

State of Washington

Joint Legislative Audit and Review Committee (JLARC)

Summary of Tax Preference Review Recommendations

2010 ♦ 2009 ♦ 2008 ♦ 2007

November 2010

This document provides a comprehensive summary of tax preference reviews prepared by JLARC. The reviews are conducted according to the schedule set by the Citizen Commission for Performance Measurement of Tax Preferences. The table summarizes JLARC's recommendations, the Commission's comments, and related legislation, if any, on all tax preferences studied to date since the initial 2007 reviews.

The summary is organized into full and expedited reviews by year and further grouped by JLARC recommendation.

JLARC may recommend that the Legislature:

- Continue the tax preference,
- Continue the tax preference and modify it, such as changing the expiration date,
- Re-examine or clarify the intent of the tax preference, or
- Terminate the tax preference or allow it to expire.

The Citizen Commission reviews the reports and hears public testimony. The Commission may either endorse the JLARC recommendation without comment, or adopt comments. Commissioners may also provide minority reports.

The detailed tax preference reviews and this summary document are located on the JLARC website at:

www.citizentaxpref.wa.gov/reports.htm



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Summary of Tax Preference Review Recommendations

2010 Expedited Reviews

Year Enacted	# of Claimants (\$ amount)	JLARC Recommendation	Comments by Citizen Commission for Performance Measurement of Tax Preferences	Related Legislation as of 2010
JLARC recommendation: Legislature should continue the tax preference				
Poultry Used to Produce Poultry and Poultry Products / RCW 82.08.0267; RCW 82.12.0262				
1961	733 \$222,000	Continue	Endorses without comment	Unknown until after 2011 session
Farm Machinery Sold to Nonresidents / RCW 82.08.0268				
1961	Unknown \$4.6 million	Continue	Endorses without comment	Unknown until after 2011 session
Vehicles Acquired Out-of-State While in the Armed Services / RCW 82.12.0266				
1963	Unknown \$2.4 million	Continue	Endorses without comment	Unknown until after 2011 session
Labor and Services for Mining/Sorting/Crushing Sand/Gravel/Rock for Public Road Purposes / RCW 82.08.0275; RCW 82.12.0269				
1965	Unknown \$2 million	Continue	Endorses without comment	Unknown until after 2011 session
Conservation and Open Space Lands / RCW 84.36.260; RCW 84.34.220				
1967	58 \$1.7 million	Continue	Endorses without comment	Unknown until after 2011 session

2010 Expedited Reviews

Year Enacted	# of Claimants (\$ amount)	JLARC Recommendation	Comments by Citizen Commission for Performance Measurement of Tax Preferences	Related Legislation as of 2010
JLARC recommendation: Legislature should re-examine or clarify the intent of the tax preference				
Bailed Tangible Personal Property Consumed in R & D, Experimental, and Testing / RCW 82.12.0265.				
1961	Unknown \$4.7 million	Because of the ambiguity of current law, the Legislature should review and clarify the purpose of the preference providing a use tax exemption for bailed tangible personal property consumed in research, development, experimental, and testing activities.	<p>Endorses with 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>Rationale: The Commission noted that the Department of Revenue issued an advisory in 2005 explaining that labels provided (“bailed”) to salmon labeling companies qualify for this preference. The rationale of this advisory ruling appears to be a technical interpretation of the statute and may not be what the Legislature intended when it established a preference for a use tax exemption for tangible property that is bailed to a person and used in research, development, experimental, and testing activities when 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>	Unknown until after 2011 session



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JLARC recommendation: Legislature should allow the tax preference to expire				
Fruit and Vegetable Manufacturers / 82.04.4266; 82.04.260(1)(d)				
2005	109 \$5 million	Recommendation 1	Endorses with 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.	Unknown until after 2011 session
		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.		
		Recommendation 2	Same as Recommendation 1	Unknown until after 2011 session
		To achieve the public policy objective of providing consistent tax treatment to fresh food processors, the Legislature should continue the preferential tax rate of 0.138 percent that becomes effective on July 1, 2012.		
Seafood Products Manufacturers / 82.04.4269; 82.04.260(1)(b)				
2006	22 \$3.3 million	Recommendation 1	Endorses with 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.	Unknown until after 2011 session
		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.		
		Recommendation 2	Same as Recommendation 1	Unknown until after 2011 session
		To achieve the public policy objective of providing consistent tax treatment to fresh food processors, the Legislature should continue the preferential tax rate of 0.138 percent that becomes effective on July 1, 2012.		

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Year Enacted	# of Claimants (\$ amount)	JLARC Recommendation	Comments by Citizen Commission for Performance Measurement of Tax Preferences	Related Legislation as of 2010
Dairy Products Manufacturers / 82.04.4268; 82.04.260(1)(c)				
2006	11 \$1.5 million	Recommendation 1	Endorses with 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.	Unknown until after 2011 session
		<p>Although the implied policy objective of creating and retaining quality jobs is being <u>partially</u> 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>		
		Recommendation 2	Same as Recommendation 1	Unknown until after 2011 session
		<p>To achieve the public policy objective of providing consistent tax treatment to fresh food processors, the Legislature should continue the preferential tax rate of 0.138 percent that becomes effective on July 1, 2012.</p>		
Fresh Food Processors / 82.74 RCW				
2005	6 \$1.1 million	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.	Endorses with 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.	Unknown until after 2011 session



