2024 Tax Preference Review:

Aluminum

24-05 FINAL REPORT | DECEMBER 2024

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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.

Key points

- The Legislature enacted eight tax preferences benefitting aluminum smelters and related manufacturing activities between 1996 and 2004. The four preferences for aluminum smelters expire January 1, 2027.
- None of the preferences have been used since fiscal year 2021. They are unlikely to be used again.
- No aluminum smelters have operated in Washington since August 2020. Employment in Washington's aluminum manufacturing industry fell by 49% when the smelters closed. The industry still employs approximately 1,100 people.
- The decline of Washington's aluminum smelting industry is consistent with a decline nationally.
- The Legislature should allow the four tax preferences with expiration dates to expire and should terminate the other four tax preferences.

Earlier JLARC reviews
JLARC previously reviewed the four aluminum smelter preferences and the two power seller preferences in **2015**.

About this preference

Estimated savings: $0 (2025-27 Biennium)

Expiration date: Four preferences: January 1, 2027
Four preferences: No expiration date.

Tax type: Multiple taxes

Applicable statute(s): **Multiple**

Executive summary

Between 1996 and 2004, the Legislature enacted eight tax preferences that benefit the aluminum industry. Four preferences are for aluminum smelters, two are for power companies that sell power to aluminum smelters, and two are for aluminum anodes and cathodes and aluminum master alloys manufacturing.

The preferences include a preferential business and occupation (B&O) tax rate, four tax credits, two tax exemptions, and a B&O tax exclusion.

Anodes and cathodes: materials such as carbon, petroleum coke, coal tar, and pitch that transfer electric currents and heat to refine aluminum during the smelting process.

Aluminum master alloys: aluminum combined with small amounts of other elements that change the aluminum's strength, appearance, and other properties.

Preferences have not been used since 2021 and are unlikely to be used again

Beneficiaries claimed five of the eight aluminum tax preferences between fiscal years 2015 and 2021. During this period, total beneficiary savings decreased from $13.2 million in 2015 to $661,000 in 2021. The last aluminum smelter closed in August 2020. None of the preferences have been claimed since fiscal year 2021.

The preferences are unlikely to be used again:

- Statutory definitions prevent future use of the smelter and power seller preferences.
- The anodes and cathodes preference could be used by a new smelter, but market conditions make it unlikely that a new smelter will operate in Washington.
- One business in Washington produces aluminum master alloys, but its manufacturing process does not qualify for the preference.

Aluminum manufacturing employment decreased, but the industry still employs 1,100 people

The Legislature's stated objective for the four aluminum smelter preferences is to preserve jobs in Washington's aluminum manufacturing industry.

Between 2015 and 2022, the number of jobs in Washington's aluminum manufacturing industry declined from 2,155 to 1,093. Most of the job losses occurred when Alcoa closed its Wenatchee Works and Intalco Works smelters.

Decline of aluminum smelting in Washington mirrors the industry's decline nationally

Between 2000 and early 2024, the number of aluminum smelters operating in the United States decreased from 23 to four. Contributing factors include:

- Increasing energy costs and growing energy demand from other industries.
- Increasing aluminum production by China and other countries.
- Aging infrastructure.

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.

You can find additional information in the **Recommendations section**.

Commissioner's Recommendation

The commission endorses the Legislative Auditor's recommendations without comment.

Committee action to distribute report

On December 4, 2024 this report was approved for distribution by the Joint Legislative Audit and Review Committee. Action to distribute this report does not imply the Committee agrees or disagrees with Legislative Auditor recommendations.

Part 1.
Aluminum tax preferences

Between 1996 and 2004, the Legislature enacted eight tax preferences that benefit aluminum smelters, companies that sell power to aluminum smelters, and certain aluminum manufacturing activities.

The preferences include a preferential business and occupation (B&O) tax rate, four tax credits, two tax exemptions, and a B&O tax exclusion.

Appendix A provides more information about each preference.

