

### Legislative Auditor offers recommendations for members' consideration

The Legislative Auditor must issue a recommendation to the Legislature for each tax preference and sunset review (Chapter 43.136 RCW, Chapter 43.131 RCW). Performance audits also may include recommendations to the Legislature.

#### Recommendations that need action before December 2025

##### [Sunset Review: Dual Enrollment Scholarship Pilot Program](#) | Expires 6/30/2025

The scholarship has reduced financial barriers for low-income Running Start students, as the Legislature intended.

WSAC and pilot sites have not spent all available funds, so the Legislature may want to consider changes, such as expanding eligibility and adding other eligible expenses.

##### [Alternative fuel vehicles and infrastructure](#) | July and August 2025 (four expire)

Alternative fuel vehicles and associated infrastructure increased in Washington, but the effect of the eight tax preferences is unclear. Market changes and other state and federal incentives also influence adoption.

The Legislature should determine whether to continue the eight tax preferences, and at what level.

##### [Commuter Trip Reduction](#) | Expires 7/1/2025 (after 2024 Legislature extended for one year)

Credit likely has limited influence on the amount of financial incentives employers provide. Changes might include options to further reduce single-occupant vehicle travel or recategorizing the preference as one intended to provide tax relief.

The 2024 Legislature considered HB 2486, which would have implemented the recommendations. It did not pass.

##### [Manufacturers' Deferral](#) | Expires 1/1/2026

Four businesses used the tax deferral but likely would have built the facilities without the deferral. They met job goals through temporary construction work rather than permanent manufacturing jobs.

Changes might include extending the expiration date, focusing on full-time jobs, and directly appropriating money for training and apprenticeships.

#### Recommendation for legislative action: Continue and modify

These preferences meet the legislative intent.

Changes could make them more effective and extend their expiration dates.

### Open recommendations from tax preference reviews

JLARC staff review tax preferences according to the schedule set by the Citizen Commission for Performance Measurement of Tax Preferences.

#### Recommendation for legislative action: Continue and modify

These preferences meet legislative intent. Changes could make them more effective and extend their expiration dates.

##### [Hazardous Substance Tax Exemption for Pesticides Sold Out of State](#) | Expires 1/1/2028 (after 2024 Legislature extended for one year)

The preference improves industry competitiveness by providing tax relief to Washington businesses that store or transport pesticides sold out of state.

Changes might include new metrics to evaluate the preference in light of 2019 adjustments to hazardous substance tax or recategorizing the preference as one intended to provide tax relief.



## Recommendation for legislative action: Continue and modify

### [Rural County and CEZ New Jobs](#) | No expiration

Beneficiaries of the preference created over 1,000 jobs in rural counties, but use continues to decline. The preference's wage threshold has not been updated since 1997.

Changes might include increasing the wage threshold to promote family wage jobs in rural areas or increasing the credit amounts to encourage businesses to apply for the credit.

### [Customized workforce training](#) | Expires 7/1/2026

The 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.

The Legislative Auditor also recommended that the State Board for Community and Technical Colleges determine how to increase training program and preference use.

## Recommendation for legislative action: Terminate

### [International Services](#)

This preference has not met the goal of attracting and retaining jobs in community empowerment zones or international service districts. The Citizen's Commission endorses the recommendation to terminate the preference. The 2024 Legislature considered HB 1913, which would have implemented the recommendation. It did not pass.

### [Aluminum](#)

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. The Legislature should allow the four preferences for aluminum smelters to expire on January 1, 2027 and terminate the other four preferences.

## Recommendation for legislative action: Clarify the objectives

Clarifications could include clarifying the intended beneficiaries and adding performance statements and metrics. These preferences do not have expiration dates.

### [Aerospace](#)

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

### [Historic Ships and Vessels](#)

Owners of eleven historic vessels saved an estimated \$21,000 in 2023. It is unclear if the preference met the inferred goal of keeping historic vessels in Washington.

### [Interstate Transportation Tax Preferences](#)

The preferences make Washington's commercial transportation industry more competitive. They support more freight traffic at ports and higher employment in transportation and freight-dependent industries.

### [Microbrewers](#)

This \$7.2 million biennial preference created an estimated 2 to 6 jobs. Distributors receive 84% of direct preference savings, which is 0.17% of their gross income.

