

Digest of JLARC Tax Preference Reviews 2007-2011

January 2012



TABLE OF CONTENTS

JLARC RECOMMENDATION: TERMINATE

Airports Owned by Cities in Other States (Property) / RCW 84.36.130	1
Handling Losses (Fuel) / RCW 82.36.029	2
Interstate Transportation, Instate Portion (PUT) / RCW 82.16.050(6)	3
Nonprofit Orphanages (Property) / RCW 84.36.040(1)(c)	4
Repaired Items Delivered Out-of-State (Sales and Use) / RCW 82.08.0265	4
Transportation, Through Freight (PUT) / RCW 82.16.050(8)	5

JLARC RECOMMENDATION: ALLOW TO EXPIRE

Beef Processors (B&O) / RCW 82.04.4336	7
Dairy Products Manufacturing (B&O) / RCW 82.04.4268; 82.04.260(1)(c)	8
Field Burning Equipment (Sales and Use) / RCW 82.08.841; 82.12.841	9
Fresh Food Processors (Sales and Use) / 82.74 RCW	9
Fruit and Vegetable Manufacturing (B&O) / RCW 82.04.4266; 82.04.260(1)(d)	10
Hog Fuel to Produce Energy (Sales and Use) / RCW 82.08.956; 82.12.956	11
Patient Lifting Devices (B&O) / RCW 82.04.4485	12
Renewable Energy Machinery (Sales and Use) / RCW 82.08.962; 82.12.962	12
Rural County Software Development and Help Desk Firms (B&O) / RCW 82.04.4483; 82.04.4484	13
Rural Electric Utility Contributions (PUT) / RCW 82.16.0491	13
Seafood Products Manufacturing (B&O) / RCW 82.04.4269; 82.04.260(1)(b)	14

JLARC RECOMMENDATION: REVIEW AND CLARIFY

Agricultural Products (B&O) / RCW 82.04.330; 82.04.410	15
Aircraft Fuel, Export and Commercial Uses (Aircraft Fuel) / RCW 82.42.030; 82.42.070	16
Bailed Tangible Personal Property For R & D (Sales and Use) / RCW 82.12.0265	17
Electric Generating Equipment; Renewable Resources (Sales and Use) / RCW 82.08.02567; 82.12.02567	18
Extracted Fuel (Sales and Use) / RCW 82.12.0263	19
Farm Auction Sales (Sales and Use) / RCW 82.08.0257; 82.12.0258	20
Fraternal Benefit Societies (Insurance Premium) / RCW 48.36A.240	21
Horse Racing (B&O) / RCW 82.04.350	21
Interest on Real Estate Loans (B&O) / RCW 82.04.4292	22
Irrigation Water (PUT) / RCW 82.16.050(7)	23
Items Used in Interstate Commerce (Sales and Use) / RCW 82.08.0261	23
Kidney Dialysis, Nursing Homes, and Hospice (B&O) / RCW 82.04.4289	24
Limited Income Property Tax Deferral (Property) / RCW 84.37.030	25
Manufacturing Flour and Oil (B&O) / RCW 82.04.260(1)(a)	26
Meat Processors (B&O) / 82.04.260(4)	27
Membership Dues and Fees (B&O) / RCW 82.04.4282	28
Municipal Sewer Service Payments (B&O) / RCW 82.04.432	28
Newspapers (Sales and Use) / RCW 82.08.0253; 82.12.0345	29
Nonprofit Hospitals (Property) / RCW 84.36.040(1)(e)	30
Nonprofit Nursing Homes / RCW 84.36.040(1)(d)	31
Nonprofit Sheltered Workshops (Property) / RCW 84.36.350	32
Nonsectarian Organizations (Property) / RCW 84.36.030(1)	33
Ocean Marine Insurance (Insurance Premium) / RCW 48.14.020(3)	33
Radio and TV Broadcasting (B&O) / RCW 82.04.280(6)	34
Refunded Fuel Tax for Nonhighway Use (Fuel)/ RCW 82.36.280; 82.38.180(1)	35
Shared Real Estate Commissions (B&O) / RCW 82.04.255	36
Shipments to Ports (PUT) / RCW 82.16.050(9)	37
Urban Transportation (PUT) / RCW 82.16.020(1)(d)-(e)	38

JLARC RECOMMENDATION: CONTINUE

Aircraft, Nonresident or Held for Sale (Aircraft) / RCW 82.48.100	39
Alcohol and Biodiesel Fuel Production / RCW 82.04.260(1)(e); RCW 84.36.635; RCW 82.29A.135	40
Aluminum Industry (B&O, Sales and Use) / RCW 82.04.4481; RCW 82.12.022(5); 82.08.805; 82.12.805; 82.04.2909	41
Boats Sold to Nonresidents (Sales and Use) / RCW 82.08.0266; 82.08.02665	41
Boxing and Wrestling Matches (B&O) / RCW 82.04.340	42
Breeding Livestock, Cattle, Milk Cows (Sales and Use) / RCW 82.08.0259; 82.12.0261	42
Cash Discounts (B&O, PUT, Sales and Use) / RCW 82.04.4283; 82.08.010; 82.16.050(4).....	43
Casual Sales (Sales and Use) / RCW 82.08.0251	43
Cemeteries (Property) / RCW 84.36.020	44
Commercial Aircraft (Aircraft) / RCW 82.48.100	44
Commercial Vessels (Property) / RCW 84.36.080(1); 84.40.036	45
Contributions and Donations (B&O) / RCW 82.04.4282	45
Credit Losses (B&O) / RCW 82.04.4284	46
Display Items for Trade Shows (Sales and Use) / RCW 82.12.0272	46
Electricity for Electrolyte Firms (PUT) / RCW 82.16.0421	47
Exported and Imported Fuel (Motor Vehicle Fuel) / RCW 82.36.230; RCW 82.38.030	48
Exported Fuel Refunds (Fuel) / RCW 82.36.300; 82.38.180(2)	49
Farm Machinery Sold to Nonresidents (Sales and Use) / RCW 82.08.0268	49
Feed and Seed (Sales and Use) / RCW 82.04.050(9).....	50
Fertilizer and Chemical Sprays (Sales and Use) / RCW 82.04.050(11)	51
Fraternal Insurance (B&O) / RCW 82.04.370.....	52
General Aviation (Property) / RCW 82.48.110	52
Growing Crops (Property) / RCW 84.40.030(3)	53
Historic Auto Museums (Sales and Use) / RCW 82.32.580.....	53
Household Goods (Property) / RCW 84.36.110(1)	54
Humane Societies (Property) / RCW 84.36.060(1)(d).....	54
Income of Employees (B&O) / RCW 82.04.360	55
Insurance Premiums (B&O) / RCW 82.04.320	55

Intangibles (Property) / RCW 84.36.070	56
Interest from State and Municipal Obligations (B&O) / RCW 82.04.4293.....	56
Interstate Bridges (Property) / RCW 84.36.230	57
Interstate Transportation Equipment (Sales and Use) / RCW 82.08.0262; 82.08.0263; 82.12.0254.....	57
Investment of Businesses in Related Entities (B&O) / RCW 82.04.4281(1)(b)-(c)	58
Investments by Nonfinancial Firms (B&O) / RCW 82.04.4281	58
Janitorial Services (Sales and Use) / RCW 82.04.050(2)(d).....	59
Joint Utility Services (PUT) / RCW 82.16.050(3)	59
Labor and Services Used to Construct and Repair Public Roads (Sales and Use) / RCW 82.04.050(10); 82.04.190(3).....	60
Laundry Services for Nonprofit Health Care Facilities (Sales and Use) / RCW 82.04.050(2)(a)	61
Lost or Destroyed Fuel (Motor Vehicle Fuel) / RCW 82.36.370; 82.38.180(4)-(6)	62
Minimum Income Threshold (PUT) / RCW 82.16.040	63
Motor Fuel Taxes (B&O) / RCW 82.04.4285	63
Motor Vehicle and Special Fuel (Sales and Use) / RCW 82.08.0255(1)(d); 82.12.0256(2)(d)	64
Municipal Utilities (PUT) / RCW 82.16.050(1).....	64
Nonprofit Blood and Tissue Banks (Property) / RCW 84.36.035.....	65
Nonprofit Church Camps (Property) / RCW 84.36.030(2)	65
Nonprofit Churches, Parsonages, and Convents (Property) / RCW 84.36.020	66
Nonprofit Collections and Museums (Property) / RCW 84.36.060(1)(a).....	66
Nonprofit Conservation and Open Space Lands (Property) / RCW 84.36.260; 84.34.220	67
Nonprofit Day Care Centers (Property) / RCW 84.36.040(1)(a).....	67
Nonprofit Fire Companies (Property) / RCW 84.36.060(1)(c)	68
Nonprofit Libraries (Property) / RCW 84.36.040(1)(b)	68
Nonprofit Private Colleges (Property) / RCW 84.36.050(1)	69
Nonprofit Private K-12 Schools (Property) / RCW 84.36.050(1).....	69
Nonprofit Youth Organizations (Property) / RCW 84.36.030(3)	70
Nonresidents' Personal Property (Sales and Use) / RCW 82.12.0251	71
Open Space Additional Tax (Property) / RCW 84.34.108(6).....	72
Other Ships and Vessels (Property) / RCW 84.36.090.....	72
Processing Horticultural Products (B&O) / RCW 82.04.4287	73

Public Utilities (B&O) / RCW 82.04.310.....	73
Public Utility Operating Property (Sales and Use) / RCW 82.08.0256; 82.12.0257	74
Public Utility Tax Credit Losses (PUT) / RCW 82.16.050(5).....	75
Poultry Used in Production (Sales and Use) / RCW 82.08.0267; 82.12.0262.....	76
Real Estate Excise Tax Exemptions (REET) / RCW 82.45.010(3)(a)-(m)	76
Real Estate Sales (B&O) / RCW 82.04.390	77
Sales for Resale (PUT) / RCW 82.16.050(2)	78
Sales to Nonresidents, No or Low Sales Taxes (Sales and Use) / RCW 82.08.0273	79
Sales or Use Tax Paid in Another State (Sales and Use) / RCW 82.12.035.....	80
Sand and Gravel for Local Road Construction (Sales and Use) / RCW 82.08.0275; 82.12.0269.....	81
State-Chartered Credit Unions (B&O) / RCW 82.04.405	82
Title Insurance Premiums (Insurance Premium) / RCW 48.14.020(1); 48.14.020(4).....	82
Tuition and Fees (B&O) / 82.04.4282(5); 82.04.4332.....	83
Vehicles Acquired While in Military Service (Sales and Use) / RCW 82.12.0266.....	84
Vehicles Sold to Nonresidents (Sales and Use) / RCW 82.08.0264	85
Veterans Organizations (Property) / RCW 84.36.030(4)	86
Wood Biomass Fuel Production Facilities (Property) / RCW 82.08.960; 84.36.640; 82.29A.135; 82.12.960; 82.04.4335	87

Summary of Tax Preference Performance Reviews -- Terminate

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Staff Recommendation
Airports Owned by Cities in Other States (Property) / RCW 84.36.130			
Provides a property tax exemption for real and personal airport property owned by a municipality in an adjoining state. The out-of-state municipality must exclusively own the airport property. In addition, the airport cannot exceed 500 acres in size to qualify.	<p>The Legislature did not state a public policy objective for this preference. JLARC infers the public policy objectives may have been to:</p> <ol style="list-style-type: none"> 1. Support smaller regional airports in Washington when they could have been necessary to aid the war effort for the U.S.; and 2. Provide out-of-state municipalities that owned airport property with the same property tax exemption as Washington municipalities. 	\$0	Terminate: Because there are currently no out-of-state municipalities owning airport property in Washington.
<p>Commission Comment: Endorses without comment.</p> <p>Legislative Action: Bills introduced in 2009 and 2010 but not enacted.</p>			

Summary of Tax Preference Performance Reviews -- Terminate

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Staff Recommendation
Handling Losses (Fuel) / RCW 82.36.029			
Provides a motor vehicle fuel tax deduction to a licensee that removes fuel from a terminal rack to account for handling losses. The deduction for handling losses is 0.25 percent of the volume of fuel removed for a supplier acting as a distributor and 0.30 percent for all other licensees, including distributors. The deduction applies only to the loading and transport of gasoline between the terminal rack and delivery to a retailer or non-licensed customer. The deduction applies only to motor vehicle fuel (gasoline) and does not apply to special fuel (diesel).	The Legislature did not state a public policy objective for this preference. JLARC infers the initial public policy objective in 1939 may have been to recognize that, at the time, losses occurred in transporting gasoline from the terminal rack to a retailer or bulk user.	\$5.5 million in 2009-11 Biennium	Terminate: Because of changes in loading practices and environmental regulations, the amount of handling losses has been greatly reduced.
Commission Comment: Endorses without comment.			
Legislative Action: Bills introduced in 2009 legislative session but not enacted.			

Summary of Tax Preference Performance Reviews -- Terminate

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Staff Recommendation
Interstate Transportation, Instate Portion (PUT) / RCW 82.16.050(6)			
Provides a deduction from the public utility tax for income the state is constitutionally prohibited from taxing. Generally, wholly instate trips (from one point in Washington to another) are fully subject to public utility tax. However, under current practice, interstate carriers are not subject to public utility tax on the instate portion of their transportation activities. The preference applies to the instate portion of interstate transportation of goods and passengers by truck, rail, and some water transportation.	The Legislature did not state its intent when the statute was enacted as part of the Revenue Act of 1935. However, the statute recognizes that the state cannot tax amounts derived from activities it is prohibited from taxing by the federal or state Constitution. Washington's practice of not collecting public utility tax on the instate portion of interstate transportation activities is no longer necessary to comply with Supreme Court doctrine.	\$59.7 million in 2011-13 Biennium	Terminate: Because the U.S. Constitution no longer prohibits the instate portion of interstate transportation from being taxed. In order to implement this, the Legislature should provide specific authorization to the Department of Revenue to develop a method of apportioning transportation income generated from activities within the state.
<p>Commission Comment: The Commission does not endorse the recommendation because it believes it is premature to authorize the Department of Revenue to develop an apportionment methodology. Although the existing preference is no longer constitutionally necessary, affected taxpayers have structured competitive activities in reliance on continuation of the preference. Because termination of the preference may have unintended deleterious consequences for taxpayers and more generally for the state, the Commission recommends that the Legislature direct either the Office of Financial Management, the Department of Revenue, or the Economic and Revenue Forecast Council conduct an economic impact study of the effects of termination on the competitiveness of affected taxpayers and the primary and secondary tax revenue impacts of termination. The Commission also recommends that the Legislature consider whether the economic impact study should identify policy options such as defining the tax base, and the revenue impacts of such options, for restructuring the public utility tax for affected taxpayers. The study should also include recommendations for how to structure an apportionment methodology that complies with the guidelines established by the U.S. Supreme Court.</p> <p>The Legislature should specify that the study should be completed by December 31, 2011, to inform a decision during the 2012 Legislative Session. After the 2012 session, if the Legislature has taken no action, the Commission intends to determine whether it should schedule this preference for another review.</p> <p>Legislative Action: No action taken.</p>			

Summary of Tax Preference Performance Reviews -- Terminate

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Staff Recommendation
Nonprofit Orphanages (Property) / RCW 84.36.040(1)(c)			
Provides a property tax exemption to nonprofit orphanages that are used exclusively for the purposes of orphanages. Requires that the benefits are passed onto the users.	The Legislature did not provide a public policy objective for this preference. JLARC infers that the objective of the property tax exemption for orphanages is to support orphanages in the same manner it has supported other nonprofit organizations that provide social services to youth.	\$299,000 in 2007-09 Biennium	Terminate: Because orphanages also qualify for the nonsectarian property tax exemption.
<p>Commission Comment: Endorses with comments: The Commission recommends that nonprofit orphanages continue to qualify for tax exempt status.</p> <p>Legislative Action: One bill introduced in 2010 but not enacted.</p>			
Repaired Items Delivered Out-of-State (Sales and Use) / RCW 82.08.0265			
Provides a sales tax exemption to nonresidents for: materials that become a component part of items repaired, installed, cleaned, altered, or improved; and labor charges for items repaired, installed, cleaned, or altered.	<p>The Legislature did not specifically state a public policy objective for this preference.</p> <p>The implied public policy objective was to remove the disincentive created by the sales tax in order to make Washington merchants who repair, clean, install, etc., items for nonresidents more competitive with business in neighboring states.</p>	\$0 in 2011-13 Biennium	Terminate: Because Washington's adoption of destination-sourcing for sales tax has made this preference unnecessary.
<p>Commission Comment: Endorses without comment.</p> <p>Legislative Action: Unknown until after 2012 session.</p>			

Summary of Tax Preference Performance Reviews -- Terminate

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Staff Recommendation
Transportation, Through Freight (PUT) / RCW 82.16.050(8)			
Provides a deduction from the public utility tax for in-state portions of interstate shipments of goods where the carrier authorizes the shipper to stop the shipment in Washington to store, manufacture, or process the goods, then continues to transport the same goods or their equivalent, in the same or a converted form, to the final destination noted under a through freight rate (also known as a through bill of lading). The preference applies to transportation of goods by truck, rail, and certain water transportation.	<p>The Legislature did not state its intent when the preference was enacted in 1937. However, the implied intent appears to be based on the 1930s-era U.S. Supreme Court's analysis and interpretation of federal Commerce Clause prohibitions. This interpretation held that taxing any portion of interstate transportation activities, even in-state portions, was a burden on interstate commerce and unconstitutional.</p> <p>However, this interpretation is outdated and no longer compatible with current Commerce Clause interstate taxation doctrine.</p>	\$32.2 million in 2011-13 Biennium	Terminate: Because this preference is no longer constitutionally necessary.
<p>Commission Comment: The Commission does not endorse the recommendation. Although the existing preference is no longer constitutionally necessary, affected taxpayers have structured competitive activities in reliance on continuation of the preference. Because termination of the preference may have unintended deleterious consequences for taxpayers and more generally for the State, the Commission recommends that the Legislature direct either the Office of Financial Management, the Department of Revenue, or the Economic and Revenue Forecast Council to conduct an economic impact study of the effects of termination on the competitiveness of affected taxpayers and the primary and secondary tax revenue impacts of termination. The Commission also recommends that the Legislature consider whether the economic impact study should identify policy options such as defining the tax base, and the revenue impacts of such options, for restructuring the public utility tax for affected taxpayers.</p> <p>The Legislature should specify that the study should be completed by December 31, 2011, to inform a decision during the 2012 Legislative Session. After the 2012 session, if the Legislature has taken no action, the Commission intends to determine whether it should schedule this preference for another review.</p> <p>Legislative Action: No action taken.</p>			

