



# 2025 tax preference performance reviews

State law requires Joint Legislative Audit and Review Committee (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). For 2025, nine reports evaluate 14 tax preferences.

Read the reports on our website: [leg.wa.gov/jlarc/taxreports/2025/overview.html](https://leg.wa.gov/jlarc/taxreports/2025/overview.html)

## Natural Gas for Transportation

Multiple tax types | Beneficiary savings: \$5.1 million-\$19.2 million (2027-29 biennium) | Expires: Varies

### Legislative Auditor’s conclusion

Three preferences reduce the cost of using natural gas as a transportation fuel.

However, the emissions reduction objective for the preferences is not met.

### Legislative Auditor’s recommendations

1. Continue the public utility tax and natural gas use tax exemptions to ensure uniform taxation of natural gas as a transportation fuel regardless of the seller.
2. Continue the sales tax exemption for liquefied natural gas in interstate commerce. In determining the level of benefit, the Legislature should consider recommendations from DOR’s work group on taxation of marine use of liquefied natural gas.
3. Modify the PUT exemption to require beneficiaries to report the amount of compressed natural gas and liquefied natural gas produced and sold. This information would facilitate future reviews.

## Travel Agents and Tour Operators

Business & occupation tax | Beneficiary savings: \$13 million (2027-29 biennium) | Expires: No expiration date

### Legislative Auditor’s conclusion

Savings for large beneficiaries are increasing.

The number of small beneficiaries and their savings are decreasing.

### Legislative Auditor’s recommendations

1. Continue the 0.275% preferential tax rate for small beneficiaries.
2. Add an objective and performance metrics for the 0.275% preferential tax rate for small beneficiaries.
3. Review the 0.9% preferential tax rate for higher earners. If continued, add an objective and performance metrics.

## Nonprofit Low-Income Housing Development

Property tax | Beneficiary savings: \$1.2 million (2028-29 calendar years) | Expires: Jan. 1, 2038 (no new applications after Dec. 31, 2027)

### Legislative Auditor’s conclusion

Nonprofit developers are building homes for low- income households as the Legislature intended.

Focusing the metric on housing outcomes instead of spending would better reflect the Legislature’s objectives.

### Legislative Auditor’s recommendations

1. Determine whether to continue the preference.
2. If continued, consider modifying it.

## Disabled Veteran Adapted Housing

State sales tax | Beneficiary savings: \$0 (2025-27 biennium) | Expires: January 2028

### Legislative Auditor's conclusion

The preference provides limited financial relief because few eligible veterans claim it.

### Legislative Auditor's recommendations

1. Continue the tax preference.
2. Modify the preference to more effectively provide financial relief to eligible disabled veterans.

## Multipurpose Senior Citizen Centers

Property tax | Beneficiary savings: \$505,000 (2026-27 calendar years) | Expires: January 2028

### Legislative Auditor's conclusion

The preference meets the inferred objective of treating nonprofit multipurpose senior centers like government-owned senior centers. More than half of the nonprofit senior centers that qualified for the preference were not exempt from property tax under another preference.

### Legislative Auditor's recommendation

Continue the tax preference.

## Trade Convention Attendance

Business & occupation tax, sales and use tax | Beneficiary savings: Indeterminate, minimal | Expires: January 2027

### Legislative Auditor's conclusion

The preference meets the inferred objective of providing tax treatment like that in other states. Washington's tax laws limit the number of beneficiaries and the amount they can save.

### Legislative Auditor's recommendation

Continue the tax preference.

## Agricultural Crop Protection Products

Hazardous substance tax | Beneficiary savings: \$655,000 (2025-27 biennium) | Expires: January 2028

### Legislative Auditor's conclusion

Total hazardous substance tax revenue increased as intended. However, other performance metrics would more accurately reflect the preference's effect and inform the Legislature.

### Legislative Auditor's recommendation

1. Extend the preference.
2. Either consider new metrics to evaluate the preference or recategorize the preference as one intended to provide tax relief.

## Agricultural Fertilizer and Seed Wholesaling

Business & occupation tax | Beneficiary savings: Not disclosable – fewer than three beneficiaries | Expires: None

### Legislative Auditor's conclusion

The preference meets the legislative goal of providing tax relief for certain commercial fertilizer, pesticide, and seed wholesalers.

### Legislative Auditor's recommendation

1. Allow the preference to continue.
2. Clarify whether the preference is exempt from the requirements for an automatic expiration date and a tax preference performance statement.

## Energy Sales to Silicon Smelters

Multiple taxes | Beneficiary savings: \$0 | Expires: July 2027

### Legislative Auditor's conclusion

Businesses are unlikely to use three tax exemptions intended to promote a silicon smelting facility.

### Legislative Auditor's recommendation

Allow the three preferences to expire on July 1, 2027.