

Consistent with statute and the Commission's guidance to conduct in-depth reviews on a smaller number of preferences, JLARC staff evaluated the 2023 and 2025 tax preference review schedules and recommend they be reprioritized. JLARC staff used the following criteria to evaluate the preferences on the schedule:

Consider adding or keeping a preference on the full review list if:

- There is **specific legislative guidance that JLARC review** a preference.
- **Data is available** and a **potential analytical approach** exists to conduct a review. Previous tax preference reviews have benefited from having data to analyze and creative methodological approaches. This might also be the case for preferences that are not currently on the schedule and were previously reviewed.
- **House and Senate legislative staff** express interest in a preference. Our nonpartisan colleagues work closely with members during session and offer valuable insight into members' interests and reviews likely to be of value.
- **There is a stated and measurable outcome.** A review based on clear criteria is more likely to yield actionable recommendations than one in which intent must be inferred.

Consider dropping the preference from the full review list if:

- **JLARC previously reviewed** the preference, there was no subsequent legislative action, and another review is unlikely to reach a different conclusion or provide new information.
- **There are fewer than three beneficiaries.** In these instances, JLARC staff cannot disclose information without the taxpayer's permission and may have little information or analysis to provide.
- The **Legislature exempted the preference** from the performance statement and expiration date requirements, indicating it likely considers the preference to be a permanent and structural preference.

Other considerations:

- **Legislative history:** Amendments to a preference—or lack thereof—can be a useful measure of Legislative interest.
- **Industry groupings:** Statute directs the Commission to consider industry groupings when scheduling reviews. Groupings can also lead to efficiencies for JLARC staff and industry stakeholders.

Based on these criteria, JLARC staff recommend the following adjustments to the tax preference review schedule.

2023 tax preference review schedule:

JLARC staff recommend removing 8 preferences from the current 2023 full review schedule and moving them to 2024. These 8 preferences all concern alternative fuel transportation, and include sales and use tax exemptions, B&O tax credits, and a leasehold excise tax exemption.

If the Commission chooses to move these 8 reviews to 2024, JLARC staff recommend moving 4 preferences from 2024 to 2023. These four PUT preferences are all related, and concern interstate commercial transportation.

Because the Legislature extended the Data Center Equipment tax preference, JLARC staff recommend moving it to expedited review in 2023, and a full review on the next 10-year review schedule.

2024 tax preference review schedule:

JLARC staff recommend moving the 4 interstate commercial transportation preferences from 2024 to 2023, and in their stead placing the 8 preferences alternative fuel transportation preferences on the 2024 full review schedule.

2025 tax preference review schedule:

JLARC staff recommend removing 6 preferences from the current 2025 full review schedule, including:

- Moving the motion picture program contributions B&O tax preference to 2026. Legislation enacted in 2022 amended the program and extended its mandated review date.
- Moving 5 vehicle-fuel-related tax preferences to expedited review from full review. These preferences do not have tax preference performance statements and appear to serve base-defining and double-taxation purposes.

If the Commission chooses to move these 6 reviews, JLARC staff recommend moving 4 preferences to the 2025 full review list from 2026. These expire on January 1, 2028, and reviewing them in 2025 would provide the Legislature with two sessions to consider any Legislative Auditor recommendations. They include:

- Two semiconductor materials manufacturing preferences (sales and use tax, B&O tax).
- A property tax exemption for multipurpose senior citizen centers.
- A sales and use tax preference for disabled veteran adapted housing.

2026 tax preference review schedule:

JLARC staff recommend:

- Moving 4 preferences to 2025 due to their expiration date.
- Adding the Motion Picture Program Contributions preference from 2025 due to its amendment and extension.

Summary of proposed changes to 2023 tax preference review schedule (additions in bold italics in table):

- Move 8 Alternative Fuel Transportation preferences to 2024.
- Move 4 Interstate commerce tax preferences to 2023 from 2024 (Items 6-9).
- Move Data Center Equipment (Sales and Use Tax) to expedited review.