### [Nonprofit Hospitals and Cancer Clinics](#)

Property tax exemptions for nonprofit hospitals and cancer clinics meet the inferred intent of encouraging charity care and community benefits. Beneficiaries provide 99% of charity care statewide. The value of charity care exceeds tax savings.

### [Nonprofit Outpatient Dialysis Facilities](#)

Preference provides tax relief to nonprofit outpatient dialysis facilities, which outperform for-profit counterparts on two standard measures.

### [Precious Metals and Monetized Bullion](#)

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.

### [Public Utility Tax Credit for Home Energy Assistance](#)

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.

## Open recommendations from performance audits

### Medicaid Reimbursement Under CARES Programs

HCA's reimbursement standards for fire departments' Community Assistance Referral and Education Services (CARES) programs overlap with a federally funded program. They are unlikely to generate additional savings for the state.

The Legislature should **consider repealing or revising the statutory direction.**

### Unemployment Insurance Training Benefits Program

ESD's Training Benefits Program caused most participants to earn less than their peers over time. It is not meeting the Legislature's stated objective to enhance participants' earning power.

The Legislature should **consider eliminating or modifying the program.**

### Regulation of Ambulatory Surgical Facilities

The Department of Health (DOH) had not met its goal for how frequently it performs state licensing surveys (inspections) of ambulatory surgical facilities. Collecting fees annually, rather than on a 3-year cycle, would provide revenue stability and allow DOH to respond more quickly to program and cost changes.

The Legislature should **consider amending statute** to permit DOH to collect ambulatory surgical facility license fees annually.

### Impact Fee Deferral Programs

Deferral use has been infrequent and concentrated in five local governments, with few adverse effects. Financial benefit of deferrals could increase in a slower housing market with higher interest rates. The Legislature should:

- **Consider whether liens are a necessary tool** to ensure that deferred fees are paid.
- **Either repeal Commerce's data collection requirement or identify the measures Commerce should collect for** ongoing program oversight.

The 2024 Legislature considered two bills -- HB 1468 and HB 1362 -- that addressed the recommendations. The bills did not pass.

## No bill action needed to continue five tax preferences and allow two to expire

The Legislative Auditor recommended continuing these preferences. They do not have expiration dates or do not expire soon, so no action is needed.

- **Shipping Farm Products to Interim Storage**
- **Livestock Nutrient Management Equipment**
- **Medical Cannabis Tax Preferences**
- **Historic Automobile Museums Sales and Use Tax Deferral**
  - The Legislative Auditor notes that after the current deferral is repaid in 2032, the tax preference will no longer be necessary in statute.
- **Rehabilitated Historic Properties**

The Legislative Auditor recommended allowing these preferences to expire. No legislative action is needed.

**Food Processors (Dairy products used as an ingredient)** – Preference expires July 1, 2025

**Credit for Renewable Energy Program Payments** - Preference expires June 30, 2030



## Legislature adopted bills implementing recommendations

### Two bills continued tax preferences or programs that were scheduled to sunset

#### Tax preferences

[Tribal Lands Used for Economic Development](#) HB 2230 (2020)

#### Sunset reviews

[Alternative Public Works Contracting Procedures](#) SB 5032 (2021)

### Seven bills implemented recommendations

#### Tax preferences

[Farmworker Housing](#) - SB 5396 (2021)

Include a performance statement and determine if preference should align with other housing practices.

[Health Benefit Exchange](#) - HB 1765 (2022)

Extend the July 2023 expiration date or make the preference permanent.

[Reduced B&O Rate for Printing and Publishing Newspapers](#) - SB 5199 (2023)

Determine if preference provides sufficient relief to newspaper printers and publishers.

[Targeted Urban Area Exemption](#) - SB 5849 (2022)

Modify the preference's population criteria and determine an expiration date for new participants.

[Food Processors](#) - HB 1573 (2023)

Continue and/or clarify the tax preferences for processors of dairy products, fruits & vegetables, and seafood.

#### Sunset review

[Medicaid Fraud Qui Tam Provisions](#) - SB 5163 (2023)

Reauthorize the qui tam provisions in the Medicaid Fraud False Claims Act.

#### Performance audits

[Hybrid Electric Ferries: Design-Build Contracting and Procurement](#) - HB 1846 (2023)

Allow a single, nationwide RFP and best value selection process for ferry acquisition.