Figure 1: Legislature enacted eight tax preferences

Preference type	Preference	Year enacted	Direct beneficiaries
Preferential B&O tax rate	Aluminum manufacturing and wholesaling | RCW 82.04.2909 *Regular rate: 0.484% | Reduced rate: 0.2904%*	2004	Aluminum smelters
B&O tax credit	Aluminum smelter property taxes | RCW 82.04.4481	2004	Aluminum smelters
Sales and use tax credit	Aluminum smelter purchases | RCW 82.08.805 and 82.12.805	2004	Aluminum smelters
Natural gas use tax exemption	Aluminum smelter use of natural gas | RCW 82.12.022(5)	2004	Aluminum smelters
Public utility tax credit	Aluminum smelter purchases of power | RCW 82.16.0498	2004	Power sellers
B&O tax credit	Aluminum smelter electricity or natural gas purchases | RCW 82.04.4482	2004	Power sellers
Sales and use tax exemption	Aluminum production anodes and cathodes | RCW 82.08.02568 and 82.12.02568	1996	Aluminum producers

Preference type	Preference	Year enacted	Direct beneficiaries
B&O exclusion	Aluminum master alloy producers | RCW 82.04.110(2)(b)	1997	Master alloy producers

Source: JLARC staff analysis

Four preferences available to aluminum smelters share a public policy objective and expiration date

The 2015 Legislature identified a public policy objective when it extended the four aluminum smelter preferences. The preferences are intended to preserve employment in Washington's aluminum manufacturing industry.

The Legislature extended the aluminum smelter preferences three times. They currently expire on January 1, 2027.

Four other preferences do not have an objective or expiration date

The Legislature has not added a public policy objective for the two power seller preferences or the two preferences for aluminum manufacturing activities. None of these preferences have expiration dates.

Statute defines eligibility for many of the aluminum preferences

When the 2004 Legislature enacted the four preferences for aluminum smelters and the two preferences for power companies selling to aluminum smelters, it defined "aluminum smelter" and "direct service industrial customer."

- An **aluminum smelter** is the manufacturing facility of any direct service industrial customer that processes raw material into aluminum.
- A **direct service industrial customer** is an industrial customer (e.g., owner of a smelter) with a contract with the Bonneville Power Administration (BPA) to purchase power as of May 8, 2001.

These requirements limit future beneficiaries for the four aluminum smelter and two power sellers tax preferences. If a new smelter opened in Washington, it would not qualify for the preferences based on the aluminum smelter definition and the date identified in the direct service industrial customer definition. See **Appendix A** for more details.

Statute also limits beneficiaries for the aluminum master alloys preference. To be eligible, a master alloys producer must use aluminum provided by their customer. See **Appendix A** for more details.

Part 2.
Savings

Between fiscal years 2015 and 2022, fewer than three beneficiaries claimed the preferences in each year. Taxpayer confidentiality restrictions prevent disclosure of beneficiary savings when there are fewer than three beneficiaries. However, the power company claiming the PUT credit, Alcoa, allowed Joint Legislative Audit and Review Committee (JLARC) staff to disclose beneficiary savings and employment information. Alcoa is the parent company of the Wenatchee Works and Intalco Works aluminum smelters.

None of the eight aluminum preferences have been used since 2021

Beneficiaries claimed five of the eight preferences between 2015 and 2021. None of the eight tax preferences have been claimed since 2021.

