

Citizen Commission for Performance Measurement of Tax Preferences

Draft Consolidated Commissioner Comments on 2022 Preferences

Chair's Note:

Green means I perceive little or no deviation in commissioner recommendations. Yellow means I perceive one to two commissioners have expressed a moderate deviation from the majority, but the differences are not insurmountable to reaching a one voice opinion. Red means I perceive that one to two commissioners have expressed a significant deviation from the majority, and reaching a one voice opinion will be impossible without significant compromises. The table below is a summary of the Green, Yellow, and Red preferences:

Color	Preferences
Green	Food Processors (B&O preferences for dairy processors) Food Processors (B&O preference for dairy products used as an ingredient or component to create other dairy products) Food Processors (B&O tax preferences for seafood processors) Historic Automobile Museums Sales and Use Tax Deferral
Yellow	Commute Trip Reduction; Food Processors (B&O preferences for fruit & vegetable processors) Property Tax Exemptions for Nonprofit Hospitals and Cancer Clinics
Red	<i>none</i>

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Name	Possible Comment	Rationale for comment
<p>1. Commute Trip Reduction (Business and Occupation Tax, Public Utility Tax)</p> <p>Legislative Auditor Recommendation: Continue and modify the preference</p> <p>The Legislature should continue and modify the preference. Although more Washingtonians are using commute alternatives, the tax credit likely has limited influence on the amount of incentives that employers provide and on employee use of commute alternatives. Modifications to the credit might include:</p> <ul style="list-style-type: none"> Amending the preference to further reduce single-occupant vehicle travel. The Legislature may consider options such as increasing the benefit for smaller employers whose use of the preference has declined, targeting new employers, or targeting employers outside of King County. The Legislature should consult with the Department of Transportation when developing amendments. The Department's expertise in administering the Commute Trip Reduction program could help inform any modifications. Alternatively, the Legislature could recategorize the preference as one intended to provide tax relief to employers providing financial incentives for commute alternatives. If the Legislature chooses to do so, it should consider changing its objective from increasing use of commute alternatives to one that focuses on increasing the number of businesses providing incentives to their employees. 		
Chair's Reconciliation	Endorse Legislative Auditor recommendation with comment.	Increasing commute alternatives, decreasing traffic congestion, and decreasing energy use and air pollution are becoming more important to our state for quality of life and sustainability. Traffic congestion and energy use is not solely a Puget Sound corridor issue; Eastern Washington and rural communities can all benefit from reducing single-occupant travel. (ANM)
Ron Bueing	Endorse Legislative Auditor recommendation without comment.	
Grant Forsyth	Endorse Legislative Auditor recommendation without comment.	
Sharon Kioko	Endorse Legislative Auditor recommendation without comment.	
Andi Nofziger-Meadows	Modifications that encourage use by smaller employers and employers throughout the state to incentivize employee use would make this preference more effective. Additionally, anything that encourages increasing the number of	Increasing commute alternatives, decreasing traffic congestion, and decreasing energy use and air pollution are becoming significantly more important to our state for quality of life and sustainability. Traffic congestion and energy use is not solely a Puget Sound corridor issue; Eastern Washington and rural

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Name	Possible Comment	Rationale for comment
	businesses who provide incentives for commute alternatives would be helpful.	communities can all benefit from reducing single-occupant travel.
James Orr	Endorse Legislative Auditor recommendation without comment.	

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Name	Possible Comment	Rationale for comment
<p>2. <u>Food Processors</u> (Business and Occupation Tax)</p> <p>Legislative Auditor Recommendations:</p> <p>B&O preferences for dairy processors: Continue and clarify</p> <p>The Legislature should continue the B&O tax preferences for dairy product processors because they are meeting the objectives of providing tax relief and creating and retaining industry jobs. To facilitate future reviews, the Legislature should clarify its expectations for job and wage growth and determine the level of tax relief needed to meet those expectations.</p>		
Chair's Reconciliation	Endorse Legislative Auditor recommendation without comment.	
Ron Bueing	Endorse Legislative Auditor recommendation with comment.	The Legislature should consider keeping the current exemption for dairy, fruit and vegetable, and seafood processing, as even with the current complete exemption, Washington food processors still remain at a significant tax disadvantage compared with companies in neighboring states.
Grant Forsyth	Endorse Legislative Auditor recommendation without comment.	
Sharon Kioko	Endorse Legislative Auditor recommendation without comment.	
James Orr	Endorse Legislative Auditor recommendation without comment.	
Andi Nofziger-Meadows	Endorse Legislative Auditor recommendation without comment.	

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Name	Possible Comment	Rationale for comment
<p>2. <u>Food Processors</u> (Business and Occupation Tax)</p> <p>B&O preference for dairy products used as an ingredient or component to create other dairy products: Allow to expire</p> <p>The Legislature should allow the preference for dairy products used as an ingredient or component to create other dairy products to expire as scheduled, June 30, 2023. The infant formula production in Sunnyside that the preference was intended for in 2013 did not occur.</p>		
Chair's Reconciliation	Endorse Legislative Auditor recommendation without comment.	
Ron Bueing	Endorse Legislative Auditor recommendation without comment.	
Grant Forsyth	Endorse Legislative Auditor recommendation without comment.	
Sharon Kioko	Endorse Legislative Auditor recommendation without comment.	
James Orr	Endorse Legislative Auditor recommendation without comment.	
Andi Nofziger-Meadows	Endorse Legislative Auditor recommendation without comment.	

