

Interstate Transportation Tax Preferences

2023 JLARC TAX PREFERENCE REVIEW

Estimated 2027-29 beneficiary savings: \$219.8 million

Public Utility Tax

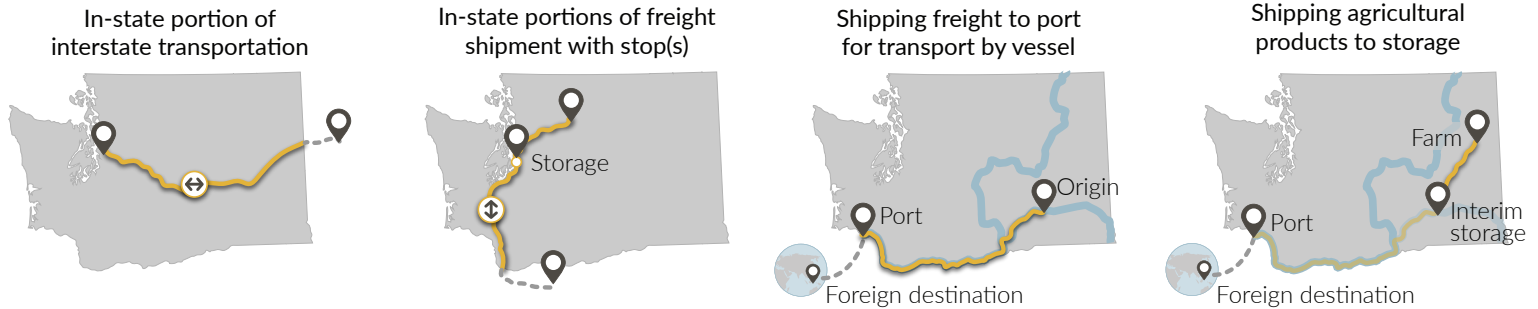
Applicable statutes: RCW 82.16.050(6, 8-10)

Expiration date: None

Preferences exempt in-state transportation earnings from PUT if goods cross state or international lines

Truck, rail, water, and pipeline transportation businesses can use the preferences.

FOUR PREFERENCES EXEMPT GROSS EARNINGS FROM:



Preferences make WA transportation industry more competitive

2010 Citizen Commission for the Performance Measurement of Tax Preferences called for an economic impact study.

1 Preferences support additional employment for the WA transportation industry and its customers

If the preferences were repealed, transportation businesses would pay more public utility tax.

- Increased business cost leads to job losses.
- Increased tax revenue and government spending leads to job gains.

Net result | Private industries lose: 785–860 jobs
Government gains: 745–760 jobs

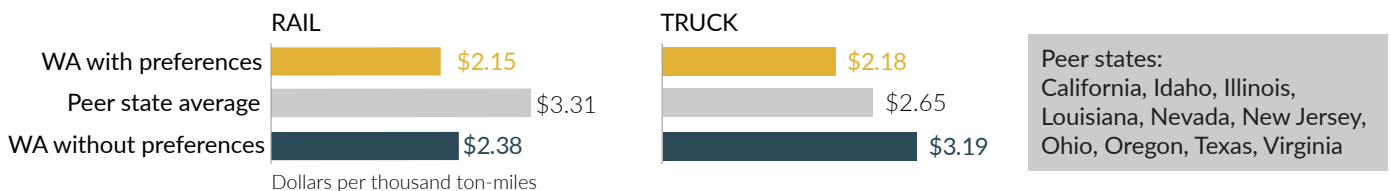
2 Lower cost of transporting freight through WA supports increased freight volume at ports

Without the preference, businesses could divert shipments to out-of-state ports:

Shipment	Estimated diversion
Containerized imports	-0.16%
Containerized exports	-0.5%
Grain exports	-2.7%

3 WA taxes on interstate rail and truck transportation are lower than 10-state average

Rail and truck transportation represent the largest share of estimated beneficiary savings.



LEGISLATIVE AUDITOR'S RECOMMENDATION

Clarify: Three preferences, passed in the 1930s, are no longer needed to comply with the Commerce Clause of the U.S. Constitution, per a 1977 Supreme Court ruling. However, the Legislature may have other objectives for the preferences.