Figure 2: Beneficiaries have not claimed preferences since 2021

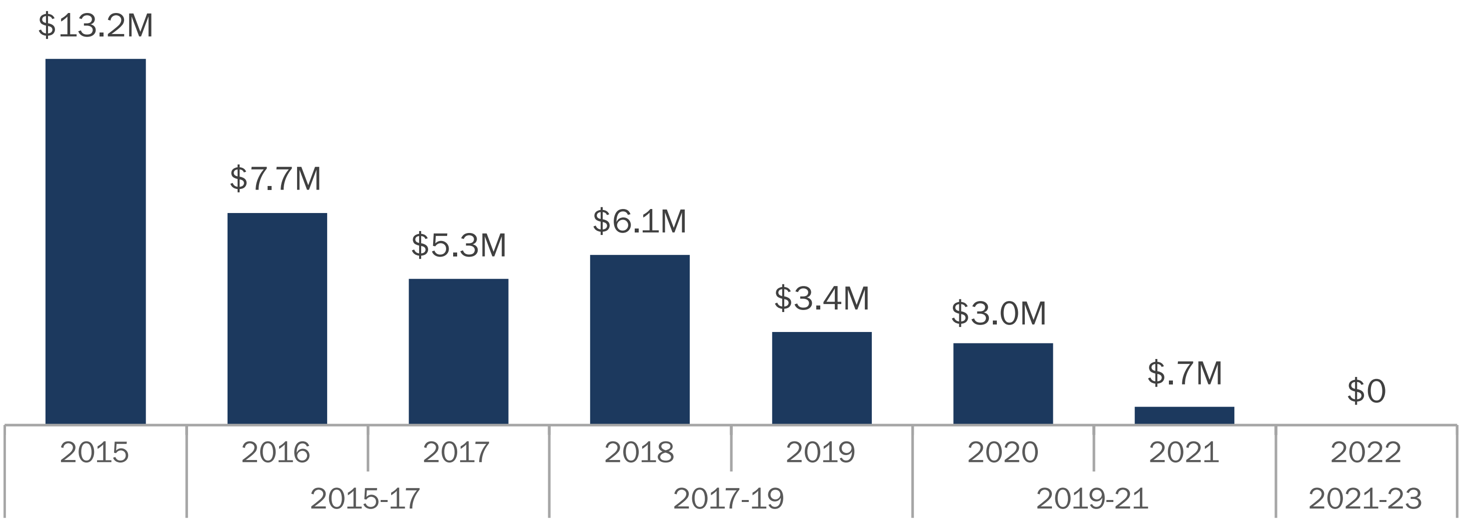
Preference	Beneficiaries	Fiscal years claimed
Preferential B&O tax rate for manufacturers, wholesalers, and processors for hire	Alcoa's Wenatchee Works and Intalco Works smelters	2015-2021
B&O tax credit for property taxes paid	Alcoa's Wenatchee Works and Intalco Works smelters	2015-2021
Sales and use tax credit for property purchased to be incorporated into buildings and other structures	Alcoa's Wenatchee Works and Intalco Works smelters	2015-2021
Use tax preference for natural gas delivered through a pipeline	No beneficiaries	Not claimed
Public utility tax credit for a power seller selling to an aluminum smelter	Alcoa Power Generating, Inc.	2015-2021
B&O credit for a power seller selling to an aluminum smelter	No beneficiaries	Not claimed
Sales and use tax exemption for purchases of anodes and cathodes	Alcoa's Wenatchee Works and Intalco Works smelters	2015-2019
B&O exclusion for aluminum master alloy producers	No beneficiaries	Not claimed

Source: JLARC staff analysis of tax preference use, fiscal years 2015-2022

Beneficiary savings declined to zero since 2015

Between fiscal years 2015 and 2022, the estimated beneficiary savings for the five preferences claimed declined to zero. Alcoa was the only beneficiary of these five preferences. Since none of the preferences have been used since 2021, there were no beneficiary savings in 2022.

Figure 3: Estimated taxpayer savings for five tax preferences declined to zero. The preferences are no longer being claimed.



Source: JLARC staff analysis of Department of Revenue confidential tax return data, fiscal years 2015-2022

No aluminum smelters currently operate in Washington. Most preferences cannot be used again.

Washington no longer has active aluminum smelters. Alcoa closed its Wenatchee Works facility in 2016 and its Intalco Works facility in 2020.

Statute defines an aluminum smelter as a facility converting raw material to aluminum that is a direct service industrial customer of BPA as of May 8, 2001. This means that the aluminum smelter and power seller tax preferences cannot be used in the future because there are no longer aluminum smelters that meet the statutory requirements.

The preferences for anodes and cathodes and master alloys are also unlikely to be used again.

- JLARC staff estimate that Alcoa's Intalco Works smelter last claimed the anodes and cathodes in 2019. Intalco closed in 2020 and aluminum smelting no longer occurs in Washington.
- The aluminum master alloys preference is designed for a specific manufacturing process. The only company in Washington producing master alloys currently uses a different process, making it ineligible for the preference.

Status of the Intalco Works facility

Efforts to revive Alcoa's Intalco Works aluminum smelter since its closure in 2020 have been unsuccessful. A prospective buyer backed out after failure to negotiate a power purchase contract.

In January 2024, a new company began exploring the potential to convert the facility into a green hydrogen plant. News reports note that a challenge for this project may be finding sufficient and affordable electricity.

Part 3.
Employment

The Legislature's objective for the four aluminum smelter preferences is to preserve jobs in Washington's aluminum manufacturing industry.

Employment in Washington's aluminum manufacturing industry has decreased. The industry still employs about 1,100 people.

The aluminum manufacturing industry consists of primary and secondary smelting, alloying, and manufacturing aluminum products. The aluminum smelter preferences are intended to benefit primary aluminum manufacturing.

