

# Overview: 2025 Tax Preference Performance Reviews

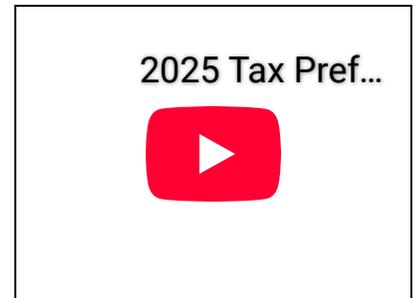
PRELIMINARY REPORT | JULY 2025

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## Nine reports evaluate 14 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 establishes a 10-year schedule and prioritizes the preferences for review each year (Ch. 43.136 RCW).

By law, each evaluation includes whether a preference achieves the Legislature's objectives, who benefits, how much they save, and other factors. The Legislative Auditor must recommend actions the Legislature could take for each preference based on the findings of each review.



### Preferences vary in type, beneficiaries, and size

The preferences affect property, sales, hazardous substance, public utility, use, and business and occupation taxes.

The preferences help different taxpayers. They include, for example, nonprofit builders and senior centers, energy companies, travel agents, individuals, and pesticide distributors.

The amount saved by beneficiaries varies too. For example, one preference offers a \$2,500 sales tax exemption to disabled veterans for adapted housing, and another has never been claimed. Four preferences to promote natural gas as a transportation fuel helped businesses save \$5 to \$19 million.

### Four reports have recommendations that would require legislative action to continue preferences and improve accountability

The Legislative Auditor recommends that the Legislature continue the preferences in four reports. The Legislature can improve transparency and evaluation by addressing the preferences' reporting requirements, design, or metrics.

- **Natural Gas for Transportation:** This report reviews three preferences intended to support the use of natural gas as a transportation fuel. If the Legislature continues the preference, it should consider requiring beneficiaries to report the amount of gas produced and sold.

[Full report](#) | [Summary](#) | [Video](#)

- **Nonprofit Low-Income Housing Development:** This preference offers a seven-year property tax exemption to nonprofit developers. If the Legislature continues the preference, it should consider revising the performance metric to better reflect its intent and requiring annual renewals.

[Full report](#) | [Summary](#) | [Video](#)

- **Disabled Veteran Adapted Housing:** The preference gives a sales tax exemption to veterans who use a federal grant for adaptive housing projects. However, few veterans use it. If the Legislature continues it, it should change the preference to more effectively provide financial relief to eligible disabled veterans.

[Full report](#) | [Summary](#)

- **Agricultural Crop Protection Products:** This hazardous substance tax preference is for businesses that store pesticides that are later sold out of state. If the Legislature continues the preference, it should consider revising the performance metric or recategorizing the preference.

[Full report](#) | [Summary](#)

## Two reports have recommendations that would require legislative action to continue preferences

The Legislative Auditor recommends that the Legislature continue the preferences in two reports without additional changes.

- **Multipurpose Senior Citizen Centers:** The preference provides a property tax exemption for nonprofit multipurpose senior centers. As such, it meets the inferred objective of treating nonprofit multipurpose senior centers like government-owned senior centers.

[Full report](#) | [Summary](#)

- **Trade Convention Attendance:** The preference exempts out-of-state businesses that attend only one Washington trade convention per year and do not make sales or take orders at the convention. As such, it meets the inferred objective of providing consistent tax treatment with other states.

[Full report](#) | [Summary](#)

## Two reports do not require legislative action, but the Legislature may want to review some aspects of the preferences

- **Travel Agents and Tour Operators:** The amount of these B&O tax preferences is based on business earnings. Savings for large beneficiaries are increasing, while the number of businesses and savings for small beneficiaries are decreasing. The preferences do not expire. However, the Legislature may want to add an objective and performance metrics to clarify the purpose of the preference.

[Full report](#) | [Summary](#) | [Video](#)

- **Agricultural Fertilizer and Seed Wholesaling:** The preference meets the legislative goal of providing tax relief for certain agricultural fertilizer and seed wholesalers. Fewer than three beneficiaries claim the preference. It does not have an expiration date. The Legislature should clarify whether the preference needs a tax preference performance statement.

## One report recommends that the Legislature allow three preferences to expire. No action is needed.

- **Energy Sales to Silicon Smelters:** Three preferences aimed to promote the development of a silicon smelting facility. The business built the smelting facility in Tennessee instead of Washington. No business has claimed the preferences and they expire July 1, 2027.

## Appendices

[2025 expedited preference review](#) | [Study process](#) | [Study questions](#) | [Audit authority](#)

### 2025 expedited preference review

The Commission opted to consider the following tax preferences, using an expedited process. The expedited process is primarily based on information published by the Department of Revenue in its most recent statutorily required tax exemption study. View the [2025 expedited preference review](#).

### Study process

View [guide to JLARC Tax Preference Reviews](#) here.

### Study questions

The Citizen Commission for the Performance Measurement of Tax Preferences selected the following tax preferences for a performance review by JLARC staff in 2025. [See questions here](#).

- Natural Gas Used for Transportation
- Nonprofit Low-Income Housing Development
- Travel Agents and Tour Operators
- Trade Convention Attendance
- Multipurpose Senior Citizen Centers
- Disabled Veteran Adapted Housing
- Agricultural Fertilizer and Seed Wholesaling

- Warehoused Agricultural Crop Protection Products
- Energy Sales to Silicon Smelters

## **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.

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