Summary of Tax Preference Performance Reviews – Allow to Expire

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Staff Recommendation
Beef Processors (B&O) / RCW 82.04.4336			
Provides a B&O tax deduction for certain beef processors. The deduction expired December 31, 2007.	The Legislature stated the public policy objective was to provide temporary relief to beef processors due to import bans on U.S. beef. The import bans were related to incidences of bovine spongiform encephalopathy “mad cow disease” in the United States beginning in December 2003.	\$2.4 million in 2005-07 Biennium	Allow to expire: The Legislature should retain the current law expiration date of December 31, 2007, which means the tax preference will terminate at the end of 2007.
<p>Commission Comment: Endorses without comment.</p> <p>Legislative Action: Prior to release of the report, two bills introduced in 2007 to extend the preference but not enacted. The Legislature allowed the preference to expire.</p>			

Summary of Tax Preference Performance Reviews – Allow to Expire

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Staff Recommendation
Dairy Products Manufacturing (B&O) / RCW 82.04.4268 ; 82.04.260(1)(c)			
<p>a) Provides a B&O tax exemption for manufacturing dairy products or for selling dairy products at wholesale to purchasers that transport the products out of state in the ordinary course of business. The B&O tax exemption is set to expire on July 1, 2012.</p> <p>b) Provides a preferential B&O tax rate of 0.138 percent for the same dairy products and wholesaling activities that goes into effect when the B&O exemption (above) expires on July 1, 2012.</p>	<p>The Legislature did not provide a public policy objective for these preferences. The implied public policy objectives of the dairy processors' B&O tax preferences are:</p> <ol style="list-style-type: none"> 1. To create and retain quality jobs; 2. To provide temporary relief through an exemption; and 3. To provide tax treatment consistent with other fresh food processors. 	<p>\$2.9 million in 2011-13 Biennium</p>	<p>a) Allow to expire: Although the implied policy objective of creating and retaining quality jobs is being partially achieved, the Legislature should allow the B&O tax exemption for dairy processors to expire on July 1, 2012, because the B&O tax exemption was intended to be temporary.</p> <p>b) Continue: To achieve the public policy objective of providing consistent tax treatment to fresh food processors, the Legislature should continue the preferential B&O tax rate of 0.138 percent that becomes effective on July 1, 2012.</p>
<p>Commission Comment: The Commission endorses the recommendation but acknowledges that the Department of Agriculture provided correspondence to the Commission indicating they disagreed with the JLARC recommendation.</p> <p>Legislative Action: No action required.</p>			

Summary of Tax Preference Performance Reviews – Allow to Expire

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Staff Recommendation
Field Burning Equipment (Sales and Use) / RCW 82.08.841 ; 82.12.841			
Provides sales and use tax exemptions for farm machinery and equipment used as an alternative to burning agricultural land, and for labor and services in constructing hay sheds. The exemptions expired on January 1, 2011.	The Legislature stated the public policy objective was to help growers transition away from field burning to alternative means of crop management.	\$4.2 million in 2009-11 Biennium	Allow to expire: Because the transition to reduced air emissions from agriculture burning has occurred.
<p>Commission Comment: Endorses without comment.</p> <p>Legislative Action: The Legislature allowed the exemptions to expire.</p>			
Fresh Food Processors (Sales and Use) / 82.74 RCW			
Provides a deferral and eventual waiver of state and local retail sales and use taxes on investment in structures, machinery, and equipment for fresh fruits and vegetables, dairy, and seafood products processing, cold storage warehousing, and related research and development.	The Legislature did not provide a public policy objective for this preference. The implied public policy objective is to encourage investment in Washington’s fresh food processing industry in order to retain and create jobs.	\$3.8 million in 2011-13 Biennium	Allow to expire: Because the amount of investment in plant and equipment and the number of new jobs are less than expected by the public policy objective, the Legislature should allow the fresh food processors deferral to expire on July 1, 2012.
<p>Commission Comment: The Commission endorses but acknowledges that the Department of Agriculture provided correspondence to the Commission indicating they disagreed with the JLARC recommendation and recommended that the deferral be continued.</p> <p>Legislative Action: No action required.</p>			

Summary of Tax Preference Performance Reviews – Allow to Expire

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Staff Recommendation
Fruit and Vegetable Manufacturing (B&O) / RCW 82.04.4266 ; 82.04.260(1)(d)			
<p>a) Provides a B&O tax exemption for manufacturing fresh fruit and vegetable products and for wholesaling these products to purchasers that transport them out of state in the ordinary course of business. The B&O exemption is set to expire on July 1, 2012.</p> <p>b) Provides a preferential B&O tax rate of 0.138 percent for the same fruit and vegetable manufacturing and wholesaling activities that goes into effect when the B&O exemption (above) expires on July 1, 2012.</p>	<p>The Legislature did not provide a public policy objective for these preferences. The implied public policy objectives of the fruit and vegetable processors' B&O tax preferences are:</p> <ol style="list-style-type: none"> 1. To create and retain quality jobs; 2. To provide temporary relief through an exemption; and 3. To provide tax treatment consistent with other fresh food processors. 	<p>\$9.6 million in 2011-13 Biennium</p>	<p>a) Allow to expire: Because the public policy objective of creating and retaining quality jobs is not being fully achieved, and the B&O tax exemption was intended to be temporary, the Legislature should allow the B&O tax exemption for fresh fruit and vegetable processors to expire on July 1, 2012.</p> <p>b) Continue: To achieve the public policy objective of providing consistent tax treatment to fresh food processors, the Legislature should continue the preferential B&O tax rate of 0.138 percent that becomes effective on July 1, 2012.</p>
<p>Commission Comment: The Commission endorses the recommendations but acknowledges that the Department of Agriculture provided correspondence to the Commission indicating they disagreed with the JLARC recommendation.</p> <p>Legislative Action: No action required.</p>			

Summary of Tax Preference Performance Reviews – Allow to Expire

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Staff Recommendation
Hog Fuel to Produce Energy (Sales and Use) / RCW 82.08.956 ; 82.12.956			
Provides sales and use tax exemptions for hog fuel used to produce electricity, steam, heat, or biofuel.	The Legislature did not specifically state a public policy objective for these preferences; however, it did make the preferences temporary. Because of the sharp declines in oil and natural gas prices occurring at the time that the preferences were enacted, JLARC infers that the Legislature may have intended to temporarily make the price of hog fuel more competitive.	\$3.2 million in 2011-13 Biennium	Allow to expire: Because the Legislature intended the exemptions to be temporary and did not provide performance goals to guide any other assessment of performance.
<p>Commission Comment: The Commission does not endorse the recommendation that the Legislature should allow the sales and use tax exemptions for hog fuel to expire because it is unclear that the Legislature intended the exemptions in this preference to be temporary. The Commission recommends that the Legislature review available evidence before determining whether to let the preference expire. Further, if the Legislature determines to extend the preference, the Commission recommends a two year extension and that performance goals (public policy objectives) be specified and reporting be required to enable subsequent assessment of the benefits and costs of the preference.</p> <p>Rationale: Although the Legislature did not specify a public policy objective for this preference, public testimony provided to the Commission argued that the public purpose was summarized in testimony on SB 5442, which was a precursor to SB 6170, which included the hog fuel tax preference: “The forestry industry is facing an economic crisis, and this bill will help preserve jobs, promote healthy forest, and ensure CO2-neutral energy by encouraging the use of woody biomass. The forestry industry in eastern and western Washington is distressed, which is stressing rural local governments and social programs. This bill will help preserve the forestry industry and thereby rural economies.”</p> <p>As the JLARC study points out part of the rationale for the hog fuel tax preference may have been because hog fuel was less competitive during a time of declining oil prices. Because the price of oil since enactment has risen, presumably the economic disadvantage no longer exists. However, public testimony provided to the Commission asserted that the more relevant alternative fuel price is natural gas rather than oil and, further, because of significant structural changes in the market for natural gas the price of natural gas has declined significantly since the hog fuel preference was enacted. Public testimony also pointed out that since hog fuel must be transported, diesel fuel costs, which are subject to tax, have risen along with oil prices, and this has exacerbated hog fuel’s price competitiveness relative to natural gas. Hog fuel is a low-cost raw material (LCRM). Utilizing this LCRM produced at sawmills and chipping facilities creates a low cost energy source for those who burn it to produce green energy. Utilizing the LCRM prevents the need to stockpile mountains of this material on property which creates safety issues such as fire hazards. Burning LCRM for the production of energy is the primary way to deal with this material on a large-scale basis. Relying on the LCRM to produce energy would significantly reduce dependence on fossil fuels.</p> <p>Public testimony suggested that the Legislature extend the hog fuel tax preference for two years subject to collection of sufficient data to evaluate the public policy merits of this preference.</p> <p>Legislative Action: No action required.</p>			

Summary of Tax Preference Performance Reviews – Allow to Expire

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Staff Recommendation
Patient Lifting Devices (B&O) / RCW 82.04.4485			
Provides a B&O tax credit to hospitals for the purchase of mechanical and other types of devices used to lift patients. The credit expired December 30, 2010.	<p>In 2006, the state enacted legislation that requires each hospital to establish a program for the safe lifting of patients.</p> <p>While imposing these requirements, the Legislature did not want to “place an undue financial burden on hospitals.”</p>	\$3.1 million in 2009-11 Biennium	Allow to expire: Because the credit was intended to ease the financial hardship of purchasing patient lifting devices, and was limited both in duration and in the amount of credit to be taken.
<p>Commission Comment: Endorses without comment.</p> <p>Legislative Action: The Legislature allowed the credit to expire.</p>			
Renewable Energy Machinery (Sales and Use) / RCW 82.08.962 ; 82.12.962			
Provides sales and use tax exemptions for renewable energy machinery and equipment used directly in generating electricity from wind, sun, fuel cells, biomass energy, tidal or wave energy, geothermal resources, anaerobic digestion, and technology that converts otherwise lost energy from exhaust, or landfill gas into electricity.	<p>The Legislature did not specifically state the public policy objective of these preferences; however, it did make the preferences temporary.</p> <p>JLARC infers that the Legislature’s public policy objective was to encourage and support generation of electricity using renewable energy sources on a temporary basis.</p>	\$40.8 million in 2011-13 Biennium	Allow to expire: Because the Legislature intended the exemptions to be temporary and did not provide performance goals to guide any other assessment of performance.
<p>Commission Comment: Endorsed without comment.</p> <p>Legislative Action: No action required.</p>			

Summary of Tax Preference Performance Reviews – Allow to Expire

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Staff Recommendation
Rural County Software Development and Help Desk Firms (B&O) / RCW 82.04.4483 ; 82.04.4484			
Provides B&O tax credits for businesses engaged in software manufacturing and development, or providing computer help desk services. The business must be located in rural county. Both tax credits expired on January 1, 2011.	<p>The Legislature stated the public policy objective of these two B&O tax credits was:</p> <ol style="list-style-type: none"> 1. Attract and retain a high technology workforce in rural areas; and 2. Address the rural/urban economic disparity. 	\$500,000 in 2009-11 Biennium	Allow to expire: Because the best available data shows that few new jobs have been created and that the rural/urban disparity in high technology jobs has not been mitigated by the incentives.
<p>Commission Comment: Endorses without comment.</p> <p>Legislative Action: The Legislature allowed the credits to expire.</p>			
Rural Electric Utility Contributions (PUT) / RCW 82.16.0491			
Provides a public utility tax credit to rural light and power businesses equal to 50 percent of contributions that the business makes to a rural economic development revolving fund. The credit expired on June 30, 2011.	<p>The Legislature stated the public policy objective of this preference was to address the rural/urban economic disparity by encouraging rural economic development and job creation, and to meet a specific investment goal of \$4.75 million over a five-year period.</p>	\$660,000 in 2009-11 Biennium	Allow to expire: Because there is no evidence to show that the tax preference should be continued beyond the most recent target expiration date.
<p>Commission Comment: Endorses with comments: The Legislature should consider requesting that an economic impact study be conducted by December 31, 2010, which is enabled by relevant data gathering. Such a study would provide a more informed basis for determining whether to let this preference expire as scheduled, whether to extend the expiration date, or whether to modify the preference and extend the expiration date.</p> <p>Legislative Action: The Legislature allowed the credit to expire.</p>			

Summary of Tax Preference Performance Reviews – Allow to Expire

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Staff Recommendation
Seafood Products Manufacturing (B&O) / RCW 82.04.4269 ; 82.04.260(1)(b)			
<p>a) Provides a B&O tax exemption for seafood products manufacturing and for selling seafood products at wholesale to purchasers that transport them out of state in the ordinary course of business. The B&O tax exemption became effective July 1, 2006, and is set to expire on July 1, 2012.</p> <p>Provides a preferential B&O tax rate of 0.138 percent for the same seafood products manufacturing and wholesaling activities that goes into effect when the B&O exemption (above) expires on July 1, 2012.</p>	<p>The Legislature did not provide a public policy objective for these preferences. The implied public policy objectives of the seafood processors' B&O tax preferences are:</p> <ol style="list-style-type: none"> 1. To create and retain quality jobs; 2. To provide temporary relief through an exemption; and 3. To provide tax treatment consistent with other fresh food processors 	<p>\$6.5 million in 2011-13 Biennium</p>	<p>a) Allow to expire: Because the implied public policy objective of creating and retaining quality jobs is not being fully achieved, and the B&O tax exemption was intended to be temporary, the Legislature should allow the B&O tax exemption for seafood processors to expire on July 1, 2012.</p> <p>b) Continue: To achieve the public policy objective of providing consistent tax treatment to fresh food processors, the Legislature should continue the preferential B&O tax rate of 0.138 percent that becomes effective on July 1, 2012.</p>
<p>Commission Comment: The Commission endorses the recommendations but acknowledges that the Department of Agriculture provided correspondence to the Commission indicating they disagreed with the JLARC recommendation.</p> <p>Legislative Action: No action required.</p>			

Summary of Tax Preference Performance Reviews – Review and Clarify

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Agricultural Products (B&O) / RCW 82.04.330 ; 82.04.410			
Provides a B&O tax exemption for income earned from wholesale sales of agricultural products by agricultural producers (farmers). The exemption does not apply to retail sales of agricultural products by farmers.	<p>The Legislature did not state a public policy objective for this preference. JLARC infers the public policy objectives may have been to:</p> <ol style="list-style-type: none"> 1. Define the B&O tax base to exclude wholesale agricultural income but include retail sales of agricultural products or processed food, and 2. To support farmers during the financially difficult times of the Great Depression. 	\$65.8 million in 2009-11 Biennium	Review and clarify: Because incomes have increased significantly for some farms since the period of financial hardships when this preference was enacted, the Legislature should consider establishing an income threshold in order to qualify.
<p>Commission Comment: Endorses without comment.</p> <p>Legislative Action: Bills introduced in 2009 and 2010 but not enacted.</p>			

Summary of Tax Preference Performance Reviews – Review and Clarify

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Aircraft Fuel, Export and Commercial Uses (Aircraft Fuel) / RCW 82.42.030 ; 82.42.070			
Exempts certain purchases of aircraft fuel from aircraft fuel tax.	<p>The Legislature did not specifically state the public policy objectives of the preferences.</p> <p>JLARC infers two possible objectives:</p> <ol style="list-style-type: none"> 1. To structure the preferences so the parties that benefited from the expenditure of aircraft fuel tax receipts were the ones that paid the tax. 2. To comply with U.S. Constitutional prohibitions on taxing goods in interstate or foreign commerce and taxing the federal government. 	\$299.9 million in 2011-13 Biennium	Review and clarify: Because parties that currently are exempt from paying the aircraft fuel tax benefit from the expenditures of fuel tax receipts.
<p>Commission Comment: The Commission endorses the recommendation and encourages the Legislature to state the public policy objectives of the preference and narrow the scope of the preference commensurate with the stated public policy objectives.</p> <p>Rationale: The JLARC staff study indicates that there are two implied public policy objectives for this preference. The first is that parties benefiting from the expenditure of aircraft fuel tax receipts were the ones that paid the tax. This implied public policy objective is not being met. The second implied public policy objective was to comply with U.S. Constitutional prohibitions on taxing goods in interstate commerce. However, in many instances the tax could be levied and comply with the U.S. Constitution provided that credit was provided for taxes paid in other states.</p> <p>Legislative Action: Unknown until after 2012 session.</p>			

Summary of Tax Preference Performance Reviews – Review and Clarify

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Bailed Tangible Personal Property For R & D (Sales and Use) / RCW 82.12.0265			
<p>Provides a use tax exemption for tangible personal property that is bailed to a person and used in research, development, experimental, and testing activities when:</p> <ul style="list-style-type: none"> • The bailed property is entirely consumed during the research, development, experimental, and testing activities, and • The party that bails the property was not subject to sales tax or use tax when the party initially purchased or acquired the property. <p>“Bailment” is defined as “granting to another the temporary right of possession to and use of tangible personal property for a stated purpose without consideration to the grantor.”</p>	<p>The Legislature did not specify its intent when it enacted the preference in 1961. The public policy objective is unclear, particularly given its current application.</p>	<p>\$10.5 million in 2009-11 Biennium</p>	<p>Review and clarify: Because of the ambiguity of current law.</p>
<p>Commission Comment: The Commission endorses the recommendation that the Legislature should review and clarify the purpose of the preference and further recommends that the Legislature consider whether the interpretation of the existing statute by the Department of Revenue results in fairness or competitive impacts.</p> <p>Legislative Action: No action taken</p>			