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2010 Full Reviews				
Year Enacted	# of Claimants (\$ amount)	JLARC Recommendation	Comments by Citizen Commission for Performance Measurement of Tax Preferences	Related Legislation as of 2010
JLARC recommendation: Legislature should continue the tax preference				
Nonresidents' Personal Property / RCW 82.12.0251				
1935	Unknown \$4.2 billion	Continue	Endorses without comment	Unknown until after 2011 session
Vehicles Sold to Nonresidents / RCW 82.08.0264				
1935	Unknown \$26.7 million	Continue	Endorses without comment	Unknown until after 2011 session
Interstate Transportation Equipment / RCW 82.08.0262; RCW 82.08.0263; RCW 82.12.0254				
1935	Unknown \$2.5 billion	Continue	Endorses with 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." Rationale: The Legislature considered such a change in 2010. Adoption of "primarily used" language would provide the same 50 percent interstate use threshold for both motor vehicles and other transportation equipment.	Unknown until after 2011 session
Fertilizer, Spray Materials, and Chemical Sprays and Washes / RCW 82.04.050(11)				
1943	17,500 \$65.7 million	Continue	Endorses without comment	Unknown until after 2011 session
Labor and Services Used in Construction and Repair of Public Roads/ RCW 82.04.050(10); RCW 82.04.190(3)				
1943	Unknown \$60.8 million	Continue	Endorses with 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.	Unknown until after 2011 session

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Year Enacted	# of Claimants (\$ amount)	JLARC Recommendation	Comments by Citizen Commission for Performance Measurement of Tax Preferences	Related Legislation as of 2010
Sales of Breeding Livestock, Cattle, and Milk Cows / RCW 82.08.0259; RCW 82.12.0261				
1945	4,300 \$9.3 million	Continue	Endorses without comment	Unknown until after 2011 session
Title Insurance Premiums / RCW48.14.020(1); RCW48.14.020(4)				
1947	Unknown \$3.5 million	Continue	Endorses without comment	Unknown until after 2011 session
JLARC recommendation: Legislature should re-examine or clarify the intent of the tax preference				
Shipments to Ports For Interstate or Foreign Transportation / RCW 82.16.050(9)				
1937	Unknown \$7.6 million	Since this tax preference providing a public utility tax deduction for shipments to ports 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.	Endorses with 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 'Through Freight in Interstate Transportation Public Utility Tax Deduction' and 'Instate Portion of Interstate Transportation' tax preferences. 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.	Unknown until after 2011 session



Summary of Tax Preference Review Recommendations

2010 Full Reviews				
Year Enacted	# of Claimants (\$ amount)	JLARC Recommendation	Comments by Citizen Commission for Performance Measurement of Tax Preferences	Related Legislation as of 2010
JLARC recommendation: Legislature should impose the public utility tax				
Instate Portion of Interstate Transportation / RCW 82.16.050(6)				
1935	Unknown \$24.6 million	Because the U.S. Constitution no longer prohibits the instate portion of interstate transportation from being taxed, the public utility tax should be imposed on these activities. 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.	Does not endorse and comments as follows: 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. 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.	Unknown until after 2011 session

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2010 Full Reviews				
Year Enacted	# of Claimants (\$ amount)	JLARC Recommendation	Comments by Citizen Commission for Performance Measurement of Tax Preferences	Related Legislation as of 2010
Instate Portion of Interstate Transportation / RCW 82.16.050(6) (continued from previous page)				
			<p>Rationale for non-endorsement and recommendation for economic impact study. Public testimony identified the potential for significant unintended adverse economic consequences for taxpayers and possibly for the state if the preference is terminated. Although very limited factual evidence was presented, there is a possibility that termination could result in loss of employment and other sources of state tax revenue that could exceed the amount of revenue raised by the public utility tax as a result of termination. While this possibility is uncertain, public testimony indicated a high likelihood that termination could lead to potentially serious disruptive consequences. Because of the uncertainty and absence of substantial factual information about potential impacts, the Commission believes that it would be prudent to conduct an economic impact study. The Commission believes the current tax preference is outdated, but rather than terminating the preference, consideration should be given to structuring the public utility tax for the affected taxpayers in ways that are tax efficient and enable tax payers to be competitive on an interstate basis. If the Legislature prefers to have an economic impact study conducted by a neutral party, it should direct the Economic and Revenue Forecast Council to conduct the study; otherwise the study could be conducted by the Office of Financial Management or the Department of Revenue.</p>	



Summary of Tax Preference Review Recommendations

2010 Full Reviews				
Year Enacted	# of Claimants (\$ amount)	JLARC Recommendation	Comments by Citizen Commission for Performance Measurement of Tax Preferences	Related Legislation as of 2010
JLARC recommendation: Legislature should terminate the tax preference				
Through Freight in Interstate Transportation / RCW 82.16.050(8)				
1937	Unknown Indeterminate	Because this preference is no longer constitutionally necessary, the Legislature should terminate the preference providing a public utility tax deduction tax for intrastate portions of interstate shipments of goods under a through freight rate where the shipment is stopped in Washington to store, manufacture, or process the goods, then continues to the final destination.	<p>Does not endorse and comments as follows: 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>	Unknown until after 2011 session



Summary of Tax Preference Review Recommendations

2010 Full Reviews				
Year Enacted	# of Claimants (\$ amount)	JLARC Recommendation	Comments by Citizen Commission for Performance Measurement of Tax Preferences	Related Legislation as of 2010
Through Freight in Interstate Transportation / RCW 82.16.050(8) (continued from previous page)				
			<p>Rationale for non-endorsement and recommendation for economic impact study. Public testimony identified the potential for significant unintended adverse economic consequences for taxpayers and possibly for the state if the preference is terminated. Although very limited factual evidence was presented, there is a possibility that termination could result in loss of employment and other sources of state tax revenue that could exceed the amount of revenue raised by the public utility tax as a result of termination. While this possibility is uncertain, public testimony indicated a high likelihood that termination could lead to potentially serious disruptive consequences. Because of the uncertainty and absence of substantial factual information about potential impacts, the Commission believes that it would be prudent to conduct an economic impact study. The Commission believes the current tax preference is outdated, but rather than terminating the preference, consideration should be given to structuring the public utility tax for the affected taxpayers in ways that are tax efficient and enable tax payers to be competitive on an interstate basis. If the Legislature prefers to have an economic impact study conducted by a neutral party, it should direct the Economic and Revenue Forecast Council to conduct the study; otherwise the study could be conducted by the Office of Financial Management or the Department of Revenue.</p>	