At the start of 2015, the aluminum manufacturing industry employed 2,155 people, including 1,025 at Alcoa's two smelters. Between 2015 and 2022, employment in the aluminum manufacturing industry declined by 1,062 jobs (49.3%).

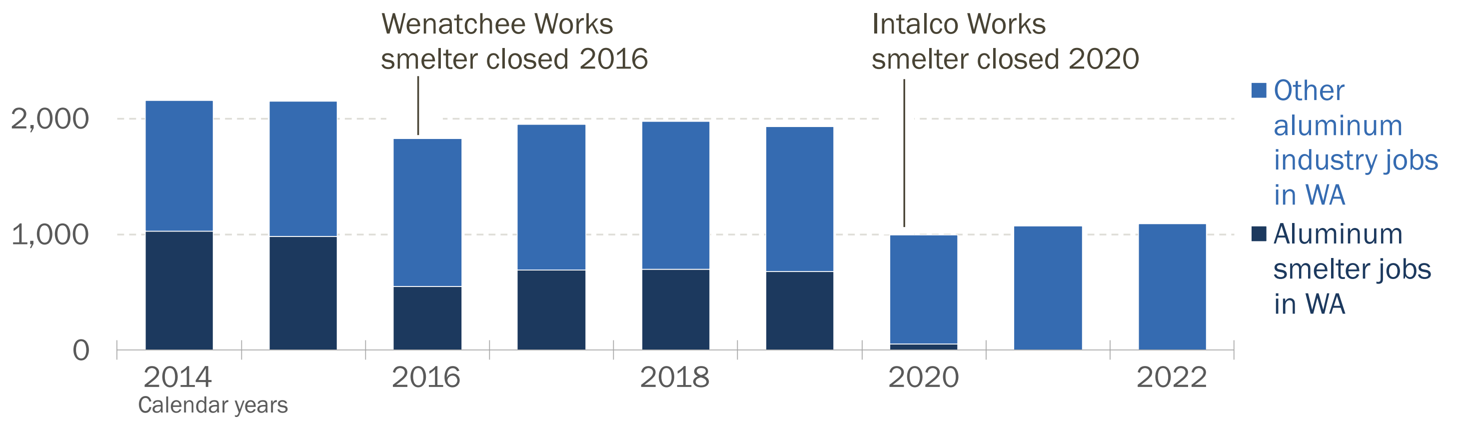
Primary aluminum smelting: Producing aluminum from raw materials.

Secondary aluminum smelting: Recycling aluminum scrap to form new products.

Job losses in the industry were greatest when Alcoa closed its Wenatchee Works and Intalco Works facilities in 2016 and 2020.

Additional detail about employment at the aluminum smelters is available in **Appendix B**.

Figure 4: Decreases in Washington's industry employment coincide with the closure of the aluminum smelters



Note: Job counts from both sources are as of December 31. In addition to primary and secondary smelting, the aluminum industry includes jobs related to aluminum rolling, drawing, and extruding and manufacturing aluminum sheets and plates.

Source: JLARC staff analysis of Department of Revenue's Annual Tax Performance Report (ATPR) and U.S. Census's Longitudinal Employer-Household Dynamics (LEHD) data for NAICS 3313, 2014-22

Part 4.
Industry decline

The decline of primary aluminum smelting in Washington is consistent with a decline nationally.

- Between 1980 and 2021, domestic production of primary aluminum fell 82%.
- Between 2000 and 2021, the number of aluminum smelters operating in the United States decreased from 23 to six. As of January 2024, only four smelters remain in operation nationally.

Multiple factors contributed to the decline in aluminum smelting

Energy costs and demand have increased

Energy accounts for up to 40% of the cost of aluminum production. The U.S. has a relatively high cost of energy compared to other countries.

Washington's growing population and economy have created more demand for power. When it operated the Intalco Works aluminum smelter in Ferndale, Alcoa regularly renegotiated its power purchase agreement with Bonneville Power Administration (BPA) to remain competitive.

Overseas competition

Producers of primary aluminum in other countries more than doubled their output since 2000. By 2021, China had become the leading aluminum supplier, accounting for 57% of the global supply. This increased production contributed to price volatility in the global aluminum market, making it difficult for U.S. smelters to remain competitive.

Older facilities

Aluminum smelters in the U.S. tend to be older and costlier to operate. In Washington, the Wenatchee Works and Intalco Works smelters opened in 1952 and 1966. Newer smelters in Asia and the Middle East use more energy-efficient technology.