Summary of Tax Preference Performance Reviews – Review and Clarify

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Electric Generating Equipment; Renewable Resources (Sales and Use) / RCW 82.08.02567 ; 82.12.02567			
<p>Provides sales and use tax exemptions for machinery and equipment used directly in generating at least 200 watts of electricity using renewable energy of fuel cells, wind, sun, or landfill gas. These exemptions also apply to charges made for labor and services to install the machinery and equipment. The preferences expired June 30, 2009.</p>	<p>The Legislature did not state a public policy objective for this preference. JLARC infers the public policy objectives may have been to:</p> <ol style="list-style-type: none"> 1. Encourage manufacturing electricity from alternative renewable energy sources and expanding the renewable energy industry's employment and production in Washington; 2. Reduce air pollution and greenhouse gas; 3. Encourage purchases of renewable energy equipment. <p>Originally, these tax preferences targeted larger scale machinery and equipment. By 2001, the Legislature modified that objective to include smaller-scale electricity generating equipment used by homeowners. The Legislature sought to encourage purchases of smaller scale renewable equipment, such as residential solar panels through these tax preferences.</p>	<p>\$69.3 million in 2009-11 Biennium</p>	<p>1) Continue and review in the future: Because there is little evidence to show the preferences are encouraging growth in this industry in Washington.</p> <p>2) Review and clarify: Because the Legislature should implement reporting requirements and criteria on which to evaluate the tax exemptions and reevaluate the wattage threshold limit to ensure there are not unintended beneficiaries.</p>
<p>Commission Comment: Endorses without comment.</p> <p>Legislative Action: The Legislature allowed the preferences to expire effective June 30, 2009. However, the Legislature recreated very similar sales and use tax exemptions for renewable energy machinery and equipment in 2009. Those exemptions are reviewed on page 18.</p>			

Summary of Tax Preference Performance Reviews – Review and Clarify

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Extracted Fuel (Sales and Use) / RCW 82.12.0263			
Provides a use tax exemption for fuel produced by an extractor/manufacturer during extracting or manufacturing activities, when the fuel is used by the producer directly in the same extracting or manufacturing activity.	<p>The Legislature did not specifically state the public policy objective of the preference.</p> <p>JLARC infers two possible objectives:</p> <ol style="list-style-type: none"> 1. The Legislature wanted to generally apply a use tax to byproducts but did not want to contradict a state Supreme Court decision, so it provided a limited use tax exemption. 2. The Legislature wanted to provide a tax preference to certain extractors/manufacturers to support those industries, so it structured the preference narrowly. <p>A court decision made shortly before the Legislature created the preference in 1949 dealt with the taxability of a wood product manufacturer. However, the majority of the beneficiary savings now appear to be realized by oil refineries.</p>	\$69.2 million in 2011-13 Biennium	Review and clarify: Because the public policy objective and intended beneficiaries are unclear.
<p>Commission Comment: Endorses without comment.</p> <p>Legislative Action: Unknown until after 2012 session.</p>			

Summary of Tax Preference Performance Reviews – Review and Clarify

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Farm Auction Sales (Sales and Use) / RCW 82.08.0257 ; 82.12.0258			
Provides a retail sales and use tax exemption for farming machinery and equipment sold at farm auctions occurring on farmland. The exemption applies to sales of tangible personal property, including farm equipment, household goods, and autos, so long as they have been used on a farm. The owner of the farm equipment must be a farmer, and the sale must be conducted by an auctioneer on a farm.	<p>The Legislature did not state a public policy objective for this preference. JLARC infers the original public policy objectives may have been to:</p> <ol style="list-style-type: none"> 1. Benefit farmers who sell their machinery and equipment on a farm; and 2. Assist farmers in exchanging their old farm machinery and equipment with newer machinery in order to increase agricultural production to meet U.S. and world demand for food during World War II. 	\$4.1 million in 2009-11 Biennium	<p>Review and clarify: Because Washington currently does not have uniform tax treatment for all purchases of used farm machinery and equipment regardless of location and method by which the property is acquired, the Legislature should require reporting information of on-farm auction sales and review the policy of these retail sales and use tax exemptions.</p>
<p>Commission Comment: Endorses without comment.</p> <p>Legislative Action: Bills introduced in 2009 and 2010 but not enacted.</p>			

Summary of Tax Preference Performance Reviews – Review and Clarify

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Fraternal Benefit Societies (Insurance Premium) / RCW 48.36A.240			
Provides an insurance premiums tax exclusion to fraternal benefit societies that provide insurance to their members.	The Legislature did not state a public policy objective. The public policy objective appears to be an acknowledgement that these fraternal organizations were providing benefits to a large class of people who otherwise would not carry any insurance, and any tax on these organizations would reduce the benefits they could provide.	\$2.2 million in 2009-11 Biennium	Review and clarify: Because it is unclear whether the objective or rationale for the exemption changed with the re-enactments of insurance law in 1947 and 1987.
Commission Comment: Endorses without comment.			
Legislative Action: Bill introduced in 2010 but not enacted.			
Horse Racing (B&O) / RCW 82.04.350			
Provides a B&O tax exemption to persons who conduct horse racing events that are licensed by the State Horse Racing Commission.	The Legislature did not provide a public policy objective for this preference. JLARC infers the objective may have been to avoid double taxation under both B&O tax and pari-mutuel taxes for businesses conducting horse race meets that were licensed with the Washington State Horse Racing Commission. But the policy objective is not clear.	\$4.4 million in 2007-09 Biennium	Review and clarify: Because the public policy objective of this preference is unclear. If the objective is to avoid double taxation for all horse racing, then the exemption should tie qualification to actually paying the pari-mutuel tax. If the objective is to avoid double taxation of class 1 horse racing meets, then the Legislature should continue the B&O tax exemption.
Commission Comment: Endorses without comment.			
Legislative Action: Bills introduced in 2009 and 2010 but not enacted.			

Summary of Tax Preference Performance Reviews – Review and Clarify

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Interest on Real Estate Loans (B&O) / RCW 82.04.4292			
Provides a B&O tax deduction to banks and other financial businesses for interest derived from investments or loans primarily secured by first mortgages or trust deeds on non-transient residential properties in Washington.	<p>The Legislature did not specifically state the public policy objective of the preference.</p> <p>Documents from the period of enactment suggest the original purpose was to encourage Washingtonians to buy homes by making loans more available and less expensive.</p>	\$172.6 million in 2011-13 Biennium	Review and clarify: Because it is unclear whether the original public policy objective applies, given changes in the lending industry and the rise in the secondary mortgage market.
<p>Commission Comment: The Commission endorses the recommendation that the Legislature should review and clarify the public policy objective of the preference and should consider whether the preference is essential to maintaining competitive residential lending capability for state-domiciled residential real estate lenders.</p> <p>Rationale: The Legislature did not specify a public purpose for this preference. JLARC staff inferred from the record that the implied public policy purpose was to encourage Washingtonians to buy homes by making loans more available and less expensive. However, if the deduction were to be removed, the holder of the residential mortgage loan would bear the full burden rather than the borrower, unless the elimination of the deduction applied only to loans originated or purchased after the effective date of the repeal of the deduction. On a prospective basis the portfolio lender could attempt to recoup the cost of the B&O tax by charging a higher interest rate to the borrower; however, the mortgage market is national in scope, which virtually makes it impossible to charge interest-rate differentials on a geographic basis.</p> <p>As is often the case when the B&O gross receipts tax is involved in a preference, another unstated public policy purpose may be to assure competitive balance with similarity situated business firms in other states subject to other types of tax regimes. The Commission received testimony that removal of the deduction would place a burden on state-domiciled residential mortgage lenders that retain the loans they originate in their portfolios.</p> <p>Legislative Action: Bill introduced in 2011 but no enacted.</p>			

Summary of Tax Preference Performance Reviews – Review and Clarify

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Irrigation Water (PUT) / RCW 82.16.050(7)			
Provides a public utility tax deduction to utility companies for income derived from distributing irrigation water through an irrigation system.	The Legislature did not state public policy objectives for this preference. JLARC infers the public policy objectives were to: <ol style="list-style-type: none"> 1. Define the tax base for public utility tax; 2. Subsidize irrigation districts. 	\$2.5 million in 2009-11 Biennium	Review and clarify: Because of the lack of legislative intent and growth in beneficiaries, the Legislature should review the tax preference and clarify if gross income derived from non-agricultural uses of irrigation water should be allowed for this tax deduction.
Commission Comment: Endorses without comment.			
Legislative Action: Bills introduced in 2009 and 2010 but not enacted.			
Items Used in Interstate Commerce (Sales and Use) / RCW 82.08.0261			
Provides a retail sales tax exemption for sales of items of tangible personal property, such as fuel or food (but not airplanes, trains, or vessels), to air, rail, or water private or common carriers for use in interstate or foreign commerce. Use of these items in this state is subject to the use tax.	The Legislature did not state public policy objectives for this preference. JLARC was unable to determine a public policy objective for this preference.	\$443 million in 2009-11 Biennium	Review and clarify: Because the public policy objective for this preference is not clear.
Commission Comment: Endorses without comment.			
Legislative Action: Bills introduced in 2009 and 2010 but not enacted.			

Summary of Tax Preference Performance Reviews – Review and Clarify

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Kidney Dialysis, Nursing Homes, and Hospice (B&O) / RCW 82.04.4289			
Provides a B&O tax deduction to nonprofit kidney dialysis facilities, nonprofit hospice agencies, nursing homes, and homes for unwed mothers operated as religious or charitable organizations. . The deduction is for income from services to patients and for the sales of prescription drugs furnished as an integral part of services to patients.	<p>The Legislature did not state a public policy objective. Through most of the deduction’s 75-year history, the public policy objective appears to have been to benefit facilities that:</p> <ol style="list-style-type: none"> 1. Performed services that traditionally have been performed in hospitals; and 2. Did not earn a profit. <p>The public policy objective became less clear in 1993 when hospitals themselves were removed from the deduction. As a result hospitals are taxed, but services traditionally provided in hospitals are not.</p> <p>Therefore, the objective that the Legislature wants to currently achieve is unclear.</p>	\$5.7 million in 2009-11 Biennium	<p>Review and clarify: Because nonprofit hospitals now pay tax on their services, it is not clear what other types of services the Legislature intends to exempt.</p>
<p>Commission Comment: Does not endorse and comments as follows: The Commission recommends that the Legislature eliminate the B&O tax deduction for nursing homes, kidney dialysis facilities, and hospice centers.</p> <p>Legislative Action: Bills introduced in 2010 and 2011 but not enacted.</p>			

Summary of Tax Preference Performance Reviews – Review and Clarify

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Limited Income Property Tax Deferral (Property) / RCW 84.37.030			
Allows taxpayers with less than \$57,000 of disposable income to defer one half of the property taxes or special assessments due on their primary place of residence.	The Legislature stated in the enacting legislation that the intent of the preference is to: “(a) provide a property tax safe harbor for families in economic crisis; and (b) prevent existing homeowners from being driven from their homes because of overly burdensome property taxes.”	\$270,891 in 2009-11 Biennium (to be repaid with interest)	Review and clarify: Because the intended beneficiaries of this preference are not clear in light of the recent economic recession, the Legislature should clarify the preference to define “families in economic crisis” and identify measurable evaluation criteria.
<p>Commission Comment: The Commission endorses the recommendation that the Legislature should clarify the preference to define “families in economic crisis” and, if the Legislature determines to continue the preference, identify measurable evaluation criteria; however, the Commission notes that costs to administer the program are considerable relative to the participation rate and, as such, it might be appropriate to terminate the preference unless the preference can be restructured in a way that assures cost effective achievement of the public policy objectives.</p> <p>Rationale: To date only 181 out of an estimated 425,000 potential participants have taken advantage of the preference. Participant benefits in the 2009-11 Biennium were \$270,891 while costs to administer the preference were \$350,184 for fiscal years 2009, 2010, and 2011. JLARC staff recommends that the Legislature clarify the definition of “families in economic crisis”. While this might result in increasing the participation rate, it is possible that the low participation rate also results from the eligibility criteria and the design of the program. Furthermore, it is not clear that the preference, as designed, is serving a critical public policy purpose of helping families in economic crisis. If the Legislature determines that is the case, the Commission believes it would be better to terminate the preference and save the state costs of administering the program.</p> <p>Legislative Action: Unknown until after 2012 session.</p>			

Summary of Tax Preference Performance Reviews – Review and Clarify

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Manufacturing Flour and Oil (B&O) / RCW 82.04.260(1)(a)			
Provides a preferential B&O tax rate of 0.138 percent for manufacturers of wheat flour, pearl barley, soybean oil, canola oil, canola meal, canola byproducts, and sunflower oil. The regular manufacturing B&O rate is 0.484 percent.	The Legislature did not state a public policy objective. JLARC infers that the preferential tax rate is to recognize industries that have their prices set in national markets and are unable to pass on to consumers the cost of their B&O tax.	\$832,000 in 2009-11 Biennium	<ol style="list-style-type: none"> 1. Continue: Because the preference is meeting the implied public policy objective of providing relief for these industries with prices set in national markets; and 2. Review and clarify: To ensure the level of the rate is still appropriate.
<p>Commission Comment: Endorses without comment.</p> <p>Legislative Action: Bill introduced in 2010 but not enacted.</p>			

Summary of Tax Preference Performance Reviews – Review and Clarify

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Meat Processors (B&O) / 82.04.260(4)			
<p>Provides a preferential B&O tax rate to businesses that slaughter, break, or process perishable meat products, and wholesalers of perishable meat products.</p>	<p>The Legislature did not specifically state the public policy objective of the preference.</p> <p>Historic documents and legislative action suggest two implied policy objectives:</p> <ol style="list-style-type: none"> 1. To lower costs for meat packing businesses for the purpose of allowing Washington to compete favorably with competitor states and to retain these industries in the state. 2. To treat Washington food processors consistently under the tax law. <p>Initiative 1107 (2011) stated a public policy objective similar to the Legislature’s purpose to allow meat processors to compete. The Initiative repealed legislation that would have provided more consistent tax treatment of Washington food processors.</p>	<p>\$30.5 million in 2011-13 Biennium</p>	<p>Review and clarify: Because it is unclear what the public purpose is for providing differential tax treatment of meat processors compared to other food processors.</p>
<p>Commission Comment: The Commission endorses the recommendation that the Legislature should review and clarify the public policy purpose of the preference and further recommends that the Legislature determine whether the tax differential provides approximate competitive parity with state tax rates and geography-based differences in other business costs for meat processors domiciled in other states.</p> <p>Rationale: Meat processing is a highly competitive, low margin business. This means that small differentials in state tax rates and other costs of business, such as transportation expenses, can have significant impacts on profitability and impact locational decisions. Public testimony provided to the Commission argued that the preferential tax rate for meat processors is comparable to the maximum corporate tax rate in other western states.</p> <p>Legislative Action: Unknown until after 2012 session.</p>			

Summary of Tax Preference Performance Reviews – Review and Clarify

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Membership Dues and Fees (B&O) / RCW 82.04.4282			
Provides a B&O tax deduction for bona fide initiation fees and membership dues that pay for “social benefit,” and do not pay for goods and services.	The Legislature did not provide a public policy objective for this preference. JLARC infers the public policy objective was to define the tax base, but other public policy objectives are unclear.	\$4.4 million in 2007-09 Biennium	Review and clarify: Because the Legislature should clarify which clubs should qualify and provide a simple method to value this deduction to ease the administration and compliance of the tax preference.
<p>Commission Comment: Endorses without comment.</p> <p>Legislative Action: Bills introduced in 2008, 2009, and 2010 but not enacted.</p>			
Municipal Sewer Service Payments (B&O) / RCW 82.04.432			
Provides municipalities/cities a B&O tax deduction for amounts paid to other cities or governmental entities for sewage transfer, treatment, or disposal services they provide.	<p>The Legislature did not specifically state the public policy objective of the preference.</p> <p>A Department of Revenue report states the preference’s purpose was to eliminate taxing both the collection and the transfer/treatment/disposal of sewage when multiple utilities are involved in providing sewer services.</p>	\$3 million in 2011-13 Biennium	Review and clarify: Because it is unclear whether the purpose of the preference is to only avoid the pyramiding effect of the B&O tax or to completely eliminate taxation of sewage transfer, treatment, and disposal activities.
<p>Commission Comment: Endorses without comment.</p> <p>Legislative Action: Unknown until after 2012 session.</p>			

Summary of Tax Preference Performance Reviews – Review and Clarify

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Newspapers (Sales and Use) / RCW 82.08.0253 ; 82.12.0345			
Provides retail sales and use tax exemptions for sales of newspapers via subscription and at newsstands.	<p>The Legislature did not specify its public policy objective when it established the exemptions in 1935 and 1994, respectively. Based on court cases and historic administrative practices, reasons for the original establishment in 1935 may have included:</p> <ol style="list-style-type: none"> 1. a desire to avoid “taxation of knowledge” and any infringement of the First Amendment of the Constitution; 2. an expectation of low revenue potential; and 3. a wish to preclude using children as tax collectors. 	\$24.8 million in 2009-11 Biennium	<p>Review and clarify: Because a number of circumstances have changed since the original tax preference enactment.</p> <p>The Department of Revenue should update its administrative rule for newspapers to reflect current law, because the administrative rule uses a content-based definition.</p>
<p>Commission Comment: Endorses without comment.</p> <p>Legislative Action: Bills introduced in 2010 and 2011 but not enacted.</p>			

Summary of Tax Preference Performance Reviews – Review and Clarify

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Nonprofit Hospitals (Property) / RCW 84.36.040(1)(e)			
Provides a property tax exemption for property of nonprofit hospitals that is used exclusively for the purposes of the hospital. Requires that the benefits of the exemption inure to the nonprofit entity.	<p>The Legislature did not provide a public policy objective for this preference. JLARC infers that the objectives may have originally been:</p> <ol style="list-style-type: none"> 1. To define the property tax base; and 2. To ensure that hospitals were devoting profits to charitable purposes in the community. 	\$104.7 million in 2007-09 Biennium	Review and clarify: Because it is unclear if the Legislature intended to provide an exemption under the assumption that these nonprofit hospitals were providing more charity or low-income care than other hospitals.
<p>Commission Comment: 1. Endorses with comments: The Legislature should determine whether the nonprofit hospital property tax exemption is intended to be available to hospitals that provide more charity or low-income care than other hospitals, and if necessary, amend the exemption to ensure that it carries out its intended purpose.</p> <p>2. Endorses with comments: The Legislature should determine whether it should require information on community service activities performed by nonprofit hospitals, and if so, it should amend the exemption to require nonprofit hospitals to report an annual community service inventory.</p> <p>3. Endorses without comment.</p> <p>Legislative Action: Bills introduced in 2009 and 2010 but not enacted.</p>			