Summary of Tax Preference Review Recommendations

2009 Expedited Reviews

Year Enacted	# of Claimants \$ amount	JLARC Recommendation	Comments by Citizen Commission for Performance Measurement of Tax Preferences	Related Legislation as of 2010
JLARC recommendation: Legislature should continue the tax preference				
Municipal Utilities / RCW 82.16.050(1)				
1935	Unknown \$700,000	Continue	Endorses without comment	None
Commercial Aircraft / RCW 82.48.100				
1949	Unknown \$700,000	Continue	Endorses without comment	None
Aircraft Held for Sale / Aircraft Owned by Non-Residents / RCW 82.48.100				
1955	Unknown Unknown	Continue	Endorses without comment	None
JLARC recommendation: Legislature should continue the tax preference and modify the expiration date				
Electricity for Electrolyte Firms / RCW 82.16.0421				
2004 Expires 6/30/2019	2 \$778,000	The Legislature should continue the public utility tax preference for electrolytic processing firms, for the purpose of sustaining the industry's competitiveness.	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.	The Legislature continued the tax preference in the 2009 Legislative Session under SHB 1062 with an expiration date of 2019.
Aluminum Industry / RCW 82.04.4481; RCW 82.12.022(5); RCW 82.08.805; RCW 82.12.805; RCW 82.04.2909				
2004 Expires 1/1/2017	3 \$3.6 million	The Legislature should extend the expiration date for the aluminum smelter tax preferences 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.	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.	The Legislature continued the tax preferences in 2010 under EHB 2672, extending the expiration date from 1/1/2012 to 1/1/2017. JLARC must review the preferences in 2015 with a particular analysis of jobs retained due to the preferences.



2009 Expedited Reviews

Year Enacted	# of Claimants \$ amount	JLARC Recommendation	Comments by Citizen Commission for Performance Measurement of Tax Preferences	Related Legislation as of 2010
JLARC recommendation: Legislature should re-examine or clarify the intent of the tax preference				
Fraternal Benefit Societies / RCW 48.36A.240				
1911	24 \$1.1 million	The Legislature should clarify the public purpose being served by the tax preference for fraternal benefit societies, because it is unclear whether the objective or rationale for the exemption changed with the re-enactments in 1947 and 1987.	Endorses without comment	None
Kidney Dialysis, Nursing Homes, and Hospice / RCW 82.04.4289				
1945	96 \$2.5 million	The Legislature should clarify the intended public policy objective for the B&O tax preference for kidney dialysis, hospice, and nursing homes. Now that nonprofit hospitals pay tax on their services, it is not clear what other types of services the Legislature intends to exempt.	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.	One bill was introduced in 2010 (SB 6841) to eliminate the B&O tax preference for kidney dialysis, nursing homes, and hospice, but it was not enacted.
Ocean Marine Insurance / RCW 48.14.020(3)				
1947	51 \$2.2 million	The Legislature should clarify the public policy purpose for providing a lower insurance premium rate and tax base for ocean marine and foreign trade insurance. Clarification is required because there is a lack of a clearly stated public policy objective and changing conditions since earlier enactments.	Endorses without comment	One bill was introduced in 2010 (SB 6841) to eliminate the preferential insurance premiums tax rate for ocean marine insurance, but it was not enacted.

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2009 Expedited Reviews				
Year Enacted	# of Claimants \$ amount	JLARC Recommendation	Comments by Citizen Commission for Performance Measurement of Tax Preferences	Related Legislation as of 2010
Manufacturers of Flour and Oil / RCW 82.04.260(1)(a)				
1949	11 \$400,000	Recommendation 1		
		The Legislature should continue a preferential B&O tax rate for manufacturers of flour and oil to provide relief for these industries with prices set in national markets.	Endorses without comment	One bill was introduced in 2010 (SB 6841) to eliminate the preferential B&O tax rate for manufacturers of flour and oil, but it was not enacted.
		Recommendation 2		
		The Legislature should review the preferential B&O tax rate for manufacturers of flour and oil to ensure the level of the rate is still appropriate.	Endorses without comment	Same as Recommendation 1.
JLARC recommendation: Legislature should allow the tax preference to expire				
Rural Electric Utility Contributions / RCW 82.16.0491				
1999 Expires 6/30/2011	17 \$330,000	The Legislature should allow the credit for rural electric utility contributions to expire on June 30, 2011. While the credit has been utilized, there is not evidence to show that the exemption should be continued beyond the most recent target expiration date.	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.	One bill was introduced in 2010 (SB 6841) to eliminate the public utility tax credit for rural electric utility contributions, but it was not enacted. No action was taken to extend the current expiration date of 6/30/2011.



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2009 Expedited Reviews				
Year Enacted	# of Claimants \$ amount	JLARC Recommendation	Comments by Citizen Commission for Performance Measurement of Tax Preferences	Related Legislation as of 2010
Rural County Software Development and Help Desk Firms / RCW 82.04.4483; RCW 82.04.4484				
2004 Expires 1/1/2011	68 \$250,000	The Legislature should allow the tax preferences to expire on January 1, 2011, because the incentives are not achieving the public policy objectives for which they were enacted. The best available data show few new jobs have been created and that rural/urban disparity in high technology jobs has not been mitigated by the incentives.	Endorses without comment	One bill was introduced in 2010 (SB 6841) to eliminate the B&O tax preferences for rural county software development and help desk firms, but it was not enacted. However, as no action was taken to extend the current expiration date of 1/1/2011, JLARC's recommendation will be implemented.
Field Burning Equipment / RCW 82.08.841; RCW 82.12.841				
2005 Expires 1/1/2011	Unknown \$2 million	The Legislature should allow the sales and use tax exemption for field burning equipment to expire, because the transition to reduced air emissions from agriculture burning has occurred.	Endorses without comment	One bill was introduced in 2010 (SB 6841) to eliminate the retail sales and use tax exemptions for field burning equipment, but it was not enacted. However, as no action was taken to extend the current expiration date of 1/1/2011, JLARC's recommendation will be implemented.
Patient Lifting Devices / RCW 82.04.4485				
2006 Expires 12/30/2010	67 \$2.3 million	The Legislature should allow the B&O tax credit for patient lifting devices to expire on December 30, 2010, 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.	Endorses without comment	One bill was introduced in 2010 (SB 6841) to eliminate the B&O tax credit for patient lifting devices, but it was not enacted. However, as no action was taken to extend the current expiration date of 12/30/2010, JLARC's recommendation will be implemented.

