

Five of six Legislative Auditor recommendations require legislative action

- Selected for review by the Citizen Commission for the Performance Measurement of Tax Preferences.
- First tax reviews to include requirement for racial equity analysis (RCW 44.28.076). JLARC staff anticipate that the lack of race and ethnicity data for tax beneficiaries will be a challenge for future reviews.

Interstate Transportation Tax Preferences

Public utility tax | RCW 82.16.050 (6, 8- 10) | Biennial beneficiary savings: \$219.8 million | No expiration date

The four preferences make Washington's commercial transportation industry more competitive. They support more freight traffic at ports and higher employment in transportation and freight-dependent industries. Truck, rail, water, and pipeline transportation businesses can use the preferences.

Legislative Auditor's Recommendation: Clarify

The preferences are no longer necessary to comply with the U.S. Constitution and the Legislature may have other objectives.



Rural County and CEZ New Jobs

Business and occupation tax | RCWs 82.62.030 and 82.62.045 | Biennial beneficiary savings: \$582,000 | No expiration date



Beneficiaries created over 1,000 jobs in rural counties, but use continues to decline. The preference's wage threshold has not been updated since 1997.

Legislative Auditor's Recommendation: Continue and modify

The preference has been used by businesses that created jobs. However, the Legislature may want to consider increasing the wage threshold or modifying the preference to increase the number of businesses using it.

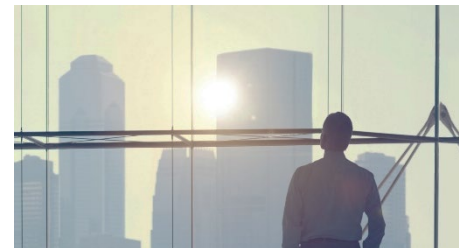
International Services

Business and occupation tax | RCW 82.04.44525 | Biennial beneficiary savings: \$80,000 | No expiration date

Preference use is 99% lower than originally expected. It has not met the goal of attracting and retaining jobs.

Legislative Auditor's Recommendation: Terminate

The preference has not achieved the stated intent to attract and retain businesses in community empowerment zones or international service districts. The Legislature may want to consult with the Department of Commerce and local economic development entities to consider other approaches.



Hazardous Substance Tax Exemption for Pesticides Sold Out of State

Hazardous substance tax | RCW 82.21.040(5) | Biennial beneficiary savings: \$319,000 | Expires 1/1/2026



Preference is for businesses that store and transport agricultural pesticides sold out of state. Total hazardous substance tax revenue has increased, but likely not due to the preference.

Legislative Auditor's Recommendation: Continue and modify

The preference improves industry competitiveness. The Legislature should consider new metrics to evaluate the preference in light of 2019 changes to Hazardous Substance Tax or recategorize the preference.

Historic Ships and Vessels

Property tax | RCW 84.36.080(2) | Biennial beneficiary savings: \$22,000 | No expiration date

Owners of eleven historic vessels that are listed on the Washington Heritage Register or the National Register of Historic Places saved an estimated \$21,000 in 2023. It is unclear if the preference met the inferred goal of keeping historic vessels in Washington.

Legislative Auditor's Recommendation: Clarify

Clarify the objectives and identify performance metrics.

Rehabilitated Historic Properties

Property tax | RCW 84.26.070 | Biennial beneficiary savings: \$22.7 million | Expires 1/1/2031



Property owners saved \$56.8 million over the past 10 years, primarily in King County and for commercial properties. While preference use has declined, use increased 6% between 2020 and 2022.

Legislative Auditor's Recommendation: Continue (no action required)

The preference is meeting its objective to promote historic property revitalization. JLARC staff will review the preference again before the January 1, 2031, expiration date and determine whether preference use has increased over time.