Summary of Tax Preference Performance Reviews – Review and Clarify

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Nonprofit Nursing Homes / RCW 84.36.040(1)(d)			
Provides a property tax exemption for nonprofit nursing homes. The main requirement is that the property be used exclusively for the purposes of the nursing homes and that the benefits of the exemption must be retained by the nonprofit organization.	The Legislature did not provide a public policy objective for this preference. The original property tax exemption applied to all nursing homes that performed charitable services. In 1973, the Legislature narrowed the exemption to nonprofit nursing homes without a clear statement of intent. A possible policy objective is to support quasi-public service activities performed for the aged and infirm.	\$5.9 million in 2007-09 Biennium	Review and clarify: Because it is unclear if the Legislature intended to provide an exemption under the assumption that these nonprofit nursing homes were providing more charity or low-income care than other nursing homes.
<p>Commission Comment: 1) Endorses with comments: The Legislature should determine whether the nonprofit nursing home property tax exemption is intended to be available to nursing homes that provide more charity or low-income care than other nursing homes, and if necessary, amend the exemption to ensure that it carries out its intended purpose. 2) Endorses with comments: The Legislature should determine whether it should require information on community service activities performed by nursing homes, and if so, it should amend the exemption to require nursing homes to report an annual community service inventory.</p> <p>Legislative Action: Bills introduced in 2009 but not enacted.</p>			

Summary of Tax Preference Performance Reviews – Review and Clarify

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Nonprofit Sheltered Workshops (Property) / RCW 84.36.350			
Provides a property tax exemption for property owned and leased by nonprofit sheltered workshops for people with disabilities.	<p>The Legislature did not specifically state the public policy objective of the preference.</p> <p>JLARC infers that the original public policy objective was to encourage employment of persons with disabilities in sheltered workshops. However, government social services laws are now intended to encourage employment of persons with disabilities in supported work environments, particularly in work settings along with persons without disabilities.</p>	\$ 4.4 million in 2011-13 Biennium	Review and clarify: Because public policy related to employment of people with disabilities has changed from the time the tax preference was enacted.
<p>Commission Comment: The Commission endorses the recommendation that the Legislature should review and clarify the public policy objective of the preference and further recommends that the Legislature evaluate whether the preference is necessary any longer to encourage employment of persons with disabilities.</p> <p>Rationale: Although the statute does not state a public policy purpose, the implied purpose was to encourage employment of persons with disabilities in sheltered workshops. Since the enactment of this preference in 1970 the Federal government enacted the Americans with Disabilities Act in 1990. In response, over time employers have made efforts to employ persons with disabilities, frequently with beneficial economic results. In addition, the state has taken initiatives, beginning in 1992, to encourage employment of persons with disabilities. Thus, the need for sheltered workshops to employ persons with disabilities has diminished since enactment of the preference. While the preference clearly benefits established sheltered workshops, it is no longer clear that this preference is necessary to assure employment of persons with disabilities.</p> <p>Legislative Action: Unknown until after 2012 session.</p>			

Summary of Tax Preference Performance Reviews – Review and Clarify

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Nonsectarian Organizations (Property) / RCW 84.36.030(1)			
Provides a property tax exemption for nonprofit nonsectarian organizations. Requires that organizations must be performing either character building, benevolent, protective or rehabilitative social services and that the property be used exclusively for these purposes.	<p>The Legislature did not provide a public policy objective for this preference. JLARC infers that the objectives may have originally been to provide financial support for non-profit organizations that were performing services for the general public good.</p> <p>It is unclear whether the Legislature intended these organizations to meet a “gift giving” requirement to qualify for the preference. However, the Department of Revenue has a rule addressing gift-giving in order to define organizations that qualify for the preference.</p>	\$35.1 million in 2007-09 Biennium	Review and clarify: Because it is unclear whether the Legislature intended nonprofit nonsectarian organizations to meet a gift-giving test to qualify for the property tax exemption.
<p>Commission Comment: Endorses with comments: The Legislature should determine whether it intends nonprofit nonsectarian organizations to meet a gift giving test to qualify for the property tax exemption, and if so, it should enact a gift-giving criterion into law.</p> <p>Legislative Action: None.</p>			
Ocean Marine Insurance (Insurance Premium) / RCW 48.14.020(3)			
The ocean marine and foreign trade insurance industry receives two tax preferences: <ul style="list-style-type: none"> 1) A preferred tax rate; and 2) A deduction for insurance company losses. 	<p>The Legislature did not provide a public policy objective for this preference. However, the Legislature may have wanted to:</p> <ol style="list-style-type: none"> 1. Lower taxes on insurance premiums to reduce costs to marine carriers in order to simulate business for Washington based companies, for out-of-state companies selling into Washington, and for in-state ports and others that ship and store goods.; and 2. Provide preferential tax treatment for ocean marine and foreign trade insurers operating in competitive national and international markets. 	\$4.9 million in 2009-11 Biennium	Review and clarify: Because there is a lack of a clearly stated public policy objective and changing conditions since earlier enactments.
<p>Commission Comment: Endorses without comment.</p> <p>Legislative Action: Bills introduced in 2010 and 2011 but not enacted.</p>			

Summary of Tax Preference Performance Reviews – Review and Clarify

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Radio and TV Broadcasting (B&O) / RCW 82.04.280(6)			
<p>Provides two B&O tax deductions from income received by radio and television broadcasters:</p> <ol style="list-style-type: none"> 1. A deduction for income earned from network, national, and regional advertising sources, using one of two methods to calculate; and 2. An exclusion for a portion of income earned from local advertising sources, based on an apportionment between the broadcaster’s in-state and out-of-state listening/viewing audience. Income from out-of-state audiences may be excluded. 	<p>The Legislature did not state a public policy objective for this preference. JLARC infers the public policy objectives may have been to:</p> <ol style="list-style-type: none"> 1. Provide equal tax treatment to competing industries such as newspaper advertisers; 2. Comply with the federal Commerce Clause for network, national and regional advertising; and 3. Comply with apportionment requirements required by the U.S. Supreme Court for local advertising income. 	<p>\$4.9 million in 2009-11 Biennium</p>	<p>(1) The Department of Revenue should conform its rule and practice on radio and television broadcasting advertising income to comply with the statute that allows two means for broadcasters to deduct income earned from the sale of network, national, and regional advertising. Since one of these means is no longer operative, broadcasters should deduct only actual sales of network, national, and regional advertising.</p> <p>(2) Review and clarify: Because the implied public policy of exempting all network, national, and regional advertising from B&O tax may go beyond what appears to be required by the federal Commerce Clause.</p>
<p>Commission Comment: Endorses without comment.</p> <p>Legislative Action: Bills introduced in 2009 and 2010 but not enacted.</p>			

Summary of Tax Preference Performance Reviews – Review and Clarify

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Refunded Fuel Tax for Nonhighway Use (Fuel)/ RCW 82.36.280 ; 82.38.180(1)			
Provides a refund of previously paid motor vehicle or special fuel taxes to any person if the fuel was not used in propelling a motor vehicle on Washington public highways.	The Legislature did not provide a public policy objective for this preference. JLARC infers the public policy objective is to provide equity. If the fuel is used on the public highways, it is subject to motor fuel taxes to support the public highway system; if the fuel is not used on the public highways, the tax may be refunded.	\$8.2 million in 2009-11 Biennium	Review and clarify: Because the Legislature should review its policy of restricting the amount of fuel taxes that may be refunded to programs for off-road recreational users of motor vehicle fuel if the intention is to maintain equity in fuel tax treatment.
<p>Commission Comment: Endorses without comment.</p> <p>Legislative Action: Bills introduced in 2008, 2009, and 2010 but not enacted.</p>			

Summary of Tax Preference Performance Reviews – Review and Clarify

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Shared Real Estate Commissions (B&O) / RCW 82.04.255			
Removes B&O pyramiding by allowing real estate brokers participating in the closing of a real estate sale to pay B&O tax on their share of commissions rather than on the total commission. Also exempts the commissions of sales agents if the broker has paid B&O tax.	<p>The Legislature did not specifically state a public policy objective for this preference.</p> <p>The Legislature, through its actions, demonstrated that it did not want to impose the “pyramiding” effect of the B&O tax on the commission shared with real estate agents and with other real estate firms. It is not clear why the Legislature provided a tax preference to the real estate industry and not to other businesses with similar broker-agent and cooperating broker relationships.</p>	\$36 million in 2011-13 Biennium	Review and clarify: Because it is not clear why the Legislature granted a tax preference to real estate brokers and agents and not to other businesses with similar broker-agent and cooperating broker relationships.
<p>Commission Comment: The Commission endorses the recommendation that the Legislature should clarify the B&O tax preference for shared real estate commissions and further recommends that the Legislature align B&O tax treatment of real estate brokers and agents to brokers and agents in other industries unless there is a compelling reason for differential treatment.</p> <p>Rationale: The standard approach to applying the B&O tax to commissions received by brokers and agents is that the broker is taxed on the full amount of the commission and the agent, if any, who receives a portion of the broker’s commission, must pay an additional B&O tax on the amount he/she receives. This approach is the standard for all but real estate brokers and agents in which case real estate agents are exempted from paying B&O tax. The Legislature did not specify a public policy objective for differential treatment between real estate agents and agents in other industries, such as insurance and investment services. The Washington Realtors, in a letter to the Commission, presented information which may be pertinent to the Legislature’s consideration of this preference; however, this information also appears to be pertinent to brokers and agents in other industries and, as such, does not address the issue of differential treatment.</p> <p>Legislative Action: Unknown until after 2012 session.</p>			

Summary of Tax Preference Performance Reviews – Review and Clarify

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Shipments to Ports (PUT) / RCW 82.16.050(9)			
Provides a deduction from public utility tax for transportation of commodities from a point in Washington directly to an instate port, dock, wharf, export elevator, or shipside for direct shipment by vessel outside the state. The preference is not available when the origin and point of delivery are within the same city. The preference applies to transportation of commodities by truck, rail, and certain water transportation.	<p>The Legislature did not state its intent when the preference was enacted in 1937. However, the implied intent appears to be based on the 1930s-era U.S. Supreme Court’s analysis and interpretation of federal Commerce Clause prohibitions. This interpretation held that taxing any portion of interstate transportation activities, even instate portions, was a burden on interstate commerce and unconstitutional.</p> <p>However, this interpretation is outdated and no longer compatible with current Commerce Clause interstate taxation doctrine.</p>	\$15.2 million in 2009-11 Biennium	<p>Review and clarify: Since this tax preference is no longer required by the Constitution, the original public policy objective is no longer applicable. Statutory changes in 1949 and 1967, however, imply that the Legislature may have had additional policy objectives. Because the Legislature did not identify its objectives at those times, the Legislature should reexamine and clarify this preference to identify what, if any, public policy objectives still exist.</p>
<p>Commission Comment: The Commission endorses the recommendation but suggests the Legislature conduct its reexamination of the intent of this preference in conjunction with the economic impact study that the Commission recommends for the <i>Through Freight in Interstate Transportation Public Utility Tax Deduction</i> and <i>Instate Portion of Interstate Transportation</i> tax preferences.</p> <p>The Legislature should specify that the study should be completed by December 31, 2011, to inform a decision during the 2012 Legislative Session. After the 2012 session, if the Legislature has taken no action, the Commission intends to determine whether it should schedule this preference for another review.</p> <p>Legislative Action: No action taken.</p>			

Summary of Tax Preference Performance Reviews – Review and Clarify

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Urban Transportation (PUT) / RCW 82.16.020(1)(d)-(e)			
<p>Provides a preferential public utility tax rate of 0.642 percent to two categories of transportation services:</p> <ul style="list-style-type: none"> • Urban transportation businesses; and • Vessels under 65 feet in length, except tugboats, operating upon the waters within the state. 	<p>The Legislature did not state public policy objectives for this preference. JLARC infers that the initial public policy objective in 1933 and 1935 may have been in recognition of the financial difficulties of the street cars and interurban railways at that time.</p> <p>The public policy objective of expanding the definition of urban transportation in 1949 is unclear.</p> <p>The initial public policy for providing a lower tax rate to water transportation conducted in vessels under 65 feet may have been due to the overall financial difficulties of water transportation companies at that time.</p>	<p>\$17.2 million in 2009-11 Biennium</p>	<p>Review and clarify: Because circumstances have changed since the 1930s when the preferential public utility tax rate was enacted. Street cars and interurban railways disappeared prior to the establishment of Sound Transit and new street cars in Seattle and Tacoma. Additionally, water transportation has become less important as a private industry, and most ferry services are now publicly-owned.</p>
<p>Commission Comment: Endorses without comment.</p> <p>Legislative Action: Bills introduced in 2009 and 2010 but not enacted.</p>			

Summary of Tax Preference Performance Reviews -- Continue

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Aircraft, Nonresident or Held for Sale (Aircraft) / RCW 82.48.100			
<p>Provides two exemptions from the annual aircraft excise tax for the privilege of using aircraft in the state:</p> <ol style="list-style-type: none"> 1) Aircraft that are owned by nonresidents and registered in another state. The length of stay requirement in Washington is less than 90 days per year in order to qualify for the exemption; and 2) Aircraft that are being held for sale, exchange, delivery, test, or demonstration purposes solely as stock in trade of a licensed aircraft dealer. 	<p>The Legislature did not state a public policy objective. However, the public policy objective appears to have been to exempt nonresident aircraft in Washington for only a limited amount of time (less than 90 days).</p>	Indeterminate	<p>Continue: Because the preference is achieving the public policy objective of exempting nonresident aircraft in Washington for a limited amount of time.</p>
<p>Commission Comment: Endorses without comment.</p> <p>Legislative Action: None.</p>			

Summary of Tax Preference Performance Reviews -- Continue

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Alcohol and Biodiesel Fuel Production / RCW 82.04.260(1)(e) ; RCW 84.36.635 ; RCW 82.29A.135			
<p>Three preferences, enacted in 2003 and originally set to expire in 2009, provided:</p> <ol style="list-style-type: none"> 1. A preferential B&O tax rate of 0.138 percent for manufacturers of alcohol fuel, biodiesel fuel, and biodiesel feedstock. 2. A property tax exemption for building, machinery, equipment, and other personal property used in manufacturing such products. 3. A leasehold excise tax exemption for holders of leasehold interests in property used primarily in manufacturing such products. <p>The B&O preferential rate expired July 1, 2009. The property tax and leasehold excise tax exemptions originally scheduled to expire December 31, 2009, were extended in 2010 to December 31, 2015.</p>	<p>The Legislature did not state public policy objectives for these preferences when they were initially enacted nor when the property and leasehold excise tax exemptions were reestablished in 2010. JLARC infers three potential public policy objectives:</p> <ol style="list-style-type: none"> 1. Promote production of renewable fuels in Washington; 2. Reduce air pollution and greenhouse gas emissions; and 3. Develop new, alternative markets for Washington oilseeds. 	<p>\$922,400 in 2009-11 Biennium</p>	<p>Continue and review in the future: Because the preferences are beginning to meet the implied public policy objectives of encouraging new production of biofuels in Washington and developing new markets for oilseeds.</p>
<p>Commission Comment: Endorses without comment.</p> <p>Legislative Action: The Legislature allowed the preferential B&O tax rate to expire July 1, 2009. In 2010, the Legislature extended the expiration dates for the property tax and leasehold excise tax exemptions from December 31, 2009, to December 31, 2015.</p>			

Summary of Tax Preference Performance Reviews -- Continue

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Aluminum Industry (B&O, Sales and Use) / RCW 82.04.4481 ; RCW 82.12.022(5) ; 82.08.805 ; 82.12.805 ; 82.04.2909			
Provides a package of B&O and sales and use tax preferences to the aluminum industry. In order to take the tax preferences, a firm must be a direct service industrial customer which means it must have purchased electricity from the Bonneville Power Administration (BPA) for direct consumption as of May 8, 2001.	The Legislature stated the public policy objective was to preserve “family wage” jobs in rural areas, and to sustain the industry through 2012 when higher energy prices were expected to subside.	\$7.3 million in 2009-11 Biennium	Continue and modify expiration date: Because the public policy goal of preserving family wage jobs is being maintained, and because the high energy prices that brought about the tax preference are higher and more volatile than when the incentives were originally enacted.
<p>Commission Comment: The Commission endorses the recommendation to extend the expiration date, and further recommends that the Legislature should consider establishing a final expiration date. In addition, the Legislature should explore other alternative means of achieving family wage jobs in rural communities.</p> <p>Legislative Action: In 2010, the Legislature extended the expiration date from January 1, 2012 to January 1, 2017.</p>			
Boats Sold to Nonresidents (Sales and Use) / RCW 82.08.0266 ; 82.08.02665			
Provides sales tax exemptions to residents from other states and countries when they purchase and take possession of boats in Washington.	<p>The Legislature did not specifically state the public policy objectives of the preferences.</p> <p>The implied intent is to support sales of boats in Washington by removing a disincentive for nonresidents and foreign residents to purchase and take possession of boats in-state.</p>	\$13.8 million in 2011-13 Biennium	Continue: Because the preferences are meeting the implied public policy objective of removing a disincentive for nonresidents to purchase and take delivery of boats in Washington.
<p>Commission Comment: Endorses without comment.</p> <p>Legislative Action: Unknown until after 2012 session.</p>			

Summary of Tax Preference Performance Reviews -- Continue

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Boxing and Wrestling Matches (B&O) / RCW 82.04.340			
Provides a B&O tax exemption to persons who conduct boxing contests and sparring or wrestling matches and exhibitions that are licensed by the Department of Licensing.	The Legislature did not provide a public policy objective for this preference. JLARC infers the public policy objective was to avoid double taxation by excluding gross receipts of businesses conducting boxing, wrestling, and martial arts events in Washington that are subject to the boxing and wrestling tax from the B&O tax.	\$41,000 in 2007-09 Biennium	Continue: Because the preference is achieving the implied public policy objective of avoiding double taxation by excluding from B&O tax the gross receipts of businesses subject to the boxing and wrestling tax.
Commission Comment: Endorses without comment.			
Legislative Action: None.			
Breeding Livestock, Cattle, Milk Cows (Sales and Use) / RCW 82.08.0259 ; 82.12.0261			
Provides retail sales tax and use tax exemptions for sales of livestock to be used for breeding purposes and sales of cattle and milk cows for use on a farm. The livestock for breeding must be registered in a nationally recognized breed association.	The Legislature did not state a public policy objective for this preference. JLARC infers the implied public policy objective is to recognize breeding livestock, cattle, and milk cows as ingredients and component parts used by farmers/agricultural producers to produce agricultural products for sale. This is consistent with sales tax exemptions provided for ingredients and component parts in other industries.	\$19.8 million in 2011-13 Biennium	Continue: Because the preference is meeting its implied public policy objective of recognizing breeding livestock, cattle, and milk cows used on farms as ingredients and component parts used by farmers/ agricultural producers to produce agricultural products for sale.
Commission Comment: Endorses without comment.			
Legislative Action: None.			