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Name	Possible Comment	Rationale for comment
<p>2. <u>Food Processors</u> (Business and Occupation Tax)</p>		
<p>B&O preferences for fruit & vegetable processors: Continue and clarify</p>		
<p>The Legislature should continue the B&O tax preferences for fruit & vegetable processors because they are meeting the objectives of providing tax relief and creating and retaining industry jobs. To facilitate future reviews, the Legislature should clarify its expectations for job and wage growth and determine the level of tax relief needed to meet those expectations.</p>		
<p>Chair's Reconciliation</p>	<p>Endorse Legislative Auditor recommendation with comment.</p>	<p>Public testimony highlighted the importance of this tax preference for our state's wine industry, which has shown solid industry growth in jobs, wages, and tourism in the past decade. More generally, food processors face higher tax burdens in Washington compared to neighboring states. This preference helps level the playing field for all kinds of food processors, allowing them to remain competitive and/or grow. (ANM)</p>
<p>Ron Bueing</p>	<p>Endorse Legislative Auditor recommendation with comment.</p>	<p>The Legislature should consider keeping the current exemption for dairy, fruit and vegetable and seafood processing, as even with the current complete exemption, Washington food processors still remain at a significant tax disadvantage compared with companies in neighboring states.</p>
<p>Grant Forsyth</p>	<p>Endorse Legislative Auditor recommendation without comment.</p>	
<p>Sharon Kioko</p>	<p>Endorse Legislative Auditor recommendation without comment.</p>	
<p>James Orr</p>	<p>Endorse Legislative Auditor recommendation without comment.</p>	
<p>Andi Nofziger-Meadows</p>	<p>Public testimony highlighted the importance of this tax preference for our state's wine industry, which has shown solid industry growth, job growth, and wage growth in the past decade. The increased economic activity the wine industry brings in jobs, sales, and tourism to both state and local economies exceeds the value of the tax preference.</p>	<p>Food processors face higher tax burdens in Washington than those in neighboring states due to our tax structure. This tax preference helps to level the playing field for the wine industry and other fruit and vegetable processors, allowing them to remain competitive and/or grow.</p>

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Name	Possible Comment	Rationale for comment
<p>2. Food Processors (Business and Occupation Tax)</p> <p>B&O tax preferences for seafood processors: Review and clarify</p> <p>The Legislature should review the B&O tax preferences for seafood product processors because they are only meeting one of two objectives. While the preferences provide tax relief, beneficiary jobs in Washington have declined and their employee wages have decreased. It is unclear why more businesses are not using the preference or what the Legislature's expectations are for the industry's jobs and wages.</p>		
Chair's Reconciliation	Endorse Legislative Auditor recommendation without comment.	
Ron Bueing	Endorse Legislative Auditor recommendation with comment.	The Legislature should consider keeping the current exemption for dairy, fruit and vegetable, and seafood processing, as even with the current complete exemption, Washington food processors still remain at a significant tax disadvantage compared with companies in neighboring states.
Grant Forsyth	Endorse Legislative Auditor recommendation without comment.	
Sharon Kioko	Endorse Legislative Auditor recommendation without comment.	
James Orr	Endorse Legislative Auditor recommendation without comment.	
Andi Nofziger-Meadows	Endorse Legislative Auditor recommendation without comment	

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Name	Possible Comment	Rationale for comment
<p>3. Historic Automobile Museums Sales and Use Tax Deferral (Sales & Use tax)</p> <p>Legislative Auditor Recommendation: Continue</p> <p>The Legislature should continue the preference until the current deferral is repaid in 2032. After that, the tax preference will no longer be necessary in statute.</p>		
Chair's Reconciliation	Endorse Legislative Auditor recommendation without comment.	
Ron Bueing	Endorse Legislative Auditor recommendation without comment.	
Grant Forsyth	Endorse Legislative Auditor recommendation without comment.	
Sharon Kioko	Endorse Legislative Auditor recommendation without comment.	
James Orr	Endorse Legislative Auditor recommendation without comment.	
Andi Nofziger-Meadows	Endorse Legislative Auditor's recommendation without comment.	

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<p>4. Property Tax Exemptions for Nonprofit Hospitals and Cancer Clinics (Property tax)</p> <p>Legislative Auditor Recommendation: Clarify</p> <p>The Legislature should clarify the objectives of the preferences by including performance statements. Both preferences were enacted before the Legislature required a performance statement for new tax preferences. There are no explicitly stated public policy objectives for the tax preferences in statute.</p> <p>If the tax preferences are intended to support certain outcomes, the Legislature should clarify its expectations by adding performance statements that clearly state the public policy objectives and metrics to determine if the objectives have been met.</p>		
<p>Chair's Reconciliation</p>	<p>Endorse Legislative Auditor recommendation with comment.</p>	<p>The preference has no expiration date, but it should be continued with clarification. The legislature should state public policy objectives and metrics so the intent and performance of this preference can be more easily measured in future reviews. The non-profit hospitals and cancer centers provide essential charity care to vulnerable populations in our state, and metrics would assist them in demonstrating the value of the service they provide to our state and communities. (ANM)</p>
<p>Ron Bueing</p>	<p>Endorse Legislative Auditor recommendation without comment.</p>	
<p>Grant Forsyth</p>	<p>Endorse Legislative Auditor recommendation without comment.</p>	
<p>Sharon Kioko</p>	<p>Endorse Legislative Auditor recommendation without comment.</p>	
<p>James Orr</p>	<p>Endorse Legislative Auditor recommendation without comment.</p>	
<p>Andi Nofziger-Meadows</p>	<p>The preference has no expiration date, but it should be continued with clarification. The legislature should state public policy objectives and metrics so the intent and performance of this preference can be more easily measured in future reviews. The non-profit hospitals</p>	

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	and cancer centers provide essential charity care to vulnerable populations in our state, and metrics would assist them in demonstrating the value of the service they provide to our state and communities.	