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.
    - These preferences were enacted to help preserve employment in Washington's aluminum manufacturing industry. In 2020, the last aluminum smelter closed, and these preferences would not be available to a new aluminum smelter.
2. Terminate the two tax preferences for power companies selling to aluminum smelters.
    - These preferences do not have an expiration date and would not be available to power sellers if a new aluminum smelter began operating in Washington.
3. Terminate the tax preferences for aluminum anodes and cathodes and aluminum master alloy producers.
    - With the closure of the last aluminum smelter in 2020, no business currently uses the sales and use tax exemption for anodes and cathodes. Additionally, no business claimed the aluminum master alloys exclusion during the study period.

Legislation Required: Yes to terminate preferences.

Fiscal Impact: No.

Implementation Date: Depends on legislative action.

Commissioners' Recommendation

The commission endorses the Legislative Auditor's recommendations without comment.

Agency Response

The Office of Financial Management (OFM) and the Department of Revenue (DOR) were given an opportunity to comment on this report. They responded that they do not have any comments. See **attached letter (PDF)**.

Current Recommendation Status

JLARC staff follow up on the status of Legislative Auditor recommendations to agencies and the Legislature for four years. The most recent responses from agencies and status of the recommendations in this report can be viewed on our **Legislative Auditor Recommendations page**.

Appendices

Appendix A: Tax preference details | **Appendix B: Aluminum smelter employment** | **Appendix C: Applicable statutes** | **Appendix D: Study questions & methods** | **Appendix E: Audit authority** | **Appendix F: Study process**

Appendix A: Tax preference details

The eight tax preferences include a preferential B&O tax rate, four tax credits, two tax exemptions, and a B&O exclusion.

- Six preferences were originally enacted in 2004 as a package to assist aluminum smelters in response to rising energy costs that resulted from the energy crisis of 2000-01.
    - Four preferences directly benefit aluminum smelters.
    - Two preferences directly benefit power sellers and indirectly benefit aluminum smelters by encouraging power companies to reduce the cost of power sold to smelters.
- Two other preferences were originally enacted in the mid-1990s and target specific aluminum manufacturing activities.

Aluminum smelter preferences

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The four preferences available to aluminum smelters share common definitions, public policy objectives, expiration dates, and a requirement that beneficiaries complete the Department of Revenue (DOR) Annual Tax Performance Report (ATPR). The definitions establish the criteria for who can claim these preferences.

- An **aluminum smelter** is the manufacturing facility of any direct service industrial customer that processes raw material into aluminum.
- A **direct service industrial customer** is an industrial customer (e.g., owner of a smelter) that contracts for the purchase of power with the Bonneville Power Administration (BPA) for direct consumption as of May 8, 2001.

The Legislature added a tax preference performance statement in 2015. These preferences were categorized as ones intended to create or retain jobs and reduce structural inefficiencies in the tax structure. The Legislature also added a public policy objective: to help preserve jobs in Washington's aluminum manufacturing industry.

All four aluminum smelter preferences are scheduled to expire January 1, 2027.

Aluminum manufacturing and wholesaling – preferential B&O tax rate (RCW 82.04.2909)

Provides a reduced B&O tax rate of 0.2904% rather than the standard manufacturing rate of 0.484% for qualifying aluminum smelters that manufacture aluminum, processors for hire, and aluminum smelters wholesale of aluminum they produce.

Fewer than three business locations claimed this preference each year between fiscal years 2015 and 2022.

Aluminum smelter property taxes – B&O tax credit (RCW 82.04.4481)

A B&O tax credit may be taken for property taxes paid by a direct service industrial customer, provided the property is reasonably necessary for an aluminum smelter. The credit may be carried over for one year and can be taken for property taxes paid through December 31, 2026.

Fewer than three business locations claimed this preference each year between fiscal years 2015 and 2022.

Aluminum smelter purchases – sales and use tax credit (RCW 82.08.805 and 82.12.805)

Provides a credit for sales and use tax paid on personal property used at an aluminum smelter, tangible personal property incorporated into buildings or other structures at an aluminum smelter, and labor and services rendered with respect to such personal property, buildings, and structures. The exemption is taken in the form of a credit against the taxpayer's B&O liability.

Fewer than three business locations claimed this preference each year between fiscal years 2015 and 2022.