Summary of Tax Preference Performance Reviews -- Continue

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Cash Discounts (B&O, PUT, Sales and Use) /RCW 82.04.4283 ; 82.08.010 ; 82.16.050(4)			
Provides B&O tax, public utility tax, and retail sales tax deductions to sellers for cash and trade discounts taken by the purchaser. The deductions are allowed for cash discounts, trade discounts, in-store coupons taken at the cash register, and other reductions in the price taken by the purchaser.	The Legislature did not state a public policy objective. However, the public policy objective appears to be to recognize that sellers should not be taxed on income they did not actually receive from purchasers.	\$90.2 million in 2009-11 Biennium	Continue: Because the tax preference is achieving the public policy objective of recognizing that sellers should not be taxed on income they did not actually receive from purchasers.
Commission Comment: Endorses without comment.			
Legislative Action: None.			
Casual Sales (Sales and Use) / RCW 82.08.0251			
Provides a retail sales tax exemption for casual and isolated sales by individuals, such as a person holding a garage sale. Buyers of such goods or services are required to pay the use tax if the good is used in Washington and sales tax has not been collected. Casual sales of goods and services by persons who are engaged in business activities and required to register with the Department of Revenue are subject to the sales tax.	The Legislature did not state a public policy objective. However, the public policy objective appears to be to recognize the high cost of administration and the low expected tax yield of taxing casual sales.	\$65.1 million in 2009-11 Biennium	Continue: Because the preference is achieving the public policy objective of avoiding the administrative burden that would be entailed in collecting the tax.
Commission Comment: Endorses without comment.			
Legislative Action: None.			

Summary of Tax Preference Performance Reviews -- Continue

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Cemeteries (Property) / RCW 84.36.020			
Provides a property tax exemption for public burying grounds or cemeteries.	<p>The Legislature did not provide a public policy objective for this preference. JLARC infers that the objectives may be several:</p> <ol style="list-style-type: none"> 1. The Legislature was defining the tax base, and cemeteries did not rise to the level of a taxable activity; 2. Cemeteries perform a service that otherwise the government would need to do; 3. As a matter of equity, since publicly-owned cemeteries are exempt from property taxes, it is fair to exempt privately-owned cemeteries; and 4. Since the use of cemetery property is restricted, it is not in the interest of a government to foreclose on a cemetery. 	\$14.7 million in 2007-09 Biennium	Continue: Because the property tax exemption for cemeteries is meeting its implied public policy objectives.
<p>Commission Comment: Endorses without comment.</p> <p>Legislative Action: None.</p>			
Commercial Aircraft (Aircraft) / RCW 82.48.100			
Provides an exemption from the aircraft excise tax for aircraft engaged in commercial flying. The exemption also applies to aircraft operated for testing and training purposes. Under Washington statutes, most aircraft that are exempt from the aircraft excise tax are subject to the personal property tax.	The Legislature did not state a public policy objective. The apparent public policy objective was to continue taxing these aircraft under the existing property tax system, as they had been prior to 1949.	(\$19.9) million in 2009-11 Biennium	Continue: Because the preference is achieving the implied public policy objective of allowing commercial aircraft to be taxed under the existing property tax scheme.
<p>Commission Comment: Endorses without comment.</p> <p>Legislative Action: None.</p>			

Summary of Tax Preference Performance Reviews -- Continue

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Commercial Vessels (Property) / RCW 84.36.080(1) ; 84.40.036			
Provides the assessed values of commercial vessels used in interstate or foreign commerce or used exclusively in fishing, tendering, harvesting, and/or processing seafood products on the high seas to be apportioned for state property tax purposes. All commercial vessels are exempt from local property tax levies.	The Legislature did not state a public policy objective for this preference. JLARC infers the public policy objective may have been to bring the taxation of vessels engaged in interstate or foreign commerce in line with more recent U.S. Supreme Court rulings allowing for the fair apportionment of vessels.	\$19 million in 2009-11 Biennium	Continue: Because the preference is meeting the implied public policy objective of allowing for fair apportionment of vessels used in interstate or foreign commerce.
Commission Comment: Endorses without comment.			
Legislative Action: None.			
Contributions and Donations (B&O) / RCW 82.04.4282			
Provides a B&O tax deduction for contributions and donations that a business receives. Nonprofit organizations are most likely the entities receiving donations and contributions, but the deduction is not limited to nonprofits.	The Legislature did not provide a public policy objective for this preference. JLARC infers the public policy objective was to define the tax base to exclude revenue that was not earned by performing business activities.	\$128.4 million in 2007-09 Biennium	Continue: Because the preference is achieving the implied public policy objective of defining the tax base to exclude revenue that was not earned through business activities.
Commission Comment: Endorses without comment.			
Legislative Action: None.			

Summary of Tax Preference Performance Reviews -- Continue

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Credit Losses (B&O) / RCW 82.04.4284			
Provides a B&O tax deduction for credit losses and bad debts acquired by businesses. This tax preference is targeted at businesses that utilize the accrual accounting method.	<p>The Legislature did not state a public policy objective for this preference. JLARC infers the public policy objectives may have been to:</p> <ol style="list-style-type: none"> 1. Define the B&O tax base; 2. Provide equitable tax treatment to all businesses regardless of the type of accounting system they use; and 3. Provide similar tax treatment as other excise taxes (business and occupation, public utilities and retail sales and use tax) for credit losses. 	\$20.7 million in 2009-11 Biennium	Continue: Because the preference is achieving the implied public policy objectives of defining the tax base, providing equity to all businesses regardless of their accounting system, and providing similar tax treatment between taxes.
<p>Commission Comment: Endorses without comment.</p> <p>Legislative Action: None.</p>			
Display Items for Trade Shows (Sales and Use) / RCW 82.12.0272			
Provides a use tax exemption for personal property used by businesses (not in excess of 30 days) at a single trade show to promote sales of products or services.	<p>The Legislature did not specifically state the public policy objective of the preference.</p> <p>Historic documents imply the preference was intended to remove a potential disincentive for vendor participation in trade shows held in Washington.</p>	\$4.9 million in 2009-11 Biennium	Continue: Because the preference is meeting the implied public policy objective of removing a potential disincentive for vendor participation in trade shows held in Washington.
<p>Commission Comment: Endorses without comment.</p> <p>Legislative Action: None.</p>			

Summary of Tax Preference Performance Reviews -- Continue

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Electricity for Electrolyte Firms (PUT) / RCW 82.16.0421			
<p>Exempts sales of electricity to chlor-alkali and sodium chlorate electrolytic processing businesses from the 3.873 percent public utility tax. Light and power businesses taking the exemption must pass the savings on to electrolytic processors.</p> <p>The exemption expires on June 30, 2019.</p>	<p>The Legislature stated two public policy objectives:</p> <ol style="list-style-type: none"> 1. To retain family wage jobs by enabling electrolytic processing businesses to maintain production at employment levels at least 75 percent of industry jobs as of January 1, 2004; and 2. To sustain the Washington electrolytic processing industry so that it will be positioned to preserve and create new jobs when the anticipated reduction of energy costs occurs. 	<p>\$1.6 million in 2009-11 Biennium</p>	<p>Continue and modify expiration date: Because the preference is meeting the public policy objective of retaining jobs and sustaining the industry's competitiveness.</p>
<p>Commission Comment: The Commission endorses the JLARC recommendation, and further recommends that the current expiration date of June 30, 2019, be considered the final date for this preference. In addition, the Legislature should explore other alternative means of achieving the goal of preserving family wage jobs.</p> <p>Legislative Action: In 2009 the Legislature extended the expiration date to 2019.</p>			

Summary of Tax Preference Performance Reviews -- Continue

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Exported and Imported Fuel (Motor Vehicle Fuel) / RCW 82.36.230 ; RCW 82.38.030			
Provides exemptions from motor vehicle fuel tax and special fuel tax for fuel that is exported or imported. To receive an exemption, one must be a licensed motor vehicle fuel supplier, special fuel supplier, motor vehicle fuel exporter, special fuel exporter, motor vehicle fuel importer, or a special fuel importer.	<p>The Legislature did not state public policy objectives for these preferences. JLARC infers there are two possible public policy objectives:</p> <ol style="list-style-type: none"> 1. To promote equity. Fuel used in motor vehicles on Washington's public highways is subject to motor vehicle fuel taxes, and fuel used otherwise is exempt; and 2. To comply with the federal Commerce Clause. 	\$2.7 billion in 2009-11 Biennium	<p>Continue: Because the exemptions are achieving the implied public policy objectives of promoting equity and complying with commerce clause limitations.</p> <p>However, it is possible that the complete exemption for exported fuel is broader than now necessary to comply with the federal Commerce Clause.</p>
<p>Commission Comment: Endorses with the following comment: The Commission recommends the Legislature consider whether to modify this exemption in light of U.S. Supreme Court decisions subsequent to enactment of this exemption.</p> <p>Legislative Action: Bills introduced in 2009 and 2010 but not enacted.</p>			

Summary of Tax Preference Performance Reviews -- Continue

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Exported Fuel Refunds (Fuel) / RCW 82.36.300 ; 82.38.180(2)			
Provides a refund of the fuel taxes to fuel exported outside of Washington, on which the fuel tax has been paid.	<p>The Legislature did not provide a public policy objective for this preference. JLARC infers that the objectives may have been:</p> <ol style="list-style-type: none"> 1. To comply with the U.S. Constitution; 2. To support the business of exporting fuel; or 3. To promote equity – (a) subjecting to the fuel tax only fuel used on Washington’s public highways; and/or (b) treating taxed fuel that is exported similarly to tax-exempt fuel that is exported. 	\$3.3 million in 2007-09 Biennium	Continue: Because the refund of tax on exported fuel is meeting its implied public policy objectives.
<p>Commission Comment: Endorses without comment.</p> <p>Legislative Action: Bill introduced in 2009 but not enacted.</p>			
Farm Machinery Sold to Nonresidents (Sales and Use) / RCW 82.08.0268			
Provides a sales tax exemption to nonresidents who purchase and take delivery in Washington of machinery, implements, and parts for use in farming, as well as repair labor and services on such goods, so long as they immediately take the machinery, implements, or parts outside the state.	The Legislature provided no clear public policy statement when it enacted the exemption in 1961. However, the implied public policy objective is to encourage nonresidents to purchase farm machinery, implements, parts, and repair services in Washington.	\$9.9 million in 2009-11 Biennium	Continue: Because it is likely achieving the public policy intent of encouraging nonresidents to purchase farm machinery and repair services in Washington.
<p>Commission Comment: Endorses without comment.</p> <p>Legislative Action: No action required.</p>			

Summary of Tax Preference Performance Reviews -- Continue

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Feed and Seed (Sales and Use) / RCW 82.04.050(9)			
Provides a retail sales tax exemption for feed, seed, and seedlings purchased by farmers and persons participating in conservation and habitat protection programs.	The Legislature did not state a public policy objective. However, the public policy objective appears to relate to the definition of a retail sales tax, which is a tax on final consumption. Exempting feed and seed from the sales tax is analogous to selling ingredients and component parts, which are not considered retail sales. The exemption for sales to persons participating in conservation and habitat protection programs is intended to encourage participation in projects that mitigate impacts on wildlife habitat, ease administration of the tax, and put into statute a prior Department of Revenue policy.	\$144 million in 2009-11 Biennium	Continue: Because the exemption is achieving the public policy objectives of : 1) taxing final consumption under the retail sales tax, and 2) encouraging persons to participate in conservation and habitat protection programs.
Commission Comment: Endorses without comment.			
Legislative Action: None.			

Summary of Tax Preference Performance Reviews -- Continue

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Fertilizer and Chemical Sprays (Sales and Use) / RCW 82.04.050(11)			
<p>Provides sales and use tax exemptions for fertilizer and spray materials, as well as chemical sprays or washes used on postharvest fruit to prevent decay. The exemptions apply to:</p> <ul style="list-style-type: none"> • Farmers producing agricultural products for sale; • Farmers acting under cooperative habitat development or access contracts with a 501(c)(3) tax exempt organization or the Washington State Department of Fish and Wildlife; and • Persons participating in the federal Conservation Reserve Program, the Environmental Quality Incentives Program, the Wetlands Reserve Program, the Wildlife Habitat Incentives Program, or successive programs administered by the U.S. Department of Agriculture. 	<p>Although the Legislature provided no clear public policy statement, the implied public policy objective is to recognize these items as ingredients and component parts used by farmers and agricultural producers to produce agricultural products for sale. This is consistent with sales tax exemptions provided for ingredients and component parts in other industries.</p> <p>A second implied public policy objective is to encourage participation in conservation and habitat protection programs.</p>	<p>\$166.6 million in 2011-13 Biennium</p>	<p>Continue: Because the preference is achieving the implied public policy objectives of: 1) recognizing fertilizer and spray materials as ingredients and component parts used by farmers/agricultural producers to produce agricultural products for sale, and 2) encouraging farmers and landowners to participate in conservation and habitat protection programs.</p>
<p>Commission Comment: Endorses without comment.</p> <p>Legislative Action: No action required.</p>			

Summary of Tax Preference Performance Reviews -- Continue

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Fraternal Insurance (B&O) / RCW 82.04.370			
Provides a B&O tax exemption for gross income from premiums, fees, assessments, dues, or other charges directly attributable to insurance or death benefits provided by fraternal benefit societies or fraternal fire insurance associations. Other business activities of fraternal benefit societies do not qualify for the preference.	<p>The Legislature did not state a public policy objective for this preference. JLARC infers there are three public policy objectives for this preference:</p> <ol style="list-style-type: none"> 1. To define the B&O tax base; 2. To subsidize fraternal nonprofit organizations with charitable purposes and benefits for their members; and 3. To provide tax-exempt status consistent with previous tax treatment for fraternal organizations since 1911. 	\$4.2 million in 2009-11 Biennium	Continue: Because the preference is achieving the implied public policy objectives of defining the tax base, subsidizing fraternal nonprofit organizations, and providing consistent tax treatment for fraternal organizations.
<p>Commission Comment: Endorses without comment.</p> <p>Legislative Action: None.</p>			
General Aviation (Property) / RCW 82.48.110			
This preference exempts general aviation aircraft from personal property tax when aircraft excise tax is paid on the aircraft.	<p>The Legislature did not state a public policy objective. However, the public policy objective appears to be to avoid double taxation. When the Legislature replaced the property tax on certain aircraft with a new aircraft excise tax in 1949, the aircraft subject to the new tax became exempt from the property tax.</p>	\$22.2 million in 2009-11 Biennium	Continue: Because the tax preference is achieving the public policy objective of avoiding double taxation.
<p>Commission Comment: Endorses with comments: The Commission endorses the recommendation because it meets the Legislature's objective of avoiding double taxation; however, the Legislature should consider whether the current excise fees should be raised and whether the level of these excise fees should more closely correspond to the Legislature's apparent original intent of approximately one percent of value.</p> <p>Legislative Action: Bills introduced in 2010 but not enacted.</p>			

Summary of Tax Preference Performance Reviews -- Continue

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Growing Crops (Property) / RCW 84.40.030(3)			
Provides that the value of farmland for state and local property tax assessment purposes not include the value of crops.	<p>The Legislature did not provide a public policy objective for this preference. As the property tax exemption for growing crops was enacted at statehood, JLARC infers the public policy objectives were to:</p> <ol style="list-style-type: none"> 1. Define property tax values and the tax base. 2. Ensure a fair land value for agricultural land regardless of when the crop was grown and harvested. 3. Ensure an administrable tax, due to the difficulty of assessing the value of all crops on the ground each year statewide. 	\$5.4 million in 2007-09 Biennium	Continue: Because the preference is achieving the implied public policy objectives of defining property tax values and the tax base, ensuring a fair value for agricultural land, and ensuring an easily administered tax system.
<p>Commission Comment: Endorses without comment.</p> <p>Legislative Action: Bills introduced in 2009 and 2010 but not enacted.</p>			
Historic Auto Museums (Sales and Use) / RCW 82.32.580			
Provides a retail sales and use tax deferral for the preparation and construction of a historic automobile museum for exhibiting collections of at least 500 vehicles. To receive the deferral, the governing board must be a nonprofit organization and must apply to the Department of Revenue.	<p>The Legislature did not provide a public policy objective for this preference. JLARC infers the public policy objective of the retail sales and use tax deferral for historic auto museums was to encourage the construction of the Harold E. LeMay Museum in Tacoma.</p>	\$8.8 million in 2007-09 Biennium	Continue: Because the preference is achieving the implied public policy objective of encouraging construction of a historic automobile museum.
<p>Commission Comment: Endorses without comment.</p> <p>Legislative Action: None.</p>			

Summary of Tax Preference Performance Reviews -- Continue

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Household Goods (Property) / RCW 84.36.110(1)			
Provides a property tax exemption for household goods, furnishings, and personal effects.	The Legislature did not provide a public policy objective for this preference. JLARC infers that the objectives may have been to ease the administration of the tax and make the tax fairer. The listing of household goods was not uniformly consistent among all households, and the valuation of such property was also not consistent.	\$674.7 million in 2007-09 Biennium	Continue: Because the property tax exemption for household goods is meeting its implied public policy objective.
Commission Comment: Endorses without comment.			
Legislative Action: None.			
Humane Societies (Property) / RCW 84.36.060(1)(d)			
Provides state and local property tax exemptions for all real and personal property of humane societies. The property must be in actual use by a humane society and the organization must meet the definition of humane society in an administrative rule.	The Legislature did not provide a public policy objective for this preference. JLARC infers the public policy objective of the preference is based on the animal shelter and protection services that the government would otherwise have to perform.	\$350,000 in 2007-09 Biennium	Continue: Because the preference is achieving the implied public policy objective of providing property tax relief to targeted nonprofit organizations performing humane society functions.
Commission Comment: Endorses without comment.			
Legislative Action: None.			

