



Citizen Commission for Performance Measurement of Tax Preferences

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To: Members of the Citizen Commission for Performance Measurement of Tax Preferences
From: Keenan Konopaski, Legislative Auditor 
Subject: May 16, 2014 Meeting Focus
Date: May 9, 2014

As with last year, the focus of our May meeting will be setting the 10-year review schedule, with a specific emphasis on those preferences to be reviewed in 2015 by JLARC analysts.

Recall that when setting the 10-year schedule last year, the Commission anticipated focusing efforts each year on specific industry sectors, with 2015 being the year for grouping agriculture preferences.

2015 STUDY CAPACITY

We are now dedicating resources to establishing data collection and study designs for preferences recently changed or created by the Legislature. This new legislation includes statements of public policy intent, which help us better understand what data may be needed to analyze the preferences in the future. However, establishing data collection plans and study designs does have a workload impact. So unlike previous years where we averaged around 22 preference reviews, for planning purposes Commissioners should assume we can review a maximum of 15 in 2015. As we develop a better understanding of the complexity of each preference, we will report back on whether this assumption may be revised.

PROPOSED APPROACH FOR SETTING THE 2015 REVIEW SCHEDULE

At the May meeting, I suggest that Commissioners select 15 preferences for JLARC review. Commissioners may wish to also select five additional preferences to place into an “alternate” list should JLARC staff have the capacity to complete more than 15.

Of the 63 preferences tentatively scheduled for 2015, there are six preferences (non-agricultural) which either expire in two years or come with a legislative expectation for analysis in 2015. Below I list those six preferences.

Six Preferences Due to Expire or With Legislative Expectation for Review

1. Aluminum Smelter Property Taxes (#31): preference will expire in 2017.
2. Aluminum Manufacturing B&O Tax (#32): preference will expire in 2017.
3. Aluminum Smelter Use of Natural Gas Use Tax (#33): preference will expire in 2017.
4. Aluminum Smelter Purchases Sales/Use Tax (#34): preference will expire in 2017.

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5. Interest on Real Estate Loans B&O Tax (#39): reviewed by JLARC in 2011, statute specifically directs a JLARC analysis in 2015.
6. Motion Picture Program Contributions B&O Tax (#42): reviewed by JLARC in 2010 (not formally a tax preference review). The preference expired for one year: when the Legislature reestablished the preference, it incorporated recommendations for improved data collection and incorporated JLARC oversight into the data collection, establishing an expectation for review prior to its expiration in 2017.

Agricultural Preferences, Aluminum Preferences, or Uncategorized Preferences

In addition to the five above, there are a combined 57 additional preferences in the agriculture, aluminum, and uncategorized groups: please see the entire list, which is attached.

At the meeting, JLARC and DOR staff will be available to address questions you may have on preferences under consideration for review. As with previous years, we may need additional time to research answers.

MEETING MATERIALS

Below are links to a number of items. The first link is to the agenda, with additional items following the order of the agenda. Because there are so many items, I've provided a brief description of each and its purpose.

- [**Meeting agenda**](#).
- [**October 18, 2013 meeting minutes**](#): for approval at the May meeting.

Materials Related to 2014 Tax Preference Reviews

- [**2014 Expedited Tax Preference Report**](#): at the August meeting, we will present the 2014 preferences reviewed in-depth by JLARC. This Expedited Tax Preference Report contains the remaining preferences on the 2014 review schedule. Expedited reviews are items that did not receive a JLARC evaluation, but can still be subject to review and comment by the Commission this year. JLARC and DOR staff will be available at the May meeting to answer any questions you may have on the 2014 expedited reviews. Recall that last year Commissioners discussed "flagging" expedited preferences in May where they may want to provide comments in October.

Materials Related to 2015 Tax Preference Review Schedule

- [**2015 Preferences for Review, divided between Agriculture, Aluminum, and "Uncategorized"**](#): this is the list of suggested preferences for review in 2015.
- [**2015 Preview Document**](#): this is the document that contains information from DOR about the preferences currently on the 2015 list.
- [**2015-2024 Draft Ten-Year Review Schedule**](#): along with preferences for 2015, this provides the additional nine years for the required ten-year schedule.

Finally, you'll note that there are no links to items related to the "Staff Reports" agenda item: any materials related to these items will be provided at the meeting.