2023: Staff recommendation for full JLARC review						
#	Preference Name	Category	RCW	Enacted	Expiration	Beneficiary Savings Current Review Year
1	Warehoused Agricultural Crop Protection Products (Hazardous Substance Tax)	Agricultural Products	82.21.040(5)(a)	2015	1/1/2026	\$600,000 2023
2	Historic Property (Property Tax)	Other	84.26.070	1985		\$6,338,000 2023
3	Historic Vessels (Property Tax)	Maritime	84.36.080(2)	1986		\$265,000 2023
4	Rural County and CEZ New Jobs (B&O Tax)	Other	82.62.030; 82.62.045	1986		\$3,000,000 2023
5	International Services (B&O Tax)	Services	82.04.44525	1998		\$174,000 2023
6	<i>Interstate Transportation - In-State Portion (Public Utility Tax)</i>	<i>Commercial Transportation</i>	<i>82.16.050(6)</i>	<i>1935</i>		<i>\$60,607,000</i> <i>2024</i>
7	<i>Interstate Transportation - Shipments to Ports (Public Utility Tax)</i>	<i>Commercial Transportation</i>	<i>82.16.050(9)</i>	<i>1937</i>		<i>\$15,200,000</i> <i>2024</i>
8	<i>Interstate Transportation - Through Freight (Public Utility Tax)</i>	<i>Commercial Transportation</i>	<i>82.16.050(8)</i>	<i>1937</i>		<i>\$32,200,000</i> <i>2024</i>
9	<i>Shipping Farm Products to Port (Public Utility Tax)</i>	<i>Agricultural Services</i>	<i>82.16.050(10)</i>	<i>2007</i>		<i>\$2,668,000</i> <i>2024</i>

2023: Staff Recommendation to move to expedited review						
#	Preference Name	Category	RCW	Enacted	Expiration	Beneficiary Savings Current Review Year
1	Data Center Equipment (Sales and Use Tax)	STEM	82.08.986; 82.12.986	2010	7/1/2036	\$111,600,000 2023

Summary of proposed changes to 2024 tax preference review schedule (additions in bold italics in table):

- Move 4 Interstate transportation tax preferences to 2023 from 2024 (Items 6-9).
- Move 8 Alternative Fuel Transportation preferences to 2024.

2024: Staff Recommendation for full JLARC review							
#	Preference Name	Category	RCW	Enacted	Expiration	Beneficiary Savings	Current Review Year
1	Certified Aircraft Repair Firms (B&O Tax)	Aerospace	82.04.250(3)	2003	7/1/2040	\$1,730,000	
2	Commercial Airplane Manufacturing - Preferential Rate (B&O Tax)	Aerospace	82.04.260(11)	2003	7/1/2040	\$268,690,000	
3	Aerospace Product Development (B&O Tax)	Aerospace	82.04.290(3)	2008	7/1/2040	\$6,050,000	
4	Superefficient Airplane Production Facilities (Property Tax)	Aerospace	84.36.655	2003	7/1/2040	\$0	
5	Aerospace Product Development Expenditures (B&O Tax)	Aerospace	82.04.4461	2003	7/1/2040	\$201,760,000	
6	Commercial Airplane Manufacturing - Credit for Taxes Paid (B&O Tax)	Aerospace	82.04.4463	2003	7/1/2040	\$68,360,000	
7	Superefficient Airplane Production Facilities (Leasehold Excise Tax)	Aerospace	82.29A.137	2003	7/1/2040	\$0	
8	Aerospace Product Development Computer Expenditures (Sales and Use Tax)	Aerospace	82.08.975; 82.12.975	2003	7/1/2040	\$9,000,000	
9	Commercial Airplane Production Facilities (Sales and Use Tax)	Aerospace	82.08.980; 82.12.980	2003	7/1/2040	\$13,600,000	
10	Airplane Repair Facility New Construction (Sales and Use Tax)	Aerospace	82.08.025661; 82.12.025661	2016	1/1/2027	\$0	
11	Billing Discounts (Public Utility Tax)	Other	82.16.0497	2001		\$5,000,000	
12	Aluminum Manufacturing (B&O Tax)	Aluminum	82.04.2909	2004	1/1/2027	\$0	
13	Aluminum Smelter Property Taxes (B&O Tax)	Aluminum	82.04.4481	2004	1/1/2027	\$0	
14	Aluminum Smelter Use of Natural Gas (Use Tax)	Aluminum	82.12.022(5)	2004	1/1/2027	\$0	
15	Aluminum Smelter Purchases (Sales and Use Tax)	Aluminum	82.08.805; 82.12.805	2004	1/1/2027	\$0	
16	Aluminum Master Alloy Producers (B&O Tax)	Aluminum	82.04.110(2)(b)	1997			
17	Aluminum Production Anodes and Cathodes (Sales and Use Tax)	Aluminum	82.08.02568; 82.12.02568	1996		\$0	
18	Aluminum Smelter Electricity or Natural Gas Purchases (B&O Tax)	Aluminum	82.04.4482	2004		\$0	
19	Aluminum Smelter Purchases (Public Utility Tax)	Aluminum	82.16.0498	2004		\$0	
20	Precious Metals and Bullion (B&O Tax)	Other	82.04.062	1985		\$1,526,000	
21	Precious Metals and Bullion (Sales and Use Tax)	Other	82.04.062	1985		\$29,094,000	
22	Zero emissions buses	Alternative Energy	82.08.816(1)(e); 82.12.816(1)(d)	2019	7/1/2025		2023
23	Electric Vehicle Battery Charging Stations (Sales and Use Tax)	Alternative Energy	82.08.816(1)(a)-(d); 82.12.816(1)(a)-(d)	2009	7/1/2025	\$1,640,000	2023
24	Alternative Fuel Vehicles (Sales and use tax)	Alternative Energy	82.08.9999; 82.12.9999	2019	8/1/2028	\$0	2023
25	Electric Vehicle Infrastructure (Leasehold Excise Tax)	Alternative Energy	82.29A.125	2009	7/1/2025	Not known	2023
26	Alternative Fuel Commercial Vehicle Credit (B&O Tax)	Alternative Energy	82.04.4496(1)(a)(i)	2015	When Cap Reached	\$990,000	2023
27	Alternative Fuel Commercial Vehicle Infrastructure Credit (B&O Tax)	Alternative Energy	82.04.4496(1)(a)(ii)	2020	When Cap Reached	\$0	2023
28	Alternative Fuel Commercial Vehicle Credit (PUT)	Alternative Energy	82.04.0496(1)(a)(i)	2015	When Cap Reached	Not separately stated	2023
29	Alternative Fuel Commercial Vehicle Infrastructure Credit (Public Utility Tax)	Alternative Energy	82.16.0496(1)(a)(ii)	2015	When Cap Reached	\$12,000,000	2023