Aluminum smelter use of natural gas – exemption (RCW 82.12.022(5))

Purchases of brokered natural gas by an aluminum smelter from an out-of-state supplier are exempt from the use tax if the gas is delivered through a pipeline.

No businesses claimed this preference between fiscal years 2015 and 2022.

Figure 5: Beneficiary savings, four aluminum smelter tax preferences

Fiscal year	B&O preferential rate for manufacturing and wholesaling	B&O credit for property taxes paid	Sales and use tax credit for aluminum smelter purchases	Natural gas use tax exemption
2015	$1,242,000	$1,930,000	$773,000	Not claimed
2016	$666,000	$784,000	$509,000	Not claimed
2017	$517,000	$790,000	$406,000	Not claimed

Power seller preferences

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The two power seller preferences, although enacted via the same bill that created the aluminum smelter preferences in 2004, do not have a public policy objective, expiration date, and do not require beneficiaries to complete additional reporting such as DOR's ATPR. Definitions of "aluminum smelter" and "direct service industrial customer" limit the use to power sellers selling to aluminum smelters who are a customer of BPA as of May 8, 2001.

Aluminum smelter purchases of power – public utility tax credit (RCW 82.16.0498)

A PUT credit is provided for income from the sale of electricity or gas to an aluminum smelter. The power seller must reduce the price paid for power by the aluminum smelter by the amount of the credit claimed. Additionally, the credit does not apply to amounts received from the remarketing or resale of electricity originally obtained for smelting aluminum.

One business claimed this preference between fiscal years 2015 and 2022.

Aluminum smelter electricity or natural gas purchases – B&O tax credit (RCW 82.04.4482)

A B&O tax credit is provided for income derived from the sale of electricity or gas to an aluminum smelter. The power seller must reduce the price an aluminum smelter pays by the amount of the credit claimed. Additionally, the credit does not apply to amounts received from the remarketing or resale of electricity originally obtained for the purpose of smelting aluminum.
No businesses claimed this preference between fiscal years 2015 and 2022.

Figure 6: Beneficiary savings, power sellers PUT and B&O tax credits

Fiscal year	Power sellers public utility tax credit	Power sellers B&O tax credit
2015	$2,412,000	Not claimed
2016	$1,893,000	Not claimed
2017	$804,000	Not claimed
2018	$997,000	Not claimed
2019	$457,000	Not claimed
2020	$808,000	Not claimed
2021	$424,000	Not claimed
2022	Not claimed	Not claimed

Other aluminum manufacturing preferences –

The two aluminum preferences for manufacturing-related activities do not have public policy objectives, expiration dates, and do not require beneficiaries to complete additional reporting such as DOR's ATPR.

Aluminum production anodes and cathodes – sales and use tax exemption (RCW 82.08.02568 and 82.12.02568)

In 1996, the Legislature exempted anodes and cathodes from the sales and use tax. These include ingredients such as carbon, petroleum coke, coal tar, pitch, and similar substances used in manufacturing aluminum.

JLARC staff estimate this preference was last used in fiscal year 2019, the last year the Alcoa's Intalco Works aluminum smelter reported income from manufacturing.

Aluminum master alloy producers – B&O exclusion (RCW 82.04.110(2)(b))

This preference defines producers of aluminum master alloys as processors for hire rather than manufacturers regardless of the portion of aluminum provided by their customers. This results in a reduced B&O tax liability:

- Manufacturers pay B&O tax on the higher total value of the finished product.
- Processors for hire pay B&O tax based on a lesser amount: the charge to the customer (in this case, for producing the aluminum master alloy).

This exclusion addresses a specific process used to produce aluminum master alloys called toll manufacturing. Under this process:

- A customer provides the master alloy producer with ordinary aluminum.
- The producer adds certain ingredients such as grain refiners or hardening elements to alter the properties of the aluminum. This modification facilitates production of another aluminum-based product further down the supply chain.
- Once complete, the producer returns the alloyed aluminum to the customer.

Prior to enactment of this preference in 1997, DOR's rule stipulated a producer's tax liability was based on the value of the end product, which included the value of the customer's aluminum, rather than only the charges for converting ordinary aluminum into a master alloy. According to the final bill report, in the case of aluminum master alloy production, the value of the products manufactured may be greater than the income of the business.

No businesses claimed this preference between fiscal years 2015 and 2022.

