

# Summary of Legislative Actions Regarding Tax Preferences: 2018 Legislative Sessions

The tables on the following pages summarize legislative actions during the 2018 sessions related to tax preferences.

The tables include information on:

- New tax preferences (3)
- Preferences that were expanded or extended (4)
- Preferences that were changed AND were previously reviewed by JLARC (4)
- Preferences that were repealed or allowed to expire (3)

Of note, the Legislature modified a tax preference related to wood biomass fuel manufacturing that JLARC staff reviewed and found was not being used.

In addition, the Legislature considered, but did not pass, two bills that would have had significant impacts on JLARC's tax preference work. The bills would have:

- Created a biennial tax expenditure budget for all discretionary state tax expenditures, and modified JLARC's tax preference reviews to include several new required analyses.
- Required JLARC to report the overall effective tax rate of industry groups and to calculate the effect of tax preferences on regions of the state and on personal income, where applicable.

## 2018 Tax Preference Legislation

Bill Number	Preference Name	Performance Statement / Specific JLARC Assignment	Expiration Date
<b>New Preferences</b>			
<a href="#">EHB 2444</a>	<p><b>Low Income Housing Transfers</b></p> <p>REET exemption for certain transfers of qualified low-income housing developments</p>	<p>*No PPO stated</p> <p>*Effectiveness of the tax preference in lowering costs for beneficiaries and maintaining the use of the property for low-income housing in 2033</p>	Does not apply to transfers after 7/01/2035
<a href="#">SHB 2448</a>	<p><b>Developmentally Disabled Housing Transfers</b></p> <p>REET exemption for certain transfers of residential property by developmentally disabled people or their representatives to a qualified entity</p>	<p>*Reduce the tax burden on individuals and businesses imposed by the existing REET</p> <p>*JLARC to measure whether Increase of residential property transfers by parents of a person with developmental disabilities to qualified entities</p>	None noted; 10-year expiration per RCW 82.32.805
<a href="#">SHB 2998</a>	<p><b>Accountable Communities of Health</b></p> <p>B&amp;O deduction for delivery system reform incentive payments received by accountable communities of health entities</p>	<p>*Remedy inconsistencies in the tax structure by allowing accountable communities of health to deduct certain funds to ensure similar treatment to other nonprofit or public-private health care organizations.</p> <p>*None</p>	Specifically exempted from RCW 82.32.805
<b>Extended and/or Expanded Current Tax Preferences</b>			
<a href="#">ESHB 2580, sec 4 &amp; 6</a>	<p><b>Biogas Producing Equipment</b></p> <p>Broadens and expands sales and use tax exemption to include new types of digester activity and different types of organic materials</p>	<p>*Increase the production of renewable natural gas in Washington</p> <p>*Evaluate number of public and private landfills and digesters producing renewable natural gas and the extent that they use the preference</p>	None noted; 10-year expiration per RCW 82.32.805
<a href="#">ESHB 2580, sec 8</a>	<p><b>Biogas Producing Facilities</b></p> <p>Narrows the current property tax exemption for buildings, machinery and equipment, and personal property to only apply to operators of anaerobic digesters, but expands its definition</p>	<p>*Increase the production of renewable natural gas in Washington</p> <p>*Evaluate number of public and private landfills and digesters producing renewable natural gas and the extent that they use the preference</p>	12/31/2024

<a href="#">ESHB 2580, sec 2</a>	<b>Biogas Producing Facilities</b> Narrows the current leasehold excise tax exemption for buildings, machinery and equipment, and personal property to only apply to operators of anaerobic digesters, but expands its definition	*Increase the production of renewable natural gas in Washington *Evaluate number of public and private landfills and digesters producing renewable natural gas and the extent that they use the preference	12/31/2024
<a href="#">ESSB 5143</a>	<b>Nonprofit Low-Income Housing Development</b> Expands the property tax exemption for low-income housing developed by nonprofit entities to apply to land to be leased for life	*Expand the ability of nonprofit low-income housing developers to provide homeownership opportunities for low-income households *Assess whether program spending, expenses, or the percentage of a nonprofit's revenues dedicated to the development of affordable housing has increased	1/1/2028
<b>Preferences Previously Reviewed by JLARC</b>			
<a href="#">2SHB 2269</a>	<b>Adaptive Automotive Equipment</b> Extends expiration date for sales and use tax exemption for adaptive auto equipment for disabled vets and active duty service members	*Provide specific financial relief for severely injured veterans and ameliorate a negative consequence of Washington's tax structure *The dollar amount of qualifying add-on automotive adaptive equipment purchases, and the number of approved applications for add-on automotive adaptive equipment	7/1/2028
<a href="#">ESHB 2580, sec. 3</a>	<b>Wood Biomass Fuel</b> Broadens the definition of wood biomass fuel that qualifies for the preferential manufacturing B&O tax rate	*No PPO stated *No specific JLARC assignment	None noted; 10-year expiration per RCW 82.32.805
<a href="#">ESHB 2580, sec 5 &amp; 7</a>	<b>Renewable Energy Machinery</b> Narrows the current sales and use tax exemption to no longer cover machinery and equipment purchased to produce electricity from either anaerobic digestion or landfill gases	*No PPO stated *No specific JLARC assignment	1/1/2020

<a href="#">SB 6007</a>	<p><b>Electricity for Electrolytic Firms</b></p> <p>Extends the PUT exemption for electrolytic processing companies</p>	<p>*To maintain the industry competitiveness of electrolytic processing businesses and enable them to continue to provide family-wage jobs</p> <p>*JLARC to review electricity costs, family wage job preservation and make recommendations to improve the preference if neither of these have been achieved</p>	7/1/2029
<b>Expiring Tax Preferences</b>			
	<b>Clean Alternative Fuel Vehicles</b>	Reviewed in 2017	6/1/2018
	<b>Solar Energy Machinery and Equipment</b>	Reviewed in 2016	6/30/2018
	<b>Sales of Manufactured and Mobile Home Communities</b>	Reviewed in 2017	12/31/2018
<b>Tax Preference Related - Does Not Impact Review Work</b>			
<a href="#">SHB 2424</a>	<p><b>Self Produced Fuel</b></p> <p>Corrects the effective date for new use tax rate for refinery fuel gas under 82.12.0203</p>	No	None
<a href="#">SHB 2597</a>	<p><b>Senior and Disabled Person Property Taxes</b></p> <p>Extends state property tax exemptions for senior citizen and disabled persons' residences to local regular property taxes</p>	Not subject to JLARC review	None