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2009 Full Reviews				
Year Enacted	# of Claimants \$ amount	JLARC Recommendation	Comments by Citizen Commission for Performance Measurement of Tax Preferences	Related Legislation as of 2010
JLARC recommendation: Legislature should continue the tax preference				
Motor Vehicle and Special Fuel / 82.08.0255(1)(d); 82.12.0256(2)(d)				
1935	5 million \$709 million	Continue	Endorses without comment	None
Joint Utility Services / 82.16.050(3)				
1935	551 \$9.7 million	Continue	Endorses without comment	None
Tuition and Fees / 82.04.4282(5); 82.04.4332				
1935	557 \$18 million	Continue	<p>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>Commissioner Stephen Miller 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>	None



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2009 Full Reviews				
Year Enacted	# of Claimants \$ amount	JLARC Recommendation	Comments by Citizen Commission for Performance Measurement of Tax Preferences	Related Legislation as of 2010
Cash Discounts / 82.04.4283; 82.08.010; 82.16.050(4)				
1935	10,000 \$46 million	Continue	Endorses without comment	None
Investments by Nonfinancial Firms / 82.04.4281				
1935	Unknown \$310 million	Continue	Endorses with comments: The Legislature should consider whether investment income should be taxed by some means other than the B&O gross receipts tax.	None
Income of Employees / 82.04.360				
1935	3.2 million \$2.3 billion	Continue	Endorses without comment	None
Motor Fuel Taxes / 82.04.4285				
1935	2,400 \$23.2 million	Continue	Endorses without comment	None
Casual Sales / 82.08.0251				
1935	Unknown \$25.6 million	Continue	Endorses without comment	None
Janitorial Services / 82.04.050(2)(d)				
1935	Unknown \$33 million	Continue	The Commission does not endorse the JLARC recommendation, and recommends the State Legislature terminate this preference.	None
Feed and Seed / 82.04.050(9)				
1935	40,000 \$57 million	Continue	Endorses without comment	None

Summary of Tax Preference Review Recommendations

2009 Full Reviews				
Year Enacted	# of Claimants \$ amount	JLARC Recommendation	Comments by Citizen Commission for Performance Measurement of Tax Preferences	Related Legislation as of 2010
General Aviation / 82.48.110				
1949	5,900 \$10.8 million	Continue	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.	Two bills were introduced in 2010 (HB 3176 and SB 6873) to replace the set annual fee amounts with an annual excise tax of five-tenths of one percent based on the taxable value of the aircraft. Neither bill was enacted.
JLARC recommendation: Legislature should re-examine or clarify the intent of the tax preference				
Newspapers / 82.08.0253; 82.12.0345				
1935	2.3 million \$9.5 million	The Legislature should clarify the current intent of the retail sales and use tax exemptions for newspapers, because a number of circumstances have changed since the original tax preference enactment. The Department of Revenue should update its administrative rule for newspapers to reflect current law, because the administrative rule uses a content-based definition.	Endorses without comment	One bill was introduced in 2010 (SB 6841) to eliminate the retail sales and use tax exemptions for newspapers, but it was not enacted. The Department of Revenue is currently in the process of amending the administrative rule for newspapers (WAC 458-20-143, Publishers of newspapers, magazines, periodicals).



Summary of Tax Preference Review Recommendations

2008 Expedited Reviews

Year Enacted	# of Claimants \$ amount	JLARC Recommendation	Comments by Citizen Commission for Performance Measurement of Tax Preferences	Related Legislation as of 2010
JLARC recommendation: Legislature should continue the tax preference				
Public Utility Tax Credit Losses / RCW 82.16.050(5)				
1935	170 \$2 million	Continue	Endorses without comment	None
Processing Horticultural Products / RCW 82.04.4287				
1935	Unknown \$1.3 million	Continue	Endorses without comment	None
Fraternal Insurance / RCW 82.04.370				
1935	23 \$2 million	Continue	Endorses without comment	None
Sales for Resale by Water and Gas Utilities / RCW 82.16.050(2)				
1935	81 \$2 million	Continue	Endorses without comment	None
Minimum Income Threshold / RCW 82.16.040				
1935	Unknown \$1.2 million	Continue	Endorses without comment	Two bills (HB 1625, SB 5785) introduced in the 2009 session would have limited the tax preference, but they were not enacted.
Public Utility Operating Property / RCW 82.08.0256; RCW 82.12.0257				
1935	Unknown \$244,000	Continue	Endorses without comment	None

2008 Expedited Reviews

Year Enacted	# of Claimants \$ amount	JLARC Recommendation	Comments by Citizen Commission for Performance Measurement of Tax Preferences	Related Legislation as of 2010
JLARC recommendation: Legislature should continue the tax preference and modify the expiration date				
Alcohol and Biodiesel Fuel Production / RCW 82.04.260(1)(e); RCW 84.36.635; RCW 82.29A.135				
2003 Expired 7/1/2009 and 12/31/2009 New expiration date of 12/31/2015 for RCW 84.36.635; RCW 82.29A.135	See detailed report	Recommendation 1		
		The Legislature should continue the property tax exemption for machinery and equipment used in producing alcohol fuel, biodiesel and biodiesel feedstock and review for effectiveness in the future once this industry is more developed.	Endorses without comment	SSB 6712 (chapter 11, laws of 2010) implemented JLARC’s recommendation, establishing a new expiration date of 12/31/2015 for property tax exemption claims to be filed after the initial exemption expired in 2009. Three bills (HB 1743, HB 1804, SB 5467) introduced in the 2009 session would have extended the expiration date and required accountability for the tax preference and thereby implemented the recommendation, but they were not enacted. Three additional bills (HB 1892, SB 6093, SB 6094) introduced in the 2009 session would have repealed the tax preference and thereby contradicted the recommendation, but they were not enacted.
		Recommendation 2		
The Legislature should continue the leasehold excise tax exemption for leasehold interests of machinery and equipment used in producing alcohol, biodiesel and biodiesel feedstock and review for effectiveness in the future once this industry is more developed.	Endorses without comment	SSB 6712 (chapter 11, laws of 2010) implemented JLARC’s recommendation, establishing a new expiration date of 12/31/2015 for the leasehold excise tax exemption after the initial exemption expired in 2009. 2009 related legislation same as Recommendation 1.		