Summary of Tax Preference Performance Reviews -- Continue

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Income of Employees (B&O) / RCW 82.04.360			
Provides a B&O tax exemption to employees on their income. However, independent contractors are distinct from employees and do pay B&O tax on their income.	The Legislature did not state a public policy objective. However, it appears the Legislature never intended to tax the wages of employees as a business activity. It did not consider employees to be engaging in business and never included their compensation in the measure of business income for purposes of the B&O tax.	\$4.9 billion in 2009-11 Biennium	Continue: Because the exemption is achieving the public policy objective of not treating employee wages as a business activity.
Commission Comment: Endorses without comment.			
Legislative Action: None.			
Insurance Premiums (B&O) / RCW 82.04.320			
Provides a B&O tax exemption for income from premiums, fees, assessments, dues, or other charges for insurance that are assessed a statewide gross insurance premiums tax.	The Legislature did not state a public policy objective for this preference. JLARC infers the public policy objectives may have been to: <ol style="list-style-type: none"> 1. Define the B&O tax base; and 2. Avoid double taxing income from insurance premiums that was already subject to the gross insurance premiums tax. 	\$836.2 million in 2009-11 Biennium	Continue: Because the preference is achieving the implied public policy objectives of defining the tax base and avoiding double taxation.
Commission Comment: Endorses without comment.			
Legislative Action: None.			

Summary of Tax Preference Performance Reviews -- Continue

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Intangibles (Property) / RCW 84.36.070			
Provides a state and local property tax exemption for certain intangibles to include financial assets like moneys, credits, mortgages, notes, certificates of deposit, and stocks and bonds. Other exempt intangible assets include trademarks, brand names, patents, copyrights, trade secrets, licenses, customer or patient lists, favorable financing agreements and contracts, and good business management and reputation.	<p>The Legislature did not state a public policy objective for this preference. JLARC infers the public policy objectives may have been to:</p> <ol style="list-style-type: none"> 1. Avoid double taxation of financial assets; and 2. Facilitate administration of the property tax on intangible personal property. 	\$24.9 billion in 2009-11 Biennium	Continue: Because the preference is meeting the implied public policy objectives of avoiding double taxation of financial assets and facilitating administration of property tax on intangible personal property.
<p>Commission Comment: Does not endorse and comments as follows: Given the revenue impact of the exemption, the dramatic growth of intangible property in the New Economy, and the impact of such a large exemption on the adequacy, efficiency and fairness of the tax system, the Commission recommends that the Legislature study the exemption and consider how to appropriately treat intangible property.</p> <p>Legislative Action: Bills introduced in 2009 but not enacted.</p>			
Interest from State and Municipal Obligations (B&O) / RCW 82.04.4293			
Provides a B&O tax deduction to financial businesses for gross income received as interest from state and municipal government obligations.	<p>The Legislature did not specifically state the public policy objective of the preference.</p> <p>JLARC infers that the public policy objective is to provide consistent tax treatment for interest income from all forms of government obligations.</p>	\$1.8 million in 2011-13 Biennium	Continue: Because the implied public policy objective of ensuring that tax treatment is consistent for interest from state, municipal, and U.S. government obligations is being achieved.
<p>Commission Comment: Endorses without comment.</p> <p>Legislative Action: None.</p>			

Summary of Tax Preference Performance Reviews -- Continue

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Interstate Bridges (Property) / RCW 84.36.230			
Provides an exemption from Washington property taxes and all other state taxes to other states for bridges and bridge approaches over rivers or bodies of water forming interstate boundaries.	<p>The Legislature did not specifically state the public policy objective of the preference.</p> <p>The implied public policy objective is to avoid paying Oregon property taxes on Washington-owned interstate bridges by exempting Oregon-owned bridges.</p>	\$29.1 million in 2011-13 Biennium	Continue: Because Oregon is not currently taxing Washington on Washington-owned bridges.
<p>Commission Comment: Endorses with comment.</p> <p>Legislative Action: None.</p>			
Interstate Transportation Equipment (Sales and Use) / RCW 82.08.0262 ; 82.08.0263 ; 82.12.0254			
Provides sales and use tax exemptions for interstate transportation equipment. Sales of interstate transportation equipment are eligible for the sales tax exemption without limitations on the amount of interstate use. However, in order to qualify for the use tax exemption, vehicles must be used “in substantial part” and other transportation equipment such as airplanes and watercraft must be “used primarily” in interstate commerce.	<p>The Legislature did not specifically state the public policy objective of the preference. The implied public policy objective is to give a competitive advantage to Washington-based transportation manufacturing industries in order to retain high-wage, skilled manufacturing jobs.</p>	\$5.8 billion in 2011-13 Biennium	Continue: Because the public policy purpose of increasing the competitive advantage of Washington transportation equipment industries is being achieved.
<p>Commission Comment: The Commission recommends that the Legislature consider whether to increase the qualifying threshold for motor vehicles by reviewing whether “in substantial part” should be replaced by the language “primarily used.”</p> <p>Legislative Action: No action required.</p>			

Summary of Tax Preference Performance Reviews -- Continue

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Investment of Businesses in Related Entities (B&O) / RCW 82.04.4281(1)(b)-(c)			
Provides a B&O tax deduction for two types of investments in related entities: 1) Dividends and distributions paid by subsidiaries to parent entities; and 2) Interest on loans between certain affiliated entities if the total investment and loan income is less than 5 percent of gross receipts of the parent business annually.	<p>The Legislature did not specifically state the public policy objective of the preference.</p> <p>However, by adopting the preference, the Legislature indicated it wanted to exempt income earned by a business from investing in its own subsidiaries and in intercompany loans. These investments are not considered engaging in business for B&O tax purposes.</p>	\$14.4 million in 2011-13 Biennium	Continue: Because the preference is meeting the implied public policy objective of not treating income from intercompany investments in affiliates as a business activity.
<p>Commission Comment: Endorses without comment.</p> <p>Legislative Action: None.</p>			
Investments by Nonfinancial Firms (B&O) / RCW 82.04.4281			
Provides a B&O tax deduction for interest, dividends, and capital gain income earned by businesses not engaged in banking, loan, or security activities.	The Legislature did not state a public policy objective. However, the public policy objective appears to be to avoid treating the investment of incidental surplus funds of businesses and the savings of individuals as a business activity.	\$577.8 million in 2009-11 Biennium	Continue: Because the tax preference is meeting the implied public policy objective of not treating incidental investment as engaging in businesses.
<p>Commission Comment: Endorses with comments: The Legislature should consider whether investment income should be taxed by some means other than the B&O gross receipts tax.</p> <p>Legislative Action: None.</p>			

Summary of Tax Preference Performance Reviews -- Continue

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Janitorial Services (Sales and Use) / RCW 82.04.050(2)(d)			
Excludes janitorial services from the definition of retail sale, making such services not subject to retail sales tax. Businesses that provide janitorial services are subject to B&O tax under the “service and other” classification.	The Legislature did not state a public policy objective. However, the public policy objective appears to be to not tax business inputs.	\$86.8 million in 2009-11 Biennium	Continue: Because the janitorial services exemption is achieving the implied public policy objective of exempting such business inputs from sales tax.
<p>Commission Comment: The Commission does not endorse the JLARC recommendation, and recommends the State Legislature terminate this preference.</p> <p>Legislative Action: None.</p>			
Joint Utility Services (PUT) / RCW 82.16.050(3)			
Provides a public utility tax deduction for amounts paid by one utility or public service company to another for services jointly furnished by both.	The Legislature did not state a public policy objective. However, the public policy objective for this deduction appears to be to retain the public utility tax as a single-turnover tax, imposing the tax only once on each service.	\$20 million in 2009-11 Biennium	Continue: Because the deduction is achieving the implied public policy objective of imposing the tax only once on each service.
<p>Commission Comment: Endorses without comment.</p> <p>Legislative Action: None.</p>			

Summary of Tax Preference Performance Reviews -- Continue

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Labor and Services Used to Construct and Repair Public Roads (Sales and Use) / RCW 82.04.050(10) ; 82.04.190(3)			
<p>Provides a sales tax exemption to local governments that hire a contractor to construct or repair their roads for the contractor's charges for labor and services. Local governments receiving the preference include cities, towns, and other political subdivisions of the state, such as counties or port districts. The federal government also qualifies for the exemption. The exemption applies to contractor charges for labor and services performed as part of building, repairing, or improving any street, place, road, highway, right-of-way, mass transit terminal or parking facility, bridge, etc., owned by a local government or the federal government and used for foot, vehicle, or mass transportation traffic.</p>	<p>The Legislature did not state a public policy objective. The implied public policy objective of the preference when adopted in 1943 was to reduce the cost of road construction for "publicly owned" (at the time, city, county, state, and federal) roads and make funds for road construction and repairs stretch further. It appears that the Legislature decided to subject labor and services for state roads to sales tax beginning in 1971 to maximize federal funds, which primarily financed state road construction at the time.</p>	<p>\$128.1 million in 2011-13 Biennium</p>	<p>1: Continue: Because the preference is meeting the implied public policy objective of reducing road construction and maintenance costs for cities, counties, and other local government entities.</p> <p>2: Review and clarify: Because circumstances have changed and state road construction and maintenance work is no longer predominantly paid by the federal government, the Legislature should review and clarify whether it wants to continue subjecting labor and services performed as part of <u>state</u> road construction and maintenance work to retail sales tax.</p>
<p>Commission Comment: The Commission endorses the recommendations and notes that the circumstances have changed regarding the exclusion of state-owned roads from this tax preference and that the exclusion may no longer serve its original purpose. The Commission recommends that the Legislature consider revising the relevant statute to extend the tax preference to apply to labor and services for construction and repair of state-owned roads.</p> <p>Legislative Action: None.</p>			

Summary of Tax Preference Performance Reviews -- Continue

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Laundry Services for Nonprofit Health Care Facilities (Sales and Use) / RCW 82.04.050(2)(a)			
Provides a sales tax exemption to nonprofit health care facilities for purchases of laundry services.	<p>The Legislature did not specifically state the public policy objective of the preference.</p> <p>When enacted, the preference provided a specific, targeted sales tax exemption for cooperative nonprofit associates formed by nonprofit hospitals to operate a central laundry facility for hospital members. Documents from this time note the purpose was to reduce member hospitals' laundry costs and assure a standard of laundry quality and cleanliness.</p> <p>JLARC infers the public policy purpose for the 1998 expansion of the preference was to reduce the cost of outsourced laundry services for all nonprofit health care facilities.</p>	\$8.8 million in 2011-13 Biennium	Continue: Because the implied public policy objective of reducing costs for outsourced laundry services for nonprofit health care facilities is being achieved.
<p>Commission Comment: Endorses without comment.</p> <p>Legislative Action: None.</p>			

Summary of Tax Preference Performance Reviews -- Continue

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Lost or Destroyed Fuel (Motor Vehicle Fuel) / RCW 82.36.370 ; 82.38.180(4)-(6)			
<p>Allows a motor vehicle or special fuel tax licensee to apply for a tax refund or credit in the event that fuel for which taxes have previously been paid has been lost or destroyed through: (1) fire, lightning, flood, wind storm, or explosion; or (2) leakage or other casualty except evaporation, shrinkage, or unknown causes. In either scenario, the amount must be 500 gallons or more. In addition, if taxed diesel fuel is inadvertently mixed with tax-free dyed diesel fuel, the licensee may apply for a tax refund.</p>	<p>The Legislature did not provide a public policy objective for this preference. JLARC infers that the public policy objective is to provide equity so that fuel used in motor vehicles operated on public highways is subject to motor fuel taxes while fuel that is not used on public highways is not subject to the tax.</p>	\$0	<p>Continue: Because the preference is achieving the implied public policy objective of providing equity in motor fuel taxation.</p>
<p>Commission Comment: Endorses without comment.</p> <p>Legislative Action: None.</p>			

Summary of Tax Preference Performance Reviews -- Continue

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Minimum Income Threshold (PUT) / RCW 82.16.040			
Exempts small public service and utility businesses with gross income of less than \$2,000 per month from the public utility tax.	<p>The Legislature did not state a public policy objective for this preference. JLARC infers there are three public policy objectives for this exemption:</p> <ol style="list-style-type: none"> 1. To define the public utility tax base; 2. To provide a temporary subsidy to start-up small public service and utility businesses; and 3. To ease the administration of the public utility tax. 	\$2.6 million in 2009-11 Biennium	Continue: Because the preference is meeting the implied public policy objectives of defining the tax base, providing temporary assistance to start-up public utility businesses, and easing administration of the tax.
<p>Commission Comment: Endorses without comment.</p> <p>Legislative Action: Bills introduced in 2009 but not enacted.</p>			
Motor Fuel Taxes (B&O) / RCW 82.04.4285			
Provides a B&O tax deduction for state and federal motor vehicle fuel excise tax collections.	<p>The Legislature did not state a public policy objective. However, the public policy objective appears to be to acknowledge that motor vehicle fuel taxes are collections owed by the consumer and remitted to the state and federal government and do not provide actual income to a business.</p>	\$49.5 million in 2009-11 Biennium	Continue: Because the deduction is achieving the implied public policy objective of acknowledging that motor vehicle fuel tax collections are intended to be paid by the end consumer and do not provide actual income to a business.
<p>Commission Comment: Endorses without comment.</p> <p>Legislative Action: None.</p>			

Summary of Tax Preference Performance Reviews -- Continue

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Motor Vehicle and Special Fuel (Sales and Use) / RCW 82.08.0255(1)(d) ; 82.12.0256(2)(d)			
Provides retail sales and use tax exemptions for motor vehicle fuel (principally gasoline) and special fuels (principally diesel) if the motor vehicle fuel or special fuel tax is paid.	The Legislature did not state a public policy objective. In the case of motor vehicle and special fuel, the Legislature chose not to apply the retail sales and use taxes if the motor vehicle or special fuel tax had been imposed to avoid double taxation.	\$1.5 billion in 2009-11 Biennium	Continue: Because the sales and use tax exemptions for motor fuel and special fuel are achieving the implied public policy objective of avoiding double taxation of fuel.
Commission Comment: Endorses without comment.			
Legislative Action: None			
Municipal Utilities (PUT) / RCW 82.16.050(1)			
Provides five differential public utility tax rates, depending on the specific utility or public service activity, ranging from 0.642 percent to 5.029 percent.	The Legislature did not state a public policy objective. However, the Legislature's public policy may have been two-fold: <ol style="list-style-type: none"> 1. Consistency or equity purposes: Generally, no other government entity pays taxes on the revenues it collects under the property tax; and 2. To avoid double taxation: By including this deduction, municipalities do not pay taxes on taxes previously paid. 	\$1.4 million in 2009-11 Biennium	Continue: Because the preference is achieving the implied public policy objective of providing equity and avoids double taxation of customers.
Commission Comment: Endorses without comment.			
Legislative Action: None.			

Summary of Tax Preference Performance Reviews -- Continue

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Nonprofit Blood and Tissue Banks (Property) / RCW 84.36.035			
Exempts blood and tissue banks and their administrative offices from property tax.	<p>The Legislature did not specifically state the public policy objective of the preference.</p> <p>Based on the legal history of how the taxation of hospital-like services has evolved, the implied public policy objective is to provide support for organizations that: are nonprofit benevolent and charitable entities, and provide services traditionally performed in hospitals, but that are now performed outside the hospital setting.</p>	\$6.1 million in 2011-13 Biennium	Continue: Because the exemption for blood and tissue banks is consistent with the implied public policy objective to reduce costs for nonprofit organizations performing hospital-like services.
<p>Commission Comment: Endorses without comment.</p> <p>Legislative Action: None.</p>			
Nonprofit Church Camps (Property) / RCW 84.36.030(2)			
Exempts from property tax camps owned by nonprofit churches, denominations, or organizations whose membership is comprised of churches.	<p>The Legislature did not specifically state the public policy objective of the preference. JLARC infers two public policy objectives:</p> <ol style="list-style-type: none"> 1. To ensure that church camps conducted for sectarian purposes are treated consistently for tax purposes with nonprofit camps conducted for nonsectarian purposes. 2. The Legislature may have wanted to support church camps in the same manner it has supported other nonprofit organizations that provide social services to youth. 	\$6.9 million in 2011-13 Biennium	Continue: Because the preference is fulfilling the implied public policy objective of ensuring that church camps are being treated consistently for tax purposes with nonsectarian camps.
<p>Commission Comment: Endorses without comment.</p> <p>Legislative Action: None.</p>			

Summary of Tax Preference Performance Reviews -- Continue

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Nonprofit Churches, Parsonages, and Convents (Property) / RCW 84.36.020			
Provides a property tax exemption to churches of a nonprofit recognized religious denomination. This exemption includes parsonages, convents, and buildings and improvements required to maintain and safeguard the property.	<p>The Legislature did not provide a public policy objective for this preference. JLARC infers that the objectives may be several:</p> <ol style="list-style-type: none"> 1. The Legislature was defining the tax base, and religious activity did not rise to the level of a taxable activity; 2. Churches perform services that lessen the burden on government, and therefore a subsidy is warranted; and 3. Churches have a longstanding recognition in our cultural history. As said, religious organizations have always been exempted from various taxes. 	\$130.7 million in 2007-09 Biennium	Continue: Because the property tax exemption for churches is meeting its implied public policy objectives.
<p>Commission Comment: Endorses without comment.</p> <p>Legislative Action: None.</p>			
Nonprofit Collections and Museums (Property) / RCW 84.36.060(1)(a)			
Provides state and local property tax exemptions for all real and personal property of nonprofit collections and museums. The property must be used exclusively to safe keep, maintain, and exhibit the collections.	<p>The Legislature did not provide a public policy objective for this preference. JLARC infers the public policy objectives were to:</p> <ol style="list-style-type: none"> 1. Subsidize nonprofit organizations that provide a social good to the public. 2. Place limits on the use of the exempt property for non-exempt purposes. 	\$6.5 million in 2007-09 Biennium	Continue: Because the preference is achieving the implied public policy objective of subsidizing nonprofit organizations that provide a social good and limiting the use of exempt property for non-exempt purposes.
<p>Commission Comment: Endorses without comment.</p> <p>Legislative Action: None.</p>			

Summary of Tax Preference Performance Reviews -- Continue

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Nonprofit Conservation and Open Space Lands (Property) / RCW 84.36.260 ; 84.34.220			
Provides a property tax exemption for qualifying property held for conservation purposes by eligible nonprofit organizations.	The Legislature did not provide a public policy objective for this preference. The implied public policy objective is to conserve ecological systems, natural resources, and open space, including park land, for the purpose of conducting scientific research and conserving natural resources for the public.	\$3.9 million in 2011-13 Biennium	Continue: Because the tax preference is fulfilling its implied public policy objective of conserving ecological systems, natural resources, open space, and park land.
Commission Comment: Endorses without comment.			
Legislative Action: No action required.			
Nonprofit Day Care Centers (Property) / RCW 84.36.040(1)(a)			
Exempts licensed nonprofit child day care centers from property tax.	The Legislature did not specifically state the public policy objective of the preference. JLARC infers the public policy objective is to support nonprofit organizations that provide social services to children and youth, consistent with long-standing legislative policy.	\$15.8 million in 2011-13 Biennium	Continue: Because the preference is meeting the implied public policy objective of supporting nonprofit organizations that provide social services for youth.
Commission Comment: Endorses without comment.			
Legislative Action: None.			

