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# Citizen Commission for Performance Measurement of Tax Preferences

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November 14, 2007

**To:** Joint Legislative Audit and Review Committee

**From:** William A. Longbrake, Chair *William A. Longbrake*  
 Citizen Commission for Performance Measurement of Tax Preferences

**Subject:** 2007 Tax Preference Reviews

Thank you for the opportunity to comment on the 2007 Tax Preference Review Preliminary Reports. The Commission endorses the recommendations in the report. Our comments are as follows:

JLARC RECOMMENDATION	COMMISSION POSITION AND ADOPTED COMMENTS	EXPLANATION OF COMMISSION COMMENTS
<p><b>Nonprofit Hospitals</b></p> <p><u>Recommendation 1:</u>                      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.</p> <p><u>Recommendation 2:</u>                      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.</p> <p><u>Recommendation 3:</u>                      The Legislature should clarify which specific services provided by nonprofit hospitals qualify for a property tax exemption.</p>	<p>Endorses with the following additional comments:</p> <p>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>Endorses with the following additional comments:</p> <p>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>Endorses</p>	<p>The Commission intends their comments to be more directive than JLARC staff by stating the Legislature should definitively clarify their intent.</p>

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JLARC RECOMMENDATION	COMMISSION POSITION AND ADOPTED COMMENTS	EXPLANATION OF COMMISSION COMMENTS
<p><b>Nonprofit Nonsectarian Organizations</b></p> <p><u>Recommendation:</u> If the Legislature intended all nonprofit nonsectarian organizations to meet a gift giving test to qualify for the property tax exemption, then the Legislature should enact a gift giving criterion into law.</p>	<p>Endorses with the following additional comments:</p> <p>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><b>Nonprofit Nursing Homes</b></p> <p><u>Recommendation 1:</u> 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.</p> <p><u>Recommendation 2:</u> 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.</p>	<p>Endorses with the following additional comments:</p> <p>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.</p> <p>Endorses with the following additional comments:</p> <p>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>The Commission intends their comments to be more directive than JLARC staff by stating the Legislature should definitively clarify their intent.</p>
<p><b>Nonprofit Orphanages</b></p> <p><u>Recommendation:</u> 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 like other similar nonprofit organizations.</p>	<p>Endorses with the following additional comments:</p> <p>The Commission recommends that nonprofit orphanages continue to qualify for tax exempt status.</p>	<p>The Commission intends to ensure that nonprofit orphanages continue to qualify for tax exempt status.</p>

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JLARC RECOMMENDATION	COMMISSION POSITION AND ADOPTED COMMENTS	EXPLANATION OF COMMISSION COMMENTS
<p><b>Membership Dues and Fees</b>  <u>Recommendation:</u>            The Legislature should clarify which clubs should qualify for the tax preference and provide a simple method to value this deduction.</p>	<p>Endorses</p>	
<p><b>Horse Racing</b>  <u>Recommendation:</u>            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.</p>	<p>Endorses</p>	<p>The Commission agrees the Legislature should clarify the purpose of this preference.</p>
<p><b>Refunded Fuel Tax for Nonhighway Use</b>  <u>Recommendation:</u>            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.</p>	<p>Endorses</p>	
<p><b>Churches, Parsonages, and Convents</b>  <u>Recommendation:</u>            The property tax exemption for churches, parsonages, and convents should be continued.</p>	<p>Endorses</p>	
<p><b>Cemeteries</b>  <u>Recommendation:</u>            The property tax exemption for all privately owned cemeteries should be continued.</p>	<p>Endorses</p>	
<p><b>Household Goods</b>  <u>Recommendation:</u>            The property tax exemption for household goods, furnishings, and personal effects should be continued.</p>	<p>Endorses</p>	<p>The Commission determined that this is a critical part of the structure of the tax system. The Commission stated that this preference should no longer be subject to review.</p>

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<p><b>Refund of Fuel Tax for Exported Fuel</b>  <u>Recommendation:</u>            The motor vehicle fuel tax refunds for exported fuel should be continued.</p>	Endorses	
<p><b>Nonprofit Libraries</b>  <u>Recommendation:</u>            The property tax exemption for nonprofit libraries should continue.</p>	Endorses	
<p><b>Fire Companies</b>  <u>Recommendation:</u>            The property tax exemption for fire companies should continue.</p>	Endorses	
<p><b>Growing Crops</b>  <u>Recommendation:</u>            The Legislature should continue to exclude the value of growing crops from the farmland value.</p>	Endorses	
<p><b>Humane Societies</b>  <u>Recommendation:</u>            The property tax exemption for humane societies should continue.</p>	Endorses	
<p><b>Collections and Museums</b>  <u>Recommendation:</u>            The property tax exemption for collections, museums, and historical societies should continue.</p>	Endorses	
<p><b>Veterans Organizations</b>  <u>Recommendation:</u>            The property tax exemption for war veteran organizations should continue.</p>	Endorses	
<p><b>Nonprofit Youth Organizations</b>  <u>Recommendation:</u>            The property tax exemption for nonprofit youth organizations should continue.</p>	Endorses	
<p><b>Contributions and Donations</b>  <u>Recommendation:</u>            The business and occupation tax deduction for donations and contributions should continue.</p>	Endorses	
<p><b>Boxing and Wrestling Matches</b>  <u>Recommendation:</u>            The business and occupation tax exemption for promoters of boxing, wrestling and martial arts matches should continue.</p>	Endorses	

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JLARC RECOMMENDATION	COMMISSION POSITION AND ADOPTED COMMENTS	EXPLANATION OF COMMISSION COMMENTS
<b>Lost or Destroyed Fuel</b> <u>Recommendation:</u> The refund of fuel taxes for lost or destroyed fuel should be continued.	Endorses	
<b>Historic Auto Museums</b> <u>Recommendation:</u> The retail sales and use tax deferral for historic auto museums should continue.	Endorses	

c: Commission Members  
Ruta Fanning  
Keenan Konopaski  
Gary Benson  
Lizbeth Martin-Mahar  
Cindy Evans