Summary of Tax Preference Review Recommendations

2008 Expedited Reviews				
Year Enacted	# of Claimants \$ amount	JLARC Recommendation	Comments by Citizen Commission for Performance Measurement of Tax Preferences	Related Legislation as of 2010
		Recommendation 3		
		The Legislature should continue the preferred business and occupation tax rate for manufacturers of alcohol and biodiesel fuel and feedstock and review for effectiveness in the future once this industry is more developed.	Endorses without comment	JLARC's recommendation was not implemented. The Legislature allowed the preferential B&O tax rate for alcohol fuel, biodiesel fuel, and biodiesel feedstock manufacturers to expire effective 7/1/2009. 2009 related legislation same as Recommendation 1.
Wood Biomass Fuel: Production Facilities/Sales/Distribution / RCW 82.08.960; RCW 84.36.640; RCW 82.29A.135; RCW 82.12.960; RCW 82.04.4335				
2003	0	Recommendation 1		
Expired 7/1/2009 and 12/31/2009	\$0	The Legislature should continue the property tax exemption for machinery and equipment used in producing wood biomass fuel. Since this tax preference is not currently being utilized, it should be reviewed for effectiveness in the future once it is used.	Does not endorse and comments as follows: The Commission recommends that these preferences be allowed to expire in 2009 unless there is evidence that taxpayers plan to use them.	SSB 6712 (chapter 11, laws of 2010) implemented JLARC's recommendation, establishing a new expiration date of 12/31/2015 for property tax exemption claims to be filed after the initial exemption expired in 2009. Three bills (HB 1743, HB 1804, SB 5467) introduced in the 2009 session would have extended the expiration date and required accountability for the tax preference and thereby implemented the recommendation, but they were not enacted.
New expiration date of 12/31/2015 for RCW 84.36.640; RCW 82.29A.135		Recommendation 2		
		The Legislature should continue the leasehold excise tax exemption for leasehold interests of machinery and equipment used in producing wood biomass fuel. Since this tax preference is not currently being utilized, it should be reviewed for effectiveness in the future once it is used.	Same as Recommendation 1	SSB 6712 (chapter 11, laws of 2010) implemented JLARC's recommendation, establishing a new expiration date of 12/31/2015 for leasehold excise tax exemption after the initial exemption expired in 2009. 2009 related legislation same as Recommendation 1.



Summary of Tax Preference Review Recommendations

2008 Expedited Reviews				
Year Enacted	# of Claimants \$ amount	JLARC Recommendation	Comments by Citizen Commission for Performance Measurement of Tax Preferences	Related Legislation as of 2010
		Recommendation 3		
		The Legislature should continue the retail sales tax exemption for sales of machinery and equipment used in constructing, altering or updating equipment which is used in selling wood biomass fuel. Since this tax preference is not currently being utilized, it should be reviewed for effectiveness in the future once it is used.	Same as Recommendation 1	The Legislature implemented the Citizen Commission recommendation, allowing the sales tax exemption for machinery and equipment used in constructing, altering or updating equipment used in selling wood biomass fuel to expire, effective 7/1/2009. 2009 related legislation same as Recommendation 1.
		Recommendation 4		
		The Legislature should continue the use tax exemption for use of machinery and equipment used in constructing, altering or updating equipment which is used in selling wood biomass fuel. Since this tax preference is not currently being utilized, it should be reviewed for effectiveness in the future once it is used.	Same as Recommendation 1	The Legislature implemented the Citizen Commission recommendation, allowing the use tax exemption for machinery and equipment used in constructing, altering or updating equipment used in selling wood biomass fuel to expire, effective 7/1/2009. 2009 related legislation same as Recommendation 1.
		Recommendation 5		
		The Legislature should continue the business and occupation tax deduction for sales or distribution of wood biomass fuel. Since this tax preference is not currently being utilized, it should be reviewed for effectiveness in the future once it is used.	Same as Recommendation 1	The Legislature implemented the Citizen Commission recommendation, allowing the B&O tax deduction for sales or distribution of wood biomass fuel to expire, effective 7/1/2009. 2009 related legislation same as Recommendation 1.



Summary of Tax Preference Review Recommendations

2008 Expedited Reviews

Year Enacted	# of Claimants \$ amount	JLARC Recommendation	Comments by Citizen Commission for Performance Measurement of Tax Preferences	Related Legislation as of 2010
JLARC recommendation: Legislature should re-examine or clarify the intent of the tax preference				
Irrigation Water / RCW 82.16.050(7)				
1935	Unknown \$1 million	Due to the lack of legislative intent and growth in beneficiaries of the public utility tax deduction for irrigation water, the Legislature should clarify if gross income derived from non-agricultural uses of irrigation water should be allowed for this tax deduction.	Endorses without comment	One bill (SB 6841) was introduced in 2010 to remove the public utility tax deduction for irrigation water, but it was not enacted. One bill (SB 5911) introduced in the 2009 session would have limited the tax preference and thereby implemented the recommendation, but it was not enacted.
Radio and TV Broadcasting / RCW 82.04.280(6)				
1935	65 \$2.2 million	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.	Endorses without comment	One bill was introduced in 2010 (SB 6841) to eliminate the B&O tax exemption for radio and TV broadcasting, but it was not enacted. One bill was introduced in 2009 (ESSB 5557) that amended how the exemption is determined, and would have required the Department of Revenue to study the issue by 8/1/2009, publish a new rule by 12/1/2009, and repeat the process every five years, but it was not enacted.
Farm Auction Sales / RCW 82.08.0257; RCW 82.12.0258				
1943	Unknown \$2 million	Due to the fact that 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.	Endorses without comment	One bill was introduced in 2010 (SB 6841) to repeal the sales tax and use tax exemptions for auction sales of farm machinery & equipment, but it was not enacted. One bill (SB 5911) introduced in the 2009 session would have eliminated the sales tax exemption but not the use tax exemption and thereby partially implemented the recommendation, but it was not enacted.

