



Citizen Commission for Performance Measurement of Tax Preferences

William A. Longbrake, Chair
Governor's Council of Economic Advisors

Lily Kahng, Vice Chair
Seattle University Law School

James Bobst
Pacific Fibre Products

Stephen Miller
Washington Education Association

Paul Guppy
Washington Policy Center

Rep. Troy Kelley
Chair, Joint Legislative Audit
and Review Committee

Brian Sonntag
State Auditor

Citizen Commission for Performance Measurement of Tax Preferences Meeting Minutes

May 20, 2011

John A. Cherberg Bldg.,
Senate Hearing Rm. 3
Olympia, WA

Members Present:

William A. Longbrake
James Bobst
Stephen Miller

Lily Kahng
Paul Guppy

Members Absent:

Rep. Troy Kelley

Brian Sonntag

Staff:

Keenan Konopaski
Mary Welsh
Dana Lynn
Cindy Evans
Lisa Hennessy

John Woolley
Curt Rogers
Peter Heineccius
Suzanne Kelly
John Bowden

WELCOME / INTRODUCTIONS

Commission Chair Bill Longbrake welcomed those in attendance and called the meeting to order at 2:05 p.m.

APPROVAL OF MEETING MINUTES

MOTION: A motion was made to approve the October 15, 2010, meeting minutes.

The motion was seconded and carried.

OTHER BUSINESS

Chair Longbrake recognized Legislative Auditor, Keenan Konopaski, who is new to the position since the Commission's last meeting in October.

Chair Longbrake recognized outgoing JLARC Chair, Rep. Troy Kelley.

MOTION: A motion was made recognizing Rep. Kelley and thanking him for his service to the Commission.

The motion was seconded and carried.

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The Commission discussed changing the dates of the August and October, 2011, meetings, as some Members are not available for those currently scheduled.

MOTION: A motion was made to reschedule the August, 2011, meeting from August 19 to August 15, and to reschedule the October, 2011, meeting from October 14 to October 11.

The motion was seconded and carried.

Chair Longbrake reported that he had recently met with the Editorial Board of the Kitsap Sun (Bremerton) regarding the Commission's work. He also made available an article from The Seattle Times regarding the "chicken-bedding" tax exemption that mentioned the Commission.

STAFF REPORTS

Keenan Konopaski introduced Deputy Legislative Auditor, John Woolley, also new to the position since the Commission's last meeting.

John Woolley briefed the Commission on bills that had passed to date in the 2011 Legislative Session with impacts for tax preference reviews. There is one bill implementing Task Force on Tax Preference Reform recommendations; four bills adding tax preferences; and two bills impacting 2011 tax preference reviews. In addition there was a bill introduced to change the two-thirds vote threshold required for terminating a tax preference, but this bill had not passed the Legislature.

ADJUSTMENTS TO THE 2011 REVIEW SCHEDULE

Keenan Konopaski presented adjustments to the 2011 Tax Preference Review Schedule. The Commission discussed the adjustments.

MOTION: A motion was made to adopt changes to the 2011 Tax Preference Review Schedule:

- move the International Banking Facilities preference to an Expedited Light review,
- move the Motion Picture preference to an Expedited Light review, and
- move the Limited Income Property Tax Deferral to a Full review.

The motion