Figure 7: Beneficiary savings estimates, anodes and cathodes sales and use (SUT) exemption and aluminum master alloys exclusion

Fiscal year	Anodes & cathodes SUT exemption	Aluminum master alloys exclusion
2015	$6,875,000	Not claimed
2016	$3,828,000	Not claimed
2017	$2,760,000	Not claimed
2018	$3,361,000	Not claimed
2019	$726,000	Not claimed

Appendix B: Aluminum smelter employment

Each beneficiary of the four aluminum smelter preferences must file an ATPR with DOR. One of the required categories of information is a count of employees. This tally reflects a business's self-reported count of employees at the end of each calendar year (December 31).

Figure 8: Aluminum smelter employment

	2013	2014	2015	2016	2017	2018	2019	2020	2021
Intalco Works	576	561	569	536	693	697	680	54	–
Wenatchee Works	482	464	409	10	–	–	–	–	–
Total Employment	1,058	1,025	978	546	693	697	680	54	–

Source: JLARC staff analysis of DOR data and previous JLARC reports on these tax preferences. Alcoa, the parent company of the Wenatchee Works and Intalco Works aluminum smelters, granted permission for JLARC staff to publish this data.

Appendix C: Applicable statutes

This appendix provides the current statutes that govern the tax preferences that comprise this review.

Aluminum manufacturing and wholesaling – Reduced Rate (B&O Tax)
RCW 82.04.2909 +

Aluminum smelter property taxes – B&O Tax Credit
RCW 82.04.4481 +

Aluminum smelter purchases – SUT Credit
RCW 82.08.805 and 82.12.805 +

Aluminum smelter use of natural gas – Use Tax Exemption
RCW 82.12.022(5) +

Aluminum smelter purchases of power – PUT Credit
RCW 82.16.0498 +

Aluminum smelter electricity or natural gas purchases – B&O Tax Credit
RCW 82.04.4482 +

Aluminum production anodes and cathodes – SUT Exemption
RCW 82.08.02568 and 82.12.02568 +

Aluminum master alloy producers – B&O Tax Exclusion
RCW 82.04.110(2)(b) +

Appendix D: Study questions

This study aimed to answer the following questions, which were presented to JLARC in September 2023 (**view here**).

1. To what extent have the preferences been used since JLARC's 2015 review? How much have beneficiaries saved?
2. How has employment in Washington's aluminum manufacturing industry changed?
    a. What are the racial and ethnic characteristics of those that benefit from the preferences and their employees?

3. What local, national, and international factors may have contributed to changes in Washington's aluminum manufacturing industry?

Methods

The methodology JLARC staff use when conducting analyses is tailored to the scope of each study, but generally includes the following:

- **Interviews** with stakeholders, agency representatives, and other relevant organizations or individuals.
- **Site visits** to entities that are under review.
- **Document reviews**, including applicable laws and regulations, agency policies and procedures pertaining to study objectives, and published reports, audits or studies on relevant topics.
- **Data analysis**, which may include data collected by agencies and/or data compiled by JLARC staff. Data collection sometimes involves surveys or focus groups.
- **Consultation with experts** when warranted. JLARC staff consult with technical experts when necessary to plan our work, to obtain specialized analysis from experts in the field, and to verify results.

The methods used in this study were conducted in accordance with Generally Accepted Government Auditing Standards.

More details about specific methods related to individual study objectives are described in the body of the report under the report details tab or in technical appendices.

Appendix E: Audit authority

The Joint Legislative Audit and Review Committee (JLARC) works to make state government operations more efficient and effective. The Committee is comprised of an equal number of House members and Senators, Democrats and Republicans.

JLARC's nonpartisan staff auditors, under the direction of the Legislative Auditor, conduct performance audits, program evaluations, sunset reviews, and other analyses assigned by the Legislature and the Committee.

The statutory authority for JLARC, established in **Chapter 44.28 RCW**, requires the Legislative Auditor to ensure that JLARC studies are conducted in accordance with Generally Accepted Government Auditing Standards, as applicable to the scope of the audit. This study was conducted in accordance with those applicable standards. Those standards require auditors to plan and perform audits to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on the audit objectives. The evidence obtained for this JLARC report provides a reasonable basis for the enclosed findings and conclusions, and any exceptions to the application of audit standards have been explicitly disclosed in the body of this report.

Appendix F: Study process

View guide to JLARC Tax Preference Reviews **here**.

JLARC members on publication date

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Liz Lovelett	Stephanie Barnard
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Ann Rivers	Jake Fey
Jesse Salomon	Keith Goehner
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