Summary of Tax Preference Review Recommendations

2008 Expedited Reviews

Year Enacted	# of Claimants \$ amount	JLARC Recommendation	Comments by Citizen Commission for Performance Measurement of Tax Preferences	Related Legislation as of 2010
JLARC recommendation: Legislature should terminate the tax preference				
Gas Tax Exemption for Handling Losses / RCW 82.36.029				
1939	179 \$2.5 million	The Legislature should terminate the motor vehicle fuel handling loss deduction.	Endorses without comment	Two bills (HB 1504, SB 5027) introduced in the 2009 session would have eliminated the tax preference, but they were not enacted.
Airports Owned by Cities in Other States / RCW 84.36.130				
1941	0 \$0	Given that there are no out-of-state municipalities owning airport property in Washington, the Legislature should terminate this property tax exemption.	Endorses without comment	One bill was introduced in 2010 (SB 6841) to eliminate the property tax exemption, but it was not enacted. One bill (ESSB 5557) introduced in the 2009 session would have eliminated the tax preference, but it was not enacted.



Summary of Tax Preference Review Recommendations

2008 Full Reviews				
Year Enacted	# of Claimants \$ amount	JLARC Recommendation	Comments by Citizen Commission for Performance Measurement of Tax Preferences	Related Legislation as of 2010
JLARC recommendation: Legislature should continue the tax preference				
Private K-12 Schools / RCW 84.36.050(1)				
1925	248 \$3.8 million	Continue	Endorses without comment	None
Private Colleges / RCW 84.36.050(1)				
1925	69 \$6.4 million	Continue	Endorses without comment	None
Intangibles / RCW 84.36.070				
1931	Unknown \$2 billion	Continue	Does not endorse and comments as follows: Given the revenue impact of the exemption (\$11 billion in 2008), 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.	Two bills (HB 2350, HB 2354) introduced in the 2009 session would have established a tax on intangible property and thereby contradicted the recommendation, but they were not enacted.
Commercial Vessels / RCW 84.36.080(1); RCW 84.40.036				
1931	2,500 \$900,000	Continue	Endorses without comment	None
Other Ships and Vessels / RCW 84.36.090				
1931	236,036 \$6.7 million	Continue	Endorses without comment	None
Exported and Imported Fuel / RCW 82.36.230; RCW 82.38.030				
1933	162 \$1.2 billion	Continue	Endorses with comment: The Commission recommends the Legislature consider whether to modify this exemption in light of US Supreme Court decisions subsequent to enactment of this exemption.	One bill (HB 2277) introduced in the 2009 session would have limited the tax preference and thereby contradicted the recommendation, but it was not enacted.

Summary of Tax Preference Review Recommendations

2008 Full Reviews				
Year Enacted	# of Claimants \$ amount	JLARC Recommendation	Comments by Citizen Commission for Performance Measurement of Tax Preferences	Related Legislation as of 2010
Real Estate Sales / RCW 82.04.390				
1935	Unknown \$363 million	Continue	Endorses without comment	None
Credit Losses / RCW 82.04.4284				
1935	4,171 \$9.8 million	Continue	Endorses without comment	None
Insurance Premiums / RCW 82.04.320				
1935	1,729 \$352 million	Continue	Endorses without comment	None
Public Utilities / RCW 82.04.310				
1935	7,037 \$47.8 million	Continue	Endorses without comment	None
JLARC recommendation: Legislature should continue the tax preference, extend the expiration date, and add accountability requirement				
Electric Generating Equipment; Renewable Resources / RCW 82.08.02567; RCW 82.12.02567				
1996 Expired 6/30/09	Unknown \$25 million	Recommendation 1 Continue the retail sales and use tax preferences and reexamine these alternative energy tax preferences at a later date to determine their effectiveness in encouraging growth in this industry in Washington.	Endorses without comment	One bill (ESSB 6170) enacted in the 2009 session implements the recommendation by replacing the expiring tax preferences with similar, new sales and use tax refunds expiring in 2013 (RCW 82.08.962; 82.12.962). Four additional bills (E2SHB 1009, HB 1719, SSB 5161, SB 6029) introduced in the 2009 session would have implemented the recommendation, but they were not enacted.



Summary of Tax Preference Review Recommendations

2008 Full Reviews				
Year Enacted	# of Claimants \$ amount	JLARC Recommendation	Comments by Citizen Commission for Performance Measurement of Tax Preferences	Related Legislation as of 2010
		Recommendation 2		
		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.	Endorses without comment	One bill (ESSB 6170) enacted in the 2009 session implements the recommendation by attaching documentation requirements to the new tax preferences and increasing the minimum wattage threshold. Three additional bills (E2SHB 1009, HB 1719, SSB 5161) introduced in the 2009 session would have partially implemented the recommendation by attaching further documentation requirements to the existing tax preferences, but they were not enacted.
JLARC recommendation: Legislature should re-examine or clarify the intent of the tax preference				
Agricultural Producers / RCW 82.04.330; RCW 82.04.410				
1935	35,000 \$29.6 million	Given the fact that incomes have increased significantly for some farms since the period of financial hardships when this tax exemption was enacted, the Legislature should consider establishing an income threshold in order to qualify for the business and occupation tax exemption for agricultural producers.	Endorses without comment	One bill was introduced in 2010 (SB 6841) to eliminate the B&O tax exemptions for agricultural producers, but it was not enacted. One bill (SB 5911) introduced in the 2009 session would have limited the tax preference and thereby implemented the recommendation, but it was not enacted.