Summary of Tax Preference Performance Reviews -- Continue

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Nonprofit Fire Companies (Property) / RCW 84.36.060(1)(c)			
Provides state and local property tax exemptions for all real and personal property of fire companies owned by nonprofit organizations, associations, or corporations whose purpose is to extinguish or prevent fires in any Washington city or town. The buildings must be used exclusively to store or safeguard firefighting equipment or for meetings of fire companies.	The Legislature did not provide a public policy objective for this preference. JLARC infers the public policy objective was to extend the general property tax exemption for federal, state, county, school district, and municipal property to fire companies.	\$11,500 in 2007-09 Biennium	Continue: Because the preference is achieving the implied public policy objective of extending the general property tax exemption for other federal, state, and local governmental property to fire companies.
Commission Comment: Endorses without comment.			
Legislative Action: None.			
Nonprofit Libraries (Property)/ RCW 84.36.040(1)(b)			
Provides state and local property tax exemptions for all real and personal property of nonprofit free public libraries. The property must be used exclusively for library purposes, and the libraries must be free and open to the public.	The Legislature did not provide a public policy objective for this preference. JLARC infers the public policy objective was to support libraries that benefited local communities by excluding nonprofit free libraries from the taxable base as quasi-public properties.	\$75,000 in 2007-09 Biennium	Continue: Because the preference is achieving the implied public policy objective of supporting nonprofit free libraries in local communities.
Commission Comment: Endorses without comment.			
Legislative Action: None.			

Summary of Tax Preference Performance Reviews -- Continue

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Nonprofit Private Colleges (Property) / RCW 84.36.050(1)			
Provides a state and local property tax exemption for property owned or used by any nonprofit college for educational purposes or cultural or art education programs.	The Legislature did not state a public policy objective for this preference. JLARC infers the public policy objective may have been to support private, nonprofit colleges.	\$75.8 million in 2009-11 Biennium	Continue: Because the preference is achieving the implied public policy objective of supporting private, nonprofit colleges.
<p>Commission Comment: Endorses without comment.</p> <p>Legislative Action: None.</p>			
Nonprofit Private K-12 Schools (Property) / RCW 84.36.050(1)			
Provides a state and local property tax exemption for property owned or used by any nonprofit K-12 school for educational purposes or cultural or art education programs.	The Legislature did not state a public policy objective for this preference. JLARC infers the public policy objective may have been to support private, nonprofit K-12 schools.	\$48.1 million in 2009-11 Biennium	Continue: Because the preference is achieving the implied public policy objective of supporting private, nonprofit K-12 schools.
<p>Commission Comment: Endorses without comment.</p> <p>Legislative Action: None.</p>			

Summary of Tax Preference Performance Reviews -- Continue

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Nonprofit Youth Organizations (Property) / RCW 84.36.030(3)			
Provides state and local property tax exemptions for all real and personal property of a nonprofit organization engaged in character building of youth under the age of 18. If an organization's charter allows programs for youth up to age of 21 years old, those organizations also qualify. The organizations must be used for the general public good.	The Legislature did not provide a public policy objective for this preference. JLARC infers the public policy objective was to support nonprofit organizations that provide social services to children and youth, consistent with long-standing legislative policy.	\$4 million in 2007-09 Biennium	Continue: Because the preference is achieving the implied public policy objective of supporting nonprofit organizations that provide social services for youth.
<p>Commission Comment: Endorses without comment.</p> <p>Legislative Action: None.</p>			

Summary of Tax Preference Performance Reviews -- Continue

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Nonresidents' Personal Property (Sales and Use) / RCW 82.12.0251			
<p>Provides a use tax exemption for certain personal property belonging to nonresidents. Exempt property includes:</p> <ul style="list-style-type: none"> • Personal property used by nonresidents while temporarily in Washington State, unless the property is used in a non-transitory business activity. • Motor vehicles or trailers registered or licensed to a nonresident's state of residence, and not required to be registered or licensed under the laws of Washington. • Household goods owned by new residents and nonresident members of the armed forces if they acquired the property more than 90 days before entering the state. This includes private motor vehicles but not motor homes. 	<p>The Legislature did not provide a public policy objective for this preference. JLARC implies the public policy objectives are to reduce the tax burden on tourists, new residents, and nonresident members of the armed forces and to reduce the administrative burden on the Department of Revenue.</p>	<p>\$8.5 billion in 2011-13 Biennium</p>	<p>Continue: Because the tax preference is fulfilling its implied public policy objective of reducing the tax burden on tourists, new residents, and nonresident members of the armed forces and reducing the administrative burden on the Department of Revenue.</p>
<p>Commission Comment: Endorses without comment.</p> <p>Legislative Action: None.</p>			

Summary of Tax Preference Performance Reviews -- Continue

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Open Space Additional Tax (Property) / RCW 84.34.108(6)			
Provides certain exemptions to the additional tax owed when an owner removes private property from an “open space” designation (referred to as the Current Use Program).	<p>The Legislature did not specifically state the public policy objective of the preference.</p> <p>JLARC infers that the Legislature intended to avoid penalizing owners in certain circumstances:</p> <ol style="list-style-type: none"> 1. For circumstances beyond the control of the owner; 2. Where the change in use is compatible with the purpose of the Current Use Program; and 3. Where the property becomes fully exempt from property taxation upon transfer to a church or upon qualifying under a new property exemption. 	\$3.9 million in 2011-13 Biennium	Continue: Because the preference is achieving the implied public policy objective of avoiding penalizing property owners that remove property from current use under certain circumstances.
<p>Commission Comment: Endorses without comment.</p> <p>Legislative Action: None.</p>			
Other Ships and Vessels (Property) / RCW 84.36.090			
Provides a state and local property tax exemption for all ships and vessels, except commercial vessels and vessels under construction. For the most part, this exemption pertains to pleasure or recreational boats.	<p>The Legislature did not state a public policy objective for this preference. JLARC infers the public policy objective was to define the property tax base. Initially in 1931, noncommercial vessels were exempted from 80 percent of local property tax levies. Since then the Legislature defined the property tax base to exclude noncommercial boats. In lieu of the property tax, the Legislature made noncommercial boats subject to vessel registration and a vessel excise tax.</p>	\$30.5 million in 2009-11 Biennium	Continue: Because the property tax exemption for noncommercial and other vessels is achieving the implied public policy objective of defining the tax base.
<p>Commission Comment: Endorses without comment.</p> <p>Legislative Action: None.</p>			

Summary of Tax Preference Performance Reviews -- Continue

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Processing Horticultural Products (B&O) / RCW 82.04.4287			
Provides a B&O tax deduction for income earned by an agent or contractor for receiving, washing, sorting, and packing of fresh horticultural products for farmers.	<p>The Legislature did not state a public policy objective for this preference. JLARC infers there are three public policy objectives for this preference:</p> <ol style="list-style-type: none"> 1. To define the B&O tax base; 2. To support agricultural farmers and contractors to farmers; and 3. To ensure that private contractors receive the same tax exempt benefits for washing, sorting, and packing horticultural products that a farmer receives if he/she performs the work. 	\$3.5 million in 2009-11 Biennium	Continue: Because the preference is achieving the implied public policy objectives of defining the tax base, supporting farmers and farm contractors, and providing equity between farmers and contractors who may perform the same work.
<p>Commission Comment: Endorses without comment.</p> <p>Legislative Action: Bills introduced in 2009, 2010, and 2011 but not enacted.</p>			
Public Utilities (B&O) / RCW 82.04.310			
Provides a B&O tax exemption for gross income taxed under the public utility tax.	<p>The Legislature did not state a public policy objective for this preference. JLARC infers the public policy objectives may have been to:</p> <ol style="list-style-type: none"> 1. Define the B&O tax base; and 2. Avoid double taxing utility income that has already been subject to the statewide public utility tax. 	\$113.2 million in 2009-11 Biennium	Continue: Because the preference is achieving the implied public policy objectives of defining the tax base and avoiding double taxation.
<p>Commission Comment: Endorses without comment.</p> <p>Legislative Action: None.</p>			

Summary of Tax Preference Performance Reviews -- Continue

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Public Utility Operating Property (Sales and Use) / RCW 82.08.0256 ; 82.12.0257			
<p>Provides sales and use tax exemptions for sales of operating utility property to state or local governments or public utility districts. Qualifying sales include properties such as water systems and electrical substations. The utility property must be operating as utility property before the sale, and the new owner must continue to operate the property as a utility.</p>	<p>The Legislature did not state a public policy objective for this preference. The initial public policy objective may have been to provide equal tax treatment among all businesses subject to the public utility tax. Sales of operating utility property might have been seen as transfers of ownership, with the property still being used as utility property to serve Washington residents.</p> <p>When the Legislature narrowed the preferences in 1951, another public policy objective may have been to assist government utility agencies when they needed to expand and purchase additional operating property.</p>	<p>\$524,000 in 2009-11 Biennium</p>	<p>Continue: Because the preference is achieving the implied public policy objective of assisting all utility company taxpayers by providing retail sales and use tax exemptions for purchases of operating utility property.</p>
<p>Commission Comment: Endorses without comment.</p> <p>Legislative Action: Bills introduced in 2009 but not enacted.</p>			

Summary of Tax Preference Performance Reviews -- Continue

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Public Utility Tax Credit Losses (PUT) / RCW 82.16.050(5)			
Provides a deduction from the public utility tax for amounts attributable to credit losses or bad debts.	<p>The Legislature did not state a public policy objective for this preference. JLARC infers there are three public policy objectives associated with this preference:</p> <ol style="list-style-type: none"> 1. To define the public utility tax base to exclude bad debt for firms that employed the accrual accounting system; 2. To provide equitable tax treatment to all businesses subject to the public utility tax, regardless of the type of accounting system; and 3. To provide similar tax treatment as other excise taxes (B&O, retail sales, and use taxes) with the same type of preference for credit losses. 	\$3.6 million in 2009-11 Biennium	<p>Continue: Because the preference is meeting the implied public policy objectives of defining the tax base and providing equity between firms with different accounting systems.</p>
<p>Commission Comment: Endorses without comment.</p> <p>Legislative Action: None.</p>			

Summary of Tax Preference Performance Reviews -- Continue

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Poultry Used in Production (Sales and Use) / RCW 82.08.0267 ; 82.12.0262			
Provides sales and use tax exemptions for purchases of poultry to produce for sale other poultry (e.g., chicks) or poultry products (e.g., eggs). Although “poultry” is not defined in state statute for tax purposes, the term refers to domestic fowl that are valued for their meat and eggs, such as chickens, turkeys, geese, and ducks.	The Legislature did not state a public policy objective. However, the Legislature has provided tax exemptions for the purchase or use of a variety of ingredients and component parts that are used in the production of agricultural commodities for sale. The implied public policy objective for this preference is to extend to the poultry industry this ingredient and component tax treatment, where the poultry purchased or used provides a mechanism for producing poultry or poultry products for sale.	\$462,000 in 2011-13 Biennium	Continue: Because the preference is achieving the implied public policy objective of excluding agricultural ingredients and component parts from the tax base.
Commission Comment: Endorses without comment.			
Legislative Action: None.			
Real Estate Excise Tax Exemptions (REET) / RCW 82.45.010(3)(a)-(m)			
The preferences specifically exclude 13 types of property transfers or sales from the definition of a taxable “sale” for real estate excise tax purposes.	The Legislature did not specifically state the public policy objective of the preferences. JLARC assumes these exclusions from the definition of what is a taxable “sale” for real estate excise tax purposes may function to define the tax and its base.	\$1.4 billion in 2011-13 Biennium	Continue: Because the preferences are meeting the implied public policy objective of defining the tax base for application of the real estate excise tax.
Commission Comment: Endorses without comment.			
Legislative Action: None.			

Summary of Tax Preference Performance Reviews -- Continue

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Real Estate Sales (B&O) / RCW 82.04.390			
Provides a B&O tax exemption for income from real estate sales and rental or leases of real estate. The exemption applies to both individual and business owners of real estate.	<p>The Legislature did not state a public policy objective for this preference. JLARC infers the public policy objectives may have been to:</p> <ol style="list-style-type: none"> 1. Define the B&O tax base to exclude gross income from sales, rentals, and leases of property; and to limit the exemption to just the income earned from the renting, leasing, and sale of real estate. 2. Avoid double taxing income earned from real estate sales since income from those sales is subject to a real estate excise tax. 3. Comply with the state Constitution regarding taxation of income earned from rental or leasing real estate. 	\$639 million in 2009-11 Biennium	<p>Continue: Because the preference is achieving the implied public policy objectives of defining the tax base, avoiding double taxation, and complying with the state Constitution.</p>
<p>Commission Comment: Endorses without comment.</p> <p>Legislative Action: None.</p>			

Summary of Tax Preference Performance Reviews -- Continue

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Sales for Resale (PUT) / RCW 82.16.050(2)			
Provides a public utility tax deduction for amounts derived from sales of commodities to firms in the same utility business as the seller, for resale within this state. This deduction is allowed only to water distribution, gas distribution, or other public service businesses that furnish water, gas, or any other commodity. The effect of this deduction is that successive sales of water and gas are not taxed. Only the sale to the final consumer in this state is taxed.	The Legislature did not state a public policy objective for this preference. JLARC infers the public policy objective was to define the public utility tax as a producers' tax on the final sale within Washington.	\$5.2 million in 2009-11 Biennium	Continue: Because the preference is meeting the implied public policy objective of defining the public utility tax as a producers' tax.
<p>Commission Comment: Endorses without comment.</p> <p>Legislative Action: None.</p>			

Summary of Tax Preference Performance Reviews -- Continue

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Sales to Nonresidents, No or Low Sales Taxes (Sales and Use) / RCW 82.08.0273			
Provides a sales tax exemption on purchases of certain goods for use outside the state to nonresidents from states, possessions, or territories of the U.S. or Canadian provinces or territories that do not impose a sales, use, value-added or similar tax at a rate of 3 percent or more.	<p>The Legislature did not specifically state the public policy objective of the preference.</p> <p>JLARC infers that the preference was intended to support Washington retailers by removing a disincentive for residents of states with a sales tax of less than 3 percent to purchase goods in Washington.</p>	\$58 million in 2011-13 Biennium	Continue: Because the preference is meeting its implied public policy objective of removing a disincentive for residents from states with a sales tax of less than 3 percent to purchase goods in Washington.
<p>Commission Comment: The Commission does not endorse the recommendation because there is ambiguity about the Legislature’s public policy objective and the economic benefits and costs; the Legislature should review and clarify the public policy objective and evaluate the economic impacts of this preference.</p> <p>Rationale: The Legislature has not stated an explicit public policy objective for this preference. However, based on various commentaries and patterns of practice, JLARC staff determined that the “implied” public policy objective is to remove a disincentive for nonresidents to purchase goods in Washington. The beneficiaries are businesses that have greater sales than otherwise might be the case, thus benefiting the state’s economy. However, it is possible that many of the purchases of goods benefiting from this preference would have occurred in the absence of this preference. To the extent that this has occurred, the state is sacrificing revenue without realizing any offsetting economic benefits. For example, it is possible that purchase of high value items could decline in the absence of this preference while the impact on purchase of low value items might be limited. While it would be difficult and expensive to conduct a thorough analysis of costs and benefits of this preference, it would be useful for the Legislature to consider the benefits and consequences that might stem from limiting the items and geographies covered by this preference.</p> <p>Legislative Action: None.</p>			

Summary of Tax Preference Performance Reviews -- Continue

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Sales or Use Tax Paid in Another State (Sales and Use) / RCW 82.12.035			
Provides a use tax credit against sales and use tax owed in Washington on tangible personal property or certain services for the amount of “legally imposed” sales or use tax paid to another state, possession, territory, or commonwealth of the U.S. or any political subdivision of such, or any foreign country.	<p>The Legislature did not specifically state the public policy objective of the preference.</p> <p>However, the preference is linked to Washington’s membership in the Multistate Tax Commission and the Legislature’s passage of the Multistate Tax Compact in 1967. Both of these actions were undertaken to provide a structure for states to work cooperatively on multistate tax issues and to avoid duplicative taxation of multistate taxpayers.</p>	Indeterminate	Continue: Because the tax preference is meeting its implied objective of avoiding duplicative taxation to multistate taxpayers.
<p>Commission Comment: Endorses without comment.</p> <p>Legislative Action: None.</p>			

Summary of Tax Preference Performance Reviews -- Continue

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Sand and Gravel for Local Road Construction (Sales and Use) / RCW 82.08.0275 ; 82.12.0269			
Provides sales and use tax exemptions to counties and cities that own or lease pits or quarries, for labor and services performed to mine, sort, crush, screen, wash, haul, and stockpile sand, gravel, or rock from the pits/quarries under certain circumstances. The exemptions apply when: 1) the gravel, rock, or sand is stockpiled at the pit/quarry for the city or county to place on its own roads; or 2) the gravel, rock, or sand is sold by the county/city to another county/city at actual cost to be placed by that city or county on its roads.	The Legislature did not state a public policy objective. The implied public policy objective was to reduce labor and other service costs incurred by cities and counties on materials processed from pits or quarries they owned or leased when the materials were applied to their roads by the cities or counties themselves, or when sold to another city or county at cost for like use.	\$342,000 in 2011-13 Biennium	Continue: Because the preference is meeting the implied public policy objective of lowering costs for maintaining and preserving roads by Washington county and city governments.
Commission Comment: Endorses without comment.			
Legislative Action: No action required.			