Summary of proposed changes to 2025 tax preference review schedule (additions in bold italics in table):

- Move from 2026 to 2025 full review:
 - o Two Semiconductor Materials Manufacturing preferences.
 - o Multipurpose Senior Citizen Centers (Property Tax).
 - o Disabled Veteran Adapted Housing (Sales and Use Tax).
 - o Move 5 vehicle-fuel-related tax preferences to expedited review from full review.
 - o Move Motion Picture Program Contributions (B&O Tax) to 2026 per HB 1914 (2022).

2025: Staff Recommendation for full JLARC review						
#	Preference Name	Category	RCW	Enacted	Expiration	Beneficiary Savings Current Review Year
1	Agricultural Fertilizer and Seed Wholesaling (B&O Tax)	Agricultural Products	82.04.628	2017		No fiscal note
2	Electric Power Sales to Silicon Smelters (Public Utility Tax)	Other Manufacturing	82.16.315	2017	7/1/2027	\$0
3	Electric Power Sales to Silicon Smelters (B&O Tax)	Other Manufacturing	82.04.545	2017	7/1/2027	\$0
4	Natural and Manufactured Gas Sales to Silicon Smelters (Use Tax)	Other Manufacturing	82.12.022(7)	2017	7/1/2027	No fiscal note
5	Nonprofit Low-Income Housing Development (Property Tax)	Housing	84.36.049	2016	1/1/2027	\$417,000
6	Trade Convention Attendance (Multiple Taxes)	Business	82.32.531	2016	1/1/2027	Not known
7	Natural Gas Used for Transportation (Public Utility Tax)	Public Transportation	82.16.310	2014	1/1/2026	Not in DOR Report
8	Natural Gas Used for Transportation (Use Tax)	Public Transportation	82.12.022(6)	2014	1/1/2026	Not in DOR Report
9	<i>Semiconductor Materials Manufacturing - Gases and Chemicals (Sales and Use Tax)</i>	<i>Other Manufacturing</i>	<i>82.08.9651; 82.12.9651</i>	<i>2006</i>	<i>1/1/2028</i>	<i>\$3,200,000</i>
10	<i>Semiconductor Materials Manufacturing - Preferential Rate (B&O Tax)</i>	<i>Other Manufacturing</i>	<i>82.04.2404</i>	<i>2006</i>	<i>1/1/2028</i>	<i>Not disclosable</i>
11	<i>Multipurpose Senior Citizen Centers (Property Tax)</i>	<i>Other</i>	<i>84.36.670</i>	<i>2017</i>	<i>1/1/2028</i>	<i>\$31,000</i>
12	<i>Disabled Veteran Adapted Housing (Sales and Use Tax)</i>	<i>Other</i>	<i>82.08.0207; 82.12.0207</i>	<i>2017</i>	<i>1/1/2028</i>	<i>\$250,000</i>