Summary of Tax Preference Review Recommendations

2008 Full Reviews				
Year Enacted	# of Claimants \$ amount	JLARC Recommendation	Comments by Citizen Commission for Performance Measurement of Tax Preferences	Related Legislation as of 2010
Tax Rate for Urban Trans. & Vessels / RCW 82.16.020 (1)(d)-(e)				
1935	2,015 \$6.2 million	The Legislature should review the policy of taxing transportation related business activity at different public utility tax rates based on where a transportation service takes place or the size of a vessel in which the service is conducted.	Endorses without comment	Two bills were introduced in 2010. SB 6841 would have eliminated the tax preference altogether. SB 6873 would have retained the urban transportation and vessels under 65 feet classification, but eliminated the preferential rate. Neither bill was enacted. One bill (SB 5911) introduced in the 2009 session would have eliminated the tax preference and thereby implemented the recommendation, but it was not enacted.
Items Used in Interstate Commerce / RCW 82.08.0261				
1949	184 \$118 million	The Legislature should clarify the public policy purpose for the retail sales tax exemption for sales of tangible personal property to air, rail, and water private or common carriers to be used in interstate or foreign commerce.	Endorses without comment	One bill was introduced in 2010 (SB 6841) to eliminate the sales tax exemption for property used in interstate commerce, but it was not enacted. One bill (SB 5911) introduced in the 2009 session would have eliminated the tax preference and thereby implemented the recommendation, but it was not enacted.



Summary of Tax Preference Review Recommendations

2007 Expedited Reviews

Year Enacted	# of Claimants \$ amount	JLARC Recommendation	Comments by Citizen Commission for Performance Measurement of Tax Preferences	Related Legislation as of 2010
JLARC recommendation: Legislature should continue the tax preference				
Nonprofit Libraries / RCW 84.36.040(1)(b)				
1854	10 \$4,500	Continue	Endorses without comment	None
Fire Companies / RCW 84.36.060(1)(c)				
1890	1 \$500	Continue	Endorses without comment	None
Growing Crops / RCW 84.40.030(3)				
1890	1,179 \$305,000	Continue	Endorses without comment	One bill (SB 5472) was introduced during the 2009 session that would have eliminated the tax preference, but was not enacted.
Humane Societies / RCW 84.36.060(1)(d)				
1915	22 \$17,000	Continue	Endorses without comment	None
Collections and Museums / RCW 84.36.060(1)(a)				
1915	145 \$335,000	Continue	Endorses without comment	None
Veterans Organizations / RCW 84.36.030(4)				
1929	159 \$855,000	Continue	Endorses without comment	None
Nonprofit Youth Organizations / RCW 84.36.030(3)				
1933	115 \$200,000	Continue	Endorses without comment	None
Contributions and Donations / RCW 82.04.4282				
1935	Unknown \$56 million	Continue	Endorses without comment	None
Boxing and Wrestling Matches / RCW 82.04.340				
1935	14 \$18,000	Continue	Endorses without comment	None

Summary of Tax Preference Review Recommendations

2007 Expedited Reviews

Year Enacted	# of Claimants \$ amount	JLARC Recommendation	Comments by Citizen Commission for Performance Measurement of Tax Preferences	Related Legislation as of 2010
Lost or Destroyed Fuel / RCW 82.36.370; RCW 82.38.180(4)-(6)				
1923	Unknown	Continue	Endorses without comment	None
Historic Auto Museums / RCW 82.32.580				
2005 Expired 12/31/2008	0 \$0	Continue	Endorses without comment	None
JLARC recommendation: Legislature should re-examine or clarify the intent of the tax preference				
Nonprofit Nursing Homes / RCW 84.36.040(1)(d)				
1891	42 \$265,000	Recommendation 1 If the Legislature intended to provide the nonprofit nursing home property tax exemption under the assumption that these organizations were providing more charity or low-income care than other nursing homes, then the Legislature should modify the property tax exemption to be dependent on meeting a threshold of charity or low income care.	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. Explanation: The Commission intends their comments to be more directive than JLARC staff by stating the Legislature should definitively clarify their intent.	One bill (ESSB 5557) was introduced during the 2009 session that would have implemented the recommendation, but was not enacted.



Summary of Tax Preference Review Recommendations

2007 Expedited Reviews				
Year Enacted	# of Claimants \$ amount	JLARC Recommendation	Comments by Citizen Commission for Performance Measurement of Tax Preferences	Related Legislation as of 2010
		Recommendation 2		
		If the Legislature wants information on community service activities performed by nursing homes, then it should require nursing homes to report an annual community service inventory.	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. Explanation: The Commission intends their comments to be more directive than JLARC staff by stating the Legislature should definitively clarify their intent.	One bill (ESSB 5557) was introduced during the 2009 session that would have implemented the recommendation, but was not enacted.
Membership Dues and Fees / RCW 82.04.4282				
1935	218 \$2 million	To ease the administration and compliance of the membership dues and fees tax preference, the Legislature should clarify which clubs should qualify and provide a simple method to value this deduction.	Endorses without comment	Three bills were introduced in 2010. HB 2390 and HB 6576 both limited the B&O tax exemption for membership dues and fees to only nonprofit organizations. SB 6841 eliminated the entire tax preference. None of the bills were enacted. One bill was introduced during the 2008 session (HB 2397) and one bill was introduced during the 2009 session (SB 5911) that would have partially implemented the recommendation, but they were not enacted. One bill was introduced during the 2009 session (HB 1255) that would have eliminated the tax preference and thereby implemented the recommendation, but it was not enacted.