Summary of Tax Preference Performance Reviews -- Continue

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
State-Chartered Credit Unions (B&O) / RCW 82.04.405			
Provides a B&O tax exemption for state-chartered credit unions.	<p>The Legislature did not explicitly state the public policy objective for this preference. JLARC infers the Legislature may have originally had two objectives:</p> <ol style="list-style-type: none"> 1) To remove an incentive for state-chartered credit unions to become federal credit unions, so that they would remain under state regulation; and 2) To support credit unions because they were originally formed to serve low-income groups underserved by commercial banks. 	\$60.9 million in 2011-13 Biennium	Continue: Because the B&O exemption removes an incentive for state credit unions to become federal credit unions and thus leave the state system of regulation.
<p>Commission Comment: Endorses without comment.</p> <p>Legislative Action: None.</p>			
Title Insurance Premiums (Insurance Premium) / RCW 48.14.020(1) ; 48.14.020(4)			
Exempts title insurance premiums from the insurance premiums tax. Instead, title insurers pay B&O tax under the retailing classification.	The Legislature did not state a public policy objective. Legal history suggests the original public policy objective was to tax title insurance like a service activity under the B&O tax, and not like other forms of insurance subject to the insurance premiums tax.	\$6.1 million in 2011-13 Biennium	Continue: Because the exemption is achieving the original objective of taxing title insurance like a service activity.
<p>Commission Comment: Endorses without comment.</p> <p>Legislative Action: No action required.</p>			

Summary of Tax Preference Performance Reviews -- Continue

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Tuition and Fees (B&O) / 82.04.4282(5) ; 82.04.4332			
Provides a B&O tax deduction to qualified private educational institutions for payments received for tuition and fees.	The Legislature did not state a public policy objective. The basic public policy objective appears to be to encourage general education activities. The public policy objective for the 1993 change to exempt approved branch campuses of foreign degree-granting institutions from the B&O tax is to facilitate the establishment and operation of such branch campuses in Washington.	\$40.2 million in 2009-11 Biennium	Continue: Because the deduction is achieving the public policy objective of encouraging general education activities.
<p>Commission Comment: Does not endorse and comments as follows: The Commission recommends that the Legislature clarify the intended public policy purpose of the Tuition and Fees Deductions from B&O tax and define more precisely the term “education institution” for purposes of determining which institutions are entitled to the B&O tax deduction.</p> <p>One Commissioner voted in agreement with the Commission and submitted the following minority report: Any loss of private school opportunities due to the elimination of this tax preference can be made up for with growth in public school attendance, so there is no net loss of education in Washington State. As there is no public benefit to the preference, I encourage the Legislature to consider eliminating the preference entirely.</p> <p>Legislative Action: None.</p>			

Summary of Tax Preference Performance Reviews -- Continue

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Vehicles Acquired While in Military Service (Sales and Use) / RCW 82.12.0266			
Provides a use tax exemption to Washington residents who are members of the armed services and stationed outside of Washington pursuant to military orders for motor vehicles or trailers they acquired and used while stationed outside the state. The exemption does not apply to the use of vehicles or trailers acquired less than 30 days before the discharge or release from active duty, nor does it apply to armed service members called to active duty for training purposes for periods of less than six months.	The Legislature did not state a public policy objective. JLARC infers the public policy objective was to ease the tax burden for resident armed service members returning to Washington for motor vehicles and trailers they purchased while on active duty stationed out-of-state.	\$7.8 million in 2011-13 Biennium	Continue: Because the preference is meeting the implied public policy objective of easing the tax burden for resident armed service members returning to Washington.
<p>Commission Comment: Endorses without comment.</p> <p>Legislative Action: None.</p>			

Summary of Tax Preference Performance Reviews -- Continue

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Vehicles Sold to Nonresidents (Sales and Use) / RCW 82.08.0264			
Provides a sales tax exemption for certain sales of motor vehicles, trailers, or campers to nonresidents. To qualify for the exemption, the vehicle must be taken immediately outside the state under the authority of a trip permit, or the vehicle must be pre-licensed in the buyer's state of residence. If the vehicle is pre-licensed in the buyer's state of residence, the vehicle may remain in Washington for up to three months and still qualify for the exemption.	The Legislature did not state a public policy objective. The implied public policy objective of the tax preference is to encourage nonresidents to purchase motor vehicles from Washington dealerships.	\$68.7 million in 2011-13 Biennium	Continue: Because the tax preference is meeting the implied public policy objective of encouraging nonresidents to purchase vehicles in Washington.
<p>Commission Comment: Endorses without comment.</p> <p>Legislative Action: No action required.</p>			

Summary of Tax Preference Performance Reviews -- Continue

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Veterans Organizations (Property) / RCW 84.36.030(4)			
Provides state and local property tax exemptions for all real and personal property of an organization or society of veterans of any U.S. war. The organization must be recognized by the Department of Defense with a purpose to preserve memories associated with veterans' war service and to recognize veterans' service to the state and nation.	<p>The Legislature did not provide a public policy objective for this preference. JLARC infers the public policy objectives were to:</p> <ol style="list-style-type: none"> 1. Provide a subsidy to veterans' organizations to recognize the service of their members to the state and nation. 2. Place limits on the use of exempt property for financial gain. 	\$1.2 million in 2007-09 Biennium	Continue: Because the preference is achieving the implied public policy objectives of subsidizing veterans' organizations and placing limits on the use of exempt property for financial gain.
<p>Commission Comment: Endorses without comment.</p> <p>Legislative Action: None.</p>			

Summary of Tax Preference Performance Reviews -- Continue

What the Preference Does	Public Policy Objective	Estimated Beneficiary Savings	JLARC Recommendation
Wood Biomass Fuel Production Facilities (Property) / RCW 82.08.960 ; 84.36.640 ; 82.29A.135 ; 82.12.960 ; 82.04.4335			
<p>These preferences, enacted in 2003, provide:</p> <ul style="list-style-type: none"> • A property tax exemption for buildings, machinery and equipment, and other personal property used primarily to manufacture wood biomass fuel. • A leasehold excise tax exemption for property used to manufacture alcohol, biodiesel, wood biomass fuels, and biodiesel feedstock. • Sales and use tax exemptions for machinery and equipment used directly in selling wood biomass fuel and for services performed in constructing, repairing, decorating, installing, etc., structures or machinery and equipment used directly in retail sales of wood biomass blended fuel. • A B&O tax deduction for retail sales or distribution of wood biomass fuel. <p>The property and leasehold excise tax preferences originally scheduled to expire December 31, 2009 were extended in 2010 to December 31, 2015. The sales, use, and B&O tax preferences expired July 1, 2009.</p>	<p>The Legislature did not state public policy objectives for these preferences when they were initially enacted nor when the property and leasehold excise tax exemptions were reestablished in 2010. JLARC infers three potential public policy objectives:</p> <ol style="list-style-type: none"> 1. Promote production of renewable fuels from biomass; 2. Reduce air pollution and greenhouse gas emissions; and 3. Develop new ways to use wood biomass to generate biofuels. 	\$0	<p>Continue and review in the future: Because the tax preferences are not currently being utilized, they should be reviewed for effectiveness in the future should this industry become more developed.</p>
<p>Commission Comment: Does not endorse. The Commission recommends that these preferences be allowed to expire in 2009 unless there is evidence that taxpayers plan to use them.</p> <p>Legislative Action: The Legislature allowed the sales, use and B&O preferences to expire July 1, 2009. The Legislature extended the property and leasehold excise tax preferences in 2010 to December 31, 2015. .</p>			

INDEX OF TAX PREFERENCES

Agricultural Products (B&O) / RCW 82.04.330 ; 82.04.410	15
Aircraft Fuel, Export and Commercial Uses (Aircraft Fuel) / RCW 82.42.030 ; 82.42.070	16
Aircraft, Nonresident or Held for Sale (Aircraft) / RCW 82.48.100	39
Airports Owned by Cities in Other States (Property) / RCW 84.36.130	1
Alcohol and Biodiesel Fuel Production / RCW 82.04.260(1)(e) ; RCW 84.36.635 ; RCW 82.29A.135	40
Aluminum Industry (B&O, Sales and Use) / RCW 82.04.4481 ; RCW 82.12.022(5) ; 82.08.805 ; 82.12.805 ; 82.04.2909	41
Bailed Tangible Personal Property For R & D (Sales and Use) / RCW 82.12.0265	17
Beef Processors (B&O) / RCW 82.04.4336	7
Boats Sold to Nonresidents (Sales and Use) / RCW 82.08.0266 ; 82.08.02665	41
Boxing and Wrestling Matches (B&O) / RCW 82.04.340	42
Breeding Livestock, Cattle, Milk Cows (Sales and Use) / RCW 82.08.0259 ; 82.12.0261	42
Cash Discounts (B&O, PUT, Sales and Use) / RCW 82.04.4283 ; 82.08.010 ; 82.16.050(4)	43
Casual Sales (Sales and Use) / RCW 82.08.0251	43
Cemeteries (Property) / RCW 84.36.020	44
Commercial Aircraft (Aircraft) / RCW 82.48.100	44
Commercial Vessels (Property) / RCW 84.36.080(1) ; 84.40.036	45
Contributions and Donations (B&O) / RCW 82.04.4282	45
Credit Losses (B&O) / RCW 82.04.4284	46
Dairy Products Manufacturing (B&O) / RCW 82.04.4268 ; 82.04.260(1)(c)	8
Display Items for Trade Shows (Sales and Use) / RCW 82.12.0272	46
Electric Generating Equipment; Renewable Resources (Sales and Use) / RCW 82.08.02567 ; 82.12.02567	18
Electricity for Electrolyte Firms (PUT) / RCW 82.16.0421	47
Exported and Imported Fuel (Motor Vehicle Fuel) / RCW 82.36.230 ; RCW 82.38.030	48
Exported Fuel Refunds (Fuel) / RCW 82.36.300 ; 82.38.180(2)	49
Extracted Fuel (Sales and Use) / RCW 82.12.0263	19
Farm Auction Sales (Sales and Use) / RCW 82.08.0257 ; 82.12.0258	20
Farm Machinery Sold to Nonresidents (Sales and Use) / RCW 82.08.0268	49
Feed and Seed (Sales and Use) / RCW 82.04.050(9)	50

Fertilizer and Chemical Sprays (Sales and Use) / RCW 82.04.050(11)	51
Field Burning Equipment (Sales and Use) / RCW 82.08.841 ; 82.12.841	9
Fraternal Benefit Societies (Insurance Premium) / RCW 48.36A.240	21
Fraternal Insurance (B&O) / RCW 82.04.370	52
Fresh Food Processors (Sales and Use) / 82.74 RCW	9
Fruit and Vegetable Manufacturing (B&O) / RCW 82.04.4266 ; 82.04.260(1)(d)	10
General Aviation (Property) / RCW 82.48.110	52
Growing Crops (Property) / RCW 84.40.030(3)	53
Handling Losses (Fuel) / RCW 82.36.029	2
Historic Auto Museums (Sales and Use) / RCW 82.32.580	53
Hog Fuel to Produce Energy (Sales and Use) / RCW 82.08.956 ; 82.12.956	11
Horse Racing (B&O) / RCW 82.04.350	21
Household Goods (Property) / RCW 84.36.110(1)	54
Humane Societies (Property) / RCW 84.36.060(1)(d)	54
Income of Employees (B&O) / RCW 82.04.360	55
Insurance Premiums (B&O) / RCW 82.04.320	55
Intangibles (Property) / RCW 84.36.070	56
Interest from State and Municipal Obligations (B&O) / RCW 82.04.4293	56
Interest on Real Estate Loans (B&O) / RCW 82.04.4292	22
Interstate Bridges (Property) / RCW 84.36.230	57
Interstate Transportation Equipment (Sales and Use) / RCW 82.08.0262 ; 82.08.0263 ; 82.12.0254	57
Interstate Transportation, Instate Portion (PUT) / RCW 82.16.050(6)	3
Investment of Businesses in Related Entities (B&O) / RCW 82.04.4281(1)(b)-(c)	58
Investments by Nonfinancial Firms (B&O) / RCW 82.04.4281	58
Irrigation Water (PUT) / RCW 82.16.050(7)	23
Items Used in Interstate Commerce (Sales and Use) / RCW 82.08.0261	23
Janitorial Services (Sales and Use) / RCW 82.04.050(2)(d)	59
Joint Utility Services (PUT) / RCW 82.16.050(3)	59
Kidney Dialysis, Nursing Homes, and Hospice (B&O) / RCW 82.04.4289	24
Labor and Services Used to Construct and Repair Public Roads (Sales and Use) / RCW 82.04.050(10) ; 82.04.190(3)	60
Laundry Services for Nonprofit Health Care Facilities (Sales and Use) / RCW 82.04.050(2)(a)	61
Limited Income Property Tax Deferral (Property) / RCW 84.37.030	25

Lost or Destroyed Fuel (Motor Vehicle Fuel) / RCW 82.36.370 ; 82.38.180(4)-(6)	62
Manufacturing Flour and Oil (B&O) / RCW 82.04.260(1)(a)	26
Meat Processors (B&O) / 82.04.260(4)	27
Membership Dues and Fees (B&O) / RCW 82.04.4282	28
Minimum Income Threshold (PUT) / RCW 82.16.040	63
Motor Fuel Taxes (B&O) / RCW 82.04.4285	63
Motor Vehicle and Special Fuel (Sales and Use) / RCW 82.08.0255(1)(d) ; 82.12.0256(2)(d)	64
Municipal Sewer Service Payments (B&O) / RCW 82.04.432	28
Municipal Utilities (PUT) / RCW 82.16.050(1)	64
Newspapers (Sales and Use) / RCW 82.08.0253 ; 82.12.0345	29
Nonprofit Blood and Tissue Banks (Property) / RCW 84.36.035	65
Nonprofit Church Camps (Property) / RCW 84.36.030(2)	65
Nonprofit Churches, Parsonages, and Convents (Property) / RCW 84.36.020	66
Nonprofit Collections and Museums (Property) / RCW 84.36.060(1)(a)	66
Nonprofit Conservation and Open Space Lands (Property) / RCW 84.36.260 ; 84.34.220	67
Nonprofit Day Care Centers (Property) / RCW 84.36.040(1)(a)	67
Nonprofit Fire Companies (Property) / RCW 84.36.060(1)(c)	68
Nonprofit Hospitals (Property) / RCW 84.36.040(1)(e)	30
Nonprofit Libraries (Property) / RCW 84.36.040(1)(b)	68
Nonprofit Nursing Homes / RCW 84.36.040(1)(d)	31
Nonprofit Orphanages (Property) / RCW 84.36.040(1)(c)	4
Nonprofit Private Colleges (Property) / RCW 84.36.050(1)	69
Nonprofit Private K-12 Schools (Property) / RCW 84.36.050(1)	69
Nonprofit Sheltered Workshops (Property) / RCW 84.36.350	32
Nonprofit Youth Organizations (Property) / RCW 84.36.030(3)	70
Nonresidents' Personal Property (Sales and Use) / RCW 82.12.0251	71
Nonsectarian Organizations (Property) / RCW 84.36.030(1)	33
Ocean Marine Insurance (Insurance Premium) / RCW 48.14.020(3)	33
Open Space Additional Tax (Property) / RCW 84.34.108(6)	72
Other Ships and Vessels (Property) / RCW 84.36.090	72
Patient Lifting Devices (B&O) / RCW 82.04.4485	12
Poultry Used in Production (Sales and Use) / RCW 82.08.0267 ; 82.12.0262	76

Processing Horticultural Products (B&O) / RCW 82.04.4287	73
Public Utilities (B&O) / RCW 82.04.310	73
Public Utility Operating Property (Sales and Use) / RCW 82.08.0256 ; 82.12.0257	74
Public Utility Tax Credit Losses (PUT) / RCW 82.16.050(5)	75
Radio and TV Broadcasting (B&O) / RCW 82.04.280(6)	34
Real Estate Excise Tax Exemptions (REET) / RCW 82.45.010(3)(a)-(m)	76
Real Estate Sales (B&O) / RCW 82.04.390	77
Refunded Fuel Tax for Nonhighway Use (Fuel)/ RCW 82.36.280 ; 82.38.180(1)	35
Renewable Energy Machinery (Sales and Use) / RCW 82.08.962 ; 82.12.962	12
Repaired Items Delivered Out-of-State (Sales and Use) / RCW 82.08.0265	4
Rural County Software Development and Help Desk Firms (B&O) / RCW 82.04.4483 ; 82.04.4484	13
Rural Electric Utility Contributions (PUT) / RCW 82.16.0491	13
Sales for Resale (PUT) / RCW 82.16.050(2)	78
Sales or Use Tax Paid in Another State (Sales and Use) / RCW 82.12.035	80
Sales to Nonresidents, No or Low Sales Taxes (Sales and Use) / RCW 82.08.0273	79
Sand and Gravel for Local Road Construction (Sales and Use) / RCW 82.08.0275 ; 82.12.0269	81
Seafood Products Manufacturing (B&O) / RCW 82.04.4269 ; 82.04.260(1)(b)	14
Shared Real Estate Commissions (B&O) / RCW 82.04.255	36
Shipments to Ports (PUT) / RCW 82.16.050(9)	37
State-Chartered Credit Unions (B&O) / RCW 82.04.405	82
Title Insurance Premiums (Insurance Premium) / RCW 48.14.020(1) ; 48.14.020(4)	82
Transportation, Through Freight (PUT) / RCW 82.16.050(8)	5
Tuition and Fees (B&O) / 82.04.4282(5) ; 82.04.4332	83
Urban Transportation (PUT) / RCW 82.16.020(1)(d)-(e)	38
Vehicles Acquired While in Military Service (Sales and Use) / RCW 82.12.0266	84
Vehicles Sold to Nonresidents (Sales and Use) / RCW 82.08.0264	85
Veterans Organizations (Property) / RCW 84.36.030(4)	86
Wood Biomass Fuel Production Facilities (Property) / RCW 82.08.960 ; 84.36.640 ; 82.29A.135 ; 82.12.960 ; 82.04.4335	87