



# Citizen Commission for Performance Measurement of Tax Preferences

**William A. Longbrake, Chair**  
Board of Directors, BECU

**Lily Kahng, Vice Chair**  
Seattle University Law School

**Ronald Bueing**  
PricewaterhouseCoopers

**Dr. Grant D. Forsyth**  
Avista Corp

**Stephen B. Miller**  
Washington Education Association

**NON-VOTING MEMBERS:**

**Senator John Braun**  
Chair, Joint Legislative Audit  
and Review Committee

**Troy Kelley**  
State Auditor

---

To: Members of the Citizen Commission for Performance Measurement of Tax Preferences  
From: Keenan Konopaski, Legislative Auditor  
Subject: August 14 Commission Meeting Focus  
Date: August 5, 2015

---

As with previous years, the focus of our August meeting will be JLARC staff's presentation of the 2015 Tax Preference Review report.

Before the presentation we have a number of issues to discuss: these are outlined below.

### **Public Testimony Questions**

At the May meeting commissioners directed JLARC staff to update the list of public testimony questions used last year. Below you will find a link to the questions. On approval, JLARC staff will post the list to the Commission's website.

### **Public Testimony on 2015 Expedited Preferences**

At the May meeting commissioners discussed a desire to identify expedited preferences where commissioners specifically seek public testimony at the September meeting. This is similar to last year.

Below is a link to the expedited report to assist you in determining whether you wish to solicit testimony for specific preferences. After the meeting, JLARC staff will post on the Commission's website a list of any identified preferences.

### **2015 Sessions Update**

JLARC staff prepared information summarizing tax preference legislation from the 2015 legislative sessions. Below is a link to a summary of added/amended/expired preferences. JLARC staff are preparing an update to the "scorecard." However because of the special sessions, it will not be available until September.

In addition, decisions by the Legislature impacted the 2016 review schedule. Linked below is the schedule adopted by the Commission in May that notes impacts.

# Citizen Commission for Performance Measurement of Tax Preferences

August 5, 2015

Page 2

## Potential Key Issues for the Future

At the May meeting commissioners began a discussion of how the Commission might want to approach the beginning of the next ten year cycle. Recall that with the 2016 reviews, we will have completed ten years of reviews.

In May, JLARC staff shared with commissioners a draft issues paper as a stimulus to conversation. Below is a link to an updated version of that paper based on input from commissioners. The Commission decided to finalize the issues at the August meeting and seek stakeholder testimony on them at the September meeting.

## 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.

- [Meeting agenda](#)
- [May 22, 2015 meeting minutes](#)
- [Public testimony questions](#)
- [Link to the 2015 Expedited Tax Preference Report](#)
- [2016 review schedule](#)
- [Summary of 2015 sessions legislative changes to tax preferences](#)
- [Key issues paper](#)
- 2015 Tax Preference Performance Reviews: [Preliminary Report](#)

In addition to these items, at the May meeting commissioners asked DOR to provide information on two issues: background on the PUT deduction for shipping farm products to port; and DOR's confidentiality practice for displaying summarized taxpayer information. [Linked](#) are DOR's responses.

In summary,

### *PUT Deduction for Shipping Farm Products to Port*

The preference arose from an audit in the 1960's of a trucking company shipping products to barges on the Columbia River for shipment to the port. The Department of Revenue, the Department of Agriculture and the Utilities & Transportation Commission met and decided the PUT exemption in RCW 82.16.050 should apply to these types of hauls. The Department of Revenue revisited this practice in 2006 and determined it lacked statutory authority, and the Legislature codified the practice in 2007.

### *DOR Confidentiality Practice for Summarized Taxpayer Information*

Unless otherwise permitted in law, most data from taxpayer records is considered confidential information. Summarized information from groups of taxpayers, however, can often be published if it does not identify information for any specific taxpayer. To accomplish this, DOR does not disclose summarized data if it contains information on fewer than three firms. While this practice is not in statute for excise tax information in general, it is in statute for certain tax preferences with special reporting

## Citizen Commission for Performance Measurement of Tax Preferences

August 5, 2015

Page 3

requirements. The reasoning for the practice is that it ensures no one taxpayer can look at aggregated data and determine the reporting of any other single taxpayer.

During the meeting on May 22, 2015, a policy of not disclosing summarized data if any one taxpayer represented more than 97% of the total was also discussed. This is not provided for in statute and is not a current DOR practice. DOR is not aware of the source of this information and can only speculate that this may have been a practice more than 20 years ago.