

2024 Tax preference performance reviews

Six reports evaluate 29 tax preferences and offer recommendations for legislative action

- State law requires JLARC staff to review tax preferences. The Citizen Commission for Performance Measurement of Tax Preferences selects the preferences for review each year (Ch. 43.136 RCW).
- Two reports evaluate preferences not previously reviewed.
- Four reports offer updated information about preferences we reviewed in the past.

READ THE REPORTS: <https://leg.wa.gov/jlarc/taxReports/2024/overview.html>

Alternative fuels

Multiple taxes and RCWs | Beneficiary savings: \$98 million (2023-25 biennium) | Expires 2025 or when limit is reached

Legislative Auditor's conclusion

Alternative fuel vehicles and associated infrastructure increased in Washington. The effect of the preferences is unclear because changes in the market and increased state and federal incentives also influence adoption.

Legislative Auditor's recommendation

The Legislature should determine whether to continue the eight tax preferences, and at what level, before four of them expire in 2025.

Public utility tax credit for home energy assistance

Public utility tax | RCW 82.16.0497 | Beneficiary savings: \$5 million (2027-29 biennium) | No expiration date

Legislative Auditor's conclusion

Utilities are providing more home energy assistance to low-income families, but the tax credit likely does not influence the amount of energy assistance provided.

Legislative Auditor's recommendation

The Legislature should state public policy objectives and, if applicable, set performance metrics.

- If the Legislature's objective is to encourage utilities to offer more utility-funded energy assistance, it should consult with the Department of Commerce to identify changes that achieve that goal. Possible options include increasing the amount of the credit or amending the qualification criteria.
- Alternatively, if the Legislature's objective is providing tax relief, it should categorize the preference as one intended to do so.

Aerospace

Multiple taxes and RCWs | Beneficiary savings: \$205.4 million (CY 2028-29) | Expires July 1, 2040

Legislative Auditor's conclusion

The preferences continue to meet legislative goals to lower costs, maintain the industry's presence, and encourage strong wages. Employment has decreased since 2019, and it remains unclear if job growth meets expectations.

Legislative Auditor's recommendations

1. The Legislature should clarify its expectations for the level of aerospace industry employment.
2. The Legislature should consider eliminating the requirement that JLARC review these preferences every 5 years. The preferences would then revert to the standard 10-year review cycle for tax preferences.



Precious metals and monetized bullion

Sales and use tax; Business and occupation (B&O) tax | RCW 82.04.062
Beneficiary savings: \$55 million (2027-29 biennium) | No expiration date

Legislative Auditor's conclusion

Together, businesses and buyers saved \$28.4 million in fiscal year 2023, an increase of 457% since 2017. The preferences' effect on the competitiveness of Washington businesses is unclear because it depends on the circumstances of the sale.

Legislative Auditor's recommendation

The Legislature should determine whether to continue the preferences for sales of precious metals and monetized bullion. If it continues the preferences, the Legislature should state its public policy objective and set performance metrics.

- If the goal is to treat these sales like those of other investments, the Legislature should consider the different effects of the two preferences.
- If the goal is to keep Washington sellers competitive with out-of-state sellers, the Legislature should consider whether the preferences have the intended effect.

Customized workforce training

Business and occupation (B&O) tax | RCW 82.04.449 | Beneficiary savings: \$34,000 (2025-2027 biennium)
Expires January 1, 2026

Legislative Auditor's conclusion

The B&O tax credit has met the Legislature's threshold for continuation. However, use has declined 86% from its peak, and the credit's effect on business retention and expansion is unclear.

Legislative Auditor's recommendations

1. The Legislature should extend the preference's July 1, 2026, expiration date.
 - The preference met the Legislature's target metric that at least 75% of participating businesses complete their training and repay their loans to the SBCTC.
2. The SBCTC should determine how to increase training program and preference use.
 - The SBCTC should also report its implementation and progress to relevant legislative committees before the 2026 legislative session.

Aluminum

Multiple taxes and RCWs | Beneficiary savings: \$0 (2025-27 Biennium) | Four preferences: Expire January 1, 2027
Four preferences: No expiration date

Legislative Auditor's conclusion

The preferences are no longer being used. All aluminum smelters in Washington have closed. Six preferences cannot be used if a new smelter opened, and two are unlikely to be used again.

Legislative Auditor's recommendations

The Legislature should allow four preferences to expire and terminate four others:

1. Allow the four tax preferences for aluminum smelters to expire on January 1, 2027.
2. Terminate the two tax preferences for power companies selling to aluminum smelters.
3. Terminate the tax preferences for aluminum anodes and cathodes and aluminum master alloy producers.