wages.

Legislation Required: Yes

Fiscal Impact: Depends on legislative action.

Letter from Commission Chair

Available on [Citizen Commission website](#) October 2022.

Commissioners' Recommendation

Available on [Citizen Commission website](#) October 2022.

Agency Response

If applicable, available on [Citizen Commission website](#) October 2022.

MORE ABOUT THIS REVIEW

Study questions

Click image to view PDF of proposed study questions



PROPOSED STUDY QUESTIONS B&O Tax Preferences for Food Processors

State of Washington Joint Legislative Audit and Review Committee

September 2021

JLARC to review preferences for dairy, fruit and vegetable, and seafood processors

In 2015, the Legislature extended a group of B&O tax exemptions for dairy, fruit and vegetable, and seafood processors through 2025. Certain sellers of these products also qualify. JLARC staff last reviewed these preferences in 2014.



The preferences are included in the 10-year review schedule set by the Citizen Commission for Performance Measurement of Tax Preferences.

B&O tax exemptions intended to create and retain jobs and continue to provide tax relief to the food processing industry

The Legislature has extended the B&O tax exemptions for food processors twice before. Most recently, the 2015 Legislature stated that its intent for extending the preferences was to create and retain jobs and continue to provide tax relief to the food processing industry. When the exemptions expire July 1, 2025, a preferential B&O tax rate of 0.138% will take effect.

JLARC staff will address the following questions:

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 exemptions?
4. What percentage of total taxable income do the exemptions represent for the businesses claiming them?
5. How do the preferences impact Washington's dairy, fruit and vegetable, and seafood processing industries?
6. How have the preferences affected the cost of business for Washington food processors compared with other states?

Study Timeframe

Preliminary Report: July 2022

Proposed Final Report: December 2022

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JLARC Study Process



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