Summary of Tax Preference Review Recommendations

2007 Expedited Reviews

Year Enacted	# of Claimants \$ amount	JLARC Recommendation	Comments by Citizen Commission for Performance Measurement of Tax Preferences	Related Legislation as of 2010
Horse Racing / RCW 82.04.350				
1933	5 \$2 million	If the Legislature had a public policy objective to avoid double taxation for all horse racing, then this business and occupation tax exemption should be adjusted to tie qualifying for this exemption to actually paying the pari-mutuel tax. If the Legislature had a public policy objective to avoid double taxation only for businesses operating class 1 horse racing meets, then the Legislature should continue the business and occupation tax exemption.	Endorses without comment	One bill was introduced during the 2009 session (SB 5911) that would have eliminated the tax preference, but was not enacted.
Refunded Fuel Tax for Nonhighway Use / RCW 82.36.280; RCW 82.38.180(1)				
1923	4,967 \$20.3 million	In an effort to maintain equity in the treatment of fuel taxes, 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.	Endorses without comment	One bill was introduced in 2010 (SB 6841) to eliminate the preference for fuel tax refunds for nonhighway use of fuel, but it was not enacted. One bill introduced in the 2008 session (HB 2819) and one bill introduced in the 2009 session (HB 2101) would have changed the fuel tax rate used to determine fuel tax distributions to special recreational accounts and thereby would have partially implemented the recommendation, but they were not enacted. Two bills were introduced in the 2009 session (HB 1668, SB 5783) that would have changed the fuel tax rate used to determine fuel tax distributions to the Snowmobile Account and thereby would have partially implemented the recommendation, but they were not enacted.



Summary of Tax Preference Review Recommendations

2007 Expedited Reviews

Year Enacted	# of Claimants \$ amount	JLARC Recommendation	Comments by Citizen Commission for Performance Measurement of Tax Preferences	Related Legislation as of 2010
JLARC recommendation: Legislature should terminate the tax preference and allow beneficiaries to qualify for another tax preference				
Orphanages / RCW 84.36.040(1)(c)				
1891	2 \$15,000	If the Legislature is concerned with providing uniform and equitable tax treatment to all nonprofit organizations providing similar housing and care for children, the Legislature should terminate the orphanage property tax exemption and allow the orphanages to qualify for the nonsectarian property tax exemption.	Endorses with comments: The Commission recommends that nonprofit orphanages continue to qualify for tax exempt status. Explanation: The Commission intends to ensure that nonprofit orphanages continue to qualify for tax exempt status.	One bill was introduced in 2010 (SB 6841) to exclude orphanages from the property tax exemption, but it was not enacted.

Summary of Tax Preference Review Recommendations

2007 Full Reviews				
Year Enacted	# of Claimants \$ amount	JLARC Recommendation	Comments by Citizen Commission for Performance Measurement of Tax Preferences	Related Legislation as of 2010
JLARC recommendation: Legislature should continue the tax preference				
Churches, Parsonages and Convents / RCW 84.36.020				
1854	5,137 \$6.8 million	Continue	Endorses without comment	None
Cemeteries / RCW 84.36.020				
1854	196 \$750,000	Continue	Endorses without comment	None
Household Goods / RCW 84.36.110(1)				
1935	2.4 million \$35 million	Continue	Endorses without comment	Two bills (HB 2350, HB 2354) were introduced during the 2009 session that would have limited the tax preference, but they were not enacted.
Refund of Fuel Tax for Exported Fuel / RCW 82.36.300; RCW 82.38.180(2)				
1923	89 \$800,000	Continue	Endorses without comment	One bill (HB 2277) was introduced during the 2009 session that would have limited the tax preference and thereby contradicted the recommendation, but was not enacted.



Summary of Tax Preference Review Recommendations

2007 Full Reviews				
Year Enacted	# of Claimants \$ amount	JLARC Recommendation	Comments by Citizen Commission for Performance Measurement of Tax Preferences	Related Legislation as of 2010
JLARC recommendation: Legislature should re-examine or clarify the intent of the tax preference				
Nonprofit Hospitals / RCW 84.36.040(1)(e)				
1886	45 \$5.5 million	Recommendation 1		
		If the Legislature intended to provide a nonprofit hospital property tax exemption under the assumption that these organizations were providing more charity or low-income care than other hospitals, then the Legislature should modify the property tax exemption to be dependent on meeting a threshold of charity or low-income care.	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. Explanation: The Commission intends their comments to be more directive than JLARC staff by stating the Legislature should definitively clarify their intent.	One bill was introduced in 2010 (SB 6841) that would have excluded nonprofit hospitals for the sick from the property tax exemption, but it was not enacted. One bill was introduced in 2009 (SB 5347) to implement the recommendation, but it was not enacted.
		Recommendation 2		
		If the Legislature wants additional information on community service activities performed by hospitals, then it should require hospitals to report an annual community services inventory.	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.	One bill was introduced in 2010 (SB 6841) that would have excluded nonprofit hospitals for the sick from the property tax exemption, but it was not enacted. One bill was introduced in 2009 (ESSB 5557) that would have implemented the recommendation, but it was not enacted.
Recommendation 3				
The Legislature should clarify which specific services provided by nonprofit hospitals qualify for a property tax exemption.	Endorses without comment		One bill was introduced in 2010 (SB 6841) that would have excluded nonprofit hospitals for the sick from the property tax exemption, but it was not enacted. One bill was introduced in 2009 (ESSB 5557) that would have implemented the recommendation, but it was not enacted.	

Summary of Tax Preference Review Recommendations

2007 Full Reviews				
Year Enacted	# of Claimants \$ amount	JLARC Recommendation	Comments by Citizen Commission for Performance Measurement of Tax Preferences	Related Legislation as of 2010
Nonsectarian Organizations / RCW 84.36.030(1)				
1915	651 \$1.5 million	If the Legislature intended all nonprofit nonsectarian organizations to meet a gift giving test to qualify for the property tax exemption, the Legislature should enact a gift giving criterion into law.	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.	None



Summary of Tax Preference Review Recommendations

2007 Beef Processors				
Year Enacted	# of Claimants \$ amount	JLARC Recommendation	Comments by Citizen Commission for Performance Measurement of Tax Preferences	Related Legislation as of 2010
JLARC recommendation: Legislature should terminate the tax preference				
Beef Processors / RCW 82.04.4336				
2004 Expired 12/31/2007	6 \$1.1 million	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.	Endorses without comment	Prior to release of the report, two bills (HB 1899, SSB 6055) were introduced during the 2007 session that would have extended the tax preference. Following release of the report, they were not enacted.