2025: Staff Recommendation to move to expedited review						
#	Preference Name	Category	RCW	Enacted	Expiration	Beneficiary Savings Current Review Year
1	Special Fuel (Sales and Use Tax)	Vehicle Fuel	82.08.0255(2); 82.12.0256(1)	1983		Not separately stated
2	Fuel Previously Taxed (Fuel Tax)	Vehicle Fuel	82.38.030(9)(e); 82.38.032	1923		Not in DOR Report
3	Fuel Sold to Licensed Distributors (Aircraft Fuel Tax)	Vehicle Fuel	82.42.030(7)	2013		\$83,959,000
4	Fuel Delivered into Certified Bulk Storage Tanks (Aircraft Fuel Tax)	Vehicle Fuel	82.42.030(8)	2013		\$29,416,000
5	Biodiesel and Waste Vegetable Oil (Sales and Use Tax)	Vehicle Fuel	82.08.0205; 82.12.0205	2008		\$1,192,000

Summary of proposed changes to 2026 tax preference review schedule (additions in bold italics in table):

- Move Motion Picture Program Contributions (B&O Tax) to 2026 per HB 1914 (2022).
- Move from 2026 to 2025 full review:
 - o Two Semiconductor Materials Manufacturing preferences.
 - o Multipurpose Senior Citizen Centers (Property Tax).
 - o Disabled Veteran Adapted Housing (Sales and Use Tax).

2026: Staff Recommendation for Full JLARC JLARC Review (25 Preferences)							
#	Preference Name	Category	RCW	Enacted	Expiration	Beneficiary Savings	Current Review Year
1	<i>Motion Picture Program Contributions (B&O Tax)</i>	<i>Entertainment and Media</i>	<i>82.04.4489</i>	<i>2012</i>	<i>7/1/2027</i>	<i>\$7,000,000</i>	<i>2025</i>
2	Accountable Communities of Health	Medical Services	82.04.43395	2018		\$0	
3	Hospital delivery system reform incentive payments	Medical Services	82.04.43395(2)	2018		\$2,485,000	
4	Neighborhood Revitalization (Public Utility Tax)	Other	82.73.030	2005	1/1/2032	\$400,000	
5	Neighborhood Revitalization (B&O Tax)	Other	82.73.030	2005	1/1/2032	\$3,000,000	
6	Nonprofit Low-Income Rentals (Property Tax)	Limited Income and At-Risk Populations	84.36.560	1999		\$106,846,000	
7	Nonprofit Homes for Aging (Property Tax)	Limited Income and At-Risk Populations	84.36.041	1989		\$41,789,000	
8	Assisted Living Facilities (B&O Tax)	Limited Income and At-Risk Populations	82.04.2908	2004		\$19,502,000	
9	Nonprofit Sheltered Workshops (B&O Tax)	Limited Income and At-Risk Populations	82.04.385	1970		\$7,090,000	
10	Nonprofit Emergency or Transitional Housing (Property Tax)	Limited Income and At-Risk Populations	84.36.043	1983		\$5,929,000	
11	Adult Family Homes (B&O Tax)	Limited Income and At-Risk Populations	82.04.327	1987		\$6,096,000	
12	Landfill gas equipment	Alternative Energy	82.08.900(1)(a); 82.12.900(1)	2018	1/1/2029	\$271,000	
13	Business Inventories (Property Tax)	Business	84.36.477	1974		\$1,129,484,000	
14	Multiple Activities Credit For In-State Activities (B&O Tax)	Business	82.04.440(2-3)	1987		\$386,000,000	
15	Multiple Activities Credit for Interstate Activities (B&O Tax)	Business	82.04.440(4)	1987		\$2,685,000	
16	Direct Mail Delivery (Sales and Use Tax)	Business	82.08.807; 82.12.807	2005		\$784,000	
17	Parking and Business Improvement Areas (B&O Tax)	Business	82.04.4267	2005			
18	Direct Mail Delivery (B&O Tax)	Business	82.04.4272	2005		\$49,000	
19	Discount Program Memberships (B&O Tax)	Business	82.04.421	1997		\$0	
20	Personal Property Tax Penalty Waiver (Property Tax)	Business	84.40.130(3)	2012		\$0	
21	Nonprofit Organization Government Grants (B&O Tax)	Limited Income and At-Risk Populations	82.04.4297	1979			