

## Citizen Commission for Performance Measurement of Tax Preferences

### Draft Consolidated Commissioner Comments on 2018 Preferences

#### Chair's Note:

For each reviewed preference I have tried to consolidate comments into a single line titled "Chair's Reconciliation Proposal." As was discussed in our last meeting, the goal is for the voting commissioners to speak with "one voice" on each of the reviewed preferences. However, depending on the variation in comments, reaching that single voice can be difficult. Therefore, my reconciliation proposal is color coded to indicate the degree of unity I perceive across commissioner recommendations. Green means I perceive little or no deviation in commissioner recommendations. Yellow means I perceive one to two commissioners have expressed a moderate deviation from the majority, but the differences are not insurmountable to reaching a one voice opinion. Red means I perceive that one to two commissioners have expressed a significant deviation from the majority, and reaching a one voice opinion will be impossible without significant compromises. The table below is a summary of the Green, Yellow, and Red preferences:

Color	Preferences
Green	Aircraft for Air Ambulances; Custom Farming and Hauling Farm Products; Multifamily Housing in Mason County
Yellow	Corporate Headquarters Investment Projects; Investment Projects in High Unemployment Counties and Community Empowerment Zones; Nonprofit or Library Fundraising
Red	None

Please note that where a comment is part of the reconciliation proposal, I have included the initials of commissioners whose comments were used (in part or full) for the proposed reconciliation comment.

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Name	Possible Comment	Rationale for comment
<p>1. <a href="#">Aircraft for Air Ambulances (Aircraft Excise Tax, Property Tax)</a></p> <p>Legislative Auditor recommendation: Continue and clarify (structural purpose)                      The Legislature should continue and clarify the two preferences to:</p> <ul style="list-style-type: none"> <li>• Add performance statements that specify public policy objectives.</li> <li>• Eliminate the January 1, 2020 expiration date so they continue to offer potential tax relief if providers qualify in the future.</li> </ul>		
<b>Chair's Reconciliation Proposal</b>	Endorse without comment.	
<b>Grant Forsyth</b>	Endorse without comment.	
<b>Diane Lourdes Dick</b>	Endorse without comment.	
<b>Andi Nofziger-Meadows</b>	Endorse without comment.	
<b>Ron Bueing</b>	Endorse without comment.	
<b>Justin Marlowe</b>	Endorse without comment.	

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Name	Possible Comment	Rationale for comment
<p>2. <a href="#">Corporate Headquarters Investment Projects (Sales and Use Tax)</a></p>		
<p><b>Legislative Auditor recommendation: Allow to expire and consider other strategies</b>                      The Legislature should allow the preference to expire if no business has applied for the incentive by December 31, 2020. The Legislature may want to consider other strategies beyond tax incentives if it wants to attract businesses to CEZs.</p>		
<p><b>Chair's Reconciliation Proposal</b></p>	<p>Endorse with comment.</p>	<p>The Legislature should clarify the public policy objectives and performance metrics in the event a business applies for the incentive before it is set to expire. In the event the exemption is used in the next two years and does not expire, it would be helpful to have clearly stated policy objectives and performance metrics for future review (ANM).</p>
<p><b>Grant Forsyth</b></p>	<p>Endorse without comment.</p>	
<p><b>Diane Lourdes Dick</b></p>	<p>Endorse without comment.</p>	
<p><b>Andi Nofziger-Meadows</b></p>	<p>Endorse Auditor recommendation with additional comment. The Legislature should clarify the public policy objectives and performance metrics in the event a business applies for the incentive before it is set to expire.</p>	<p>In the event the exemption is used in the next two years and does not expire, it would be helpful to have clearly stated policy objectives and performance metrics for future review.</p>
<p><b>Ron Bueing</b></p>	<p>Endorse without comment.</p>	
<p><b>Justin Marlowe</b></p>	<p>Endorse without comment.</p>	

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<p>3. <a href="#">Custom Farming and Hauling Farm Products (B&amp;O Tax, Public Utility Tax)</a></p> <p>Legislative Auditor recommendation: Continue and clarify (structural purpose)                      The Legislature should continue and clarify the two preferences to:</p> <ul style="list-style-type: none"> <li>• Eliminate the expiration date -- preferences appear to address a structural tax issue.</li> <li>• Add performance statements that specify public policy objectives.</li> </ul>		
<b>Chair's Reconciliation Proposal</b>	Endorse without comment.	
<b>Grant Forsyth</b>	Endorse without comment.	
<b>Diane Lourdes Dick</b>	Endorse without comment.	
<b>Andi Nofziger-Meadows</b>	Endorse without comment.	
<b>Ron Bueing</b>	Endorse without comment.	
<b>Justin Marlowe</b>	Endorse without comment.	

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<b>4. <a href="#">Government-Funded Behavioral Health Services (B&amp;O Tax)</a></b>		
<b>Legislative Auditor recommendation: Determine whether to continue (policy decision)</b> If the Legislature wants to continue the tax deduction for government-funded behavioral health care, it will need to take action. Otherwise, behavioral health will be treated the same as physical health services and providers will pay B&O taxes beginning in 2020.		
<b>Chair's Reconciliation Proposal</b>	Continue with comment.	Supports mental health services that can prevent more serious and costly health issues. (GF)
<b>Grant Forsyth</b>	Recommend to legislature to continue.	Supports mental health services that can prevent more serious and costly health issues.
<b>Diane Lourdes Dick</b>	Endorse without comment.	
<b>Andi Nofziger-Meadows</b>	Endorse without comment.	
<b>Ron Bueing</b>	Continue.	
<b>Justin Marlowe</b>	Endorse without comment.	

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<p>5. <a href="#">Investment Projects in High Unemployment Counties and Community Empowerment Zones (Sales and Use Tax)</a></p>		
<p><b>Legislative Auditor recommendation: Review sufficiency of outcomes and add metrics</b></p> <ul style="list-style-type: none"> <li>• While businesses are using the preference in a few distressed areas, it is unclear if the amount of new jobs created or potential impact on poverty rates meets legislative expectations.</li> <li>• The Legislature should consider adding metrics to reflect its expectations for job creation and poverty reduction.</li> </ul>		
<p><b>Chair's Reconciliation Proposal</b></p>	<p>Endorse with comment.</p>	<p>Metrics should be designed to capture not only the impact of the preference across all applicable counties and community empowerment zones, but also within each county and community empowerment zone. If the preference is creating new jobs or otherwise having a positive economic impact on one county or zone, then it may be worth maintaining. Specific to metrics, In many rural counties the unemployment rate is based on very small sample sizes. Therefore, the unemployment rate may be an incomplete indicator of economic distress. (DLD, GF)</p>
<p><b>Grant Forsyth</b></p>	<p>Endorse with comment.</p>	<p>In many rural counties the unemployment rate is based on very small sample sizes. Therefore, the unemployment rate may be an incomplete indicator of economic distress.</p>
<p><b>Diane Lourdes Dick</b></p>	<p>Endorse Legislative Auditor recommendation with additional comment. Metrics should be designed to capture not only the impact of the preference across all applicable counties and community empowerment zones, but also within each county and community empowerment zone.</p>	<p>If the preference is creating new jobs or otherwise having a positive economic impact on one county or zone, then it may be worth maintaining.</p>
<p><b>Ron Bueing</b></p>	<p>Endorse without comment.</p>	

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<b>Andi Nofziger-Meadows</b>	Endorse without comment.	
<b>Justin Marlowe</b>	Endorse without comment.	

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Name	Possible Comment	Rationale for comment
<p>6. <a href="#">Multifamily Housing in Mason County (Property Tax)</a></p>		
<p><b>Legislative Auditor recommendation: Allow to expire and consider other strategies</b></p> <p>The preference has not stimulated construction of any new housing in the residential targeted areas of Mason County. While the preference has no official expiration date, no new applications may be approved after January 1, 2020. An upcoming 2019 JLARC review of a related preference may provide information to improve the incentive.</p>		
<p><b>Chair's Reconciliation Proposal</b></p>	<p>Endorse without comment.</p>	
<p><b>Grant Forsyth</b></p>	<p>Endorse without comment.</p>	
<p><b>Diane Lourdes Dick</b></p>	<p>Endorse without comment.</p>	
<p><b>Andi Nofziger-Meadows</b></p>	<p>Endorse without comment.</p>	
<p><b>Ron Bueing</b></p>	<p>Endorse without comment.</p>	
<p><b>Justin Marlowe</b></p>		

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<p>7. <a href="#">Nonprofit or Library Fundraising (Use Tax)</a></p>		
<p><b>Legislative Auditor recommendation:</b> Continue and clarify (structural purpose)</p> <p>The preference is achieving its objective to provide tax relief. The Legislature should consider:</p> <ul style="list-style-type: none"> <li>• Making the preference permanent (currently expires July 1, 2020).</li> <li>• Adding a mechanism to allow the exempt value to increase over time.</li> <li>• Recategorizing the preference as one intended to provide tax relief to certain individuals.</li> </ul>		
<p><b>Chair's Reconciliation Proposal</b></p>	<p>Endorse with comment</p>	<p>This is an important preference, not only from a policy perspective, but also from an administrative efficiency perspective. The legislative auditor restates the objective of the preference as providing tax relief to individuals who purchase or win items at qualifying fundraising events. However, while this is the direct effect of the preference, it is unlikely the true objective or purpose of the preference despite the tax performance statement. This exemption coupled with RCW 82.08.02573 avoids the requirement that would otherwise be placed on libraries and nonprofit organizations (hereinafter referred to collectively as "nonprofits") to collect retail sales or use tax from donors that purchased or won such items in connection the fundraising conducted by nonprofits. While donors do receive a tax benefit, this preference primarily benefits nonprofits in two separate ways. One it allows nonprofits to avoid the administrative burdens associated with collecting and reporting use tax at fundraising events. Two, it avoids decreased donations from donors who would otherwise likely reduce the amount of their auction bids in order to pay the 8-10% use tax due on the donation/bid. The Citizens Commission would have the legislature recognize the true beneficiaries of the preference and categorize the preference as one intended primarily to provide administrative relief and benefit to nonprofit organizations. (DLD, RB)</p>
<p><b>Grant Forsyth</b></p>	<p>Endorse comment with one cautionary note.</p>	<p>Legislature should be careful about indexing tax preferences to consumer inflation. Escalating tax preferences by inflation indexes may create unintended revenue losses.</p>

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<p><b>Diane Lourdes Dick</b></p>	<p>Endorse Legislative Auditor recommendation with additional comment. This is an important preference, not only from a policy perspective, but also from an administrative efficiency perspective.</p>	
<p><b>Andi Nofziger-Meadows</b></p>	<p>Endorse without comment.</p>	
<p><b>Ron Bueing</b></p>	<p>Endorse Legislative Auditor Recommendation with comment.</p>	<p>The legislative auditor restates the objective of the preference as providing tax relief to individuals who purchase or win items at qualifying fundraising events. However, while this is the direct effect of the preference, it is unlikely the true objective or purpose of the preference despite the tax performance statement. This exemption coupled with RCW 82.08.02573 avoids the requirement that would otherwise be placed on libraries and nonprofit organizations (hereinafter referred to collectively as “nonprofits”) to collect retail sales or use tax from donors that purchased or won such items in connection the fundraising conducted by nonprofits. While donors do receive a tax benefit, this preference primarily benefits nonprofits in two separate ways. One it allows nonprofits to avoid the administrative burdens associated with collecting and reporting use tax at fundraising events. Two, it avoids decreased donations from donors who would otherwise likely reduce the amount of their auction bids in order to pay the 8-10% use tax due on the donation/bid. The Citizens Commission would have the legislature recognize the true beneficiaries of the preference and categorize the preference as one intended primarily to provide administrative relief and benefit to nonprofit organizations.</p>
<p><b>Justin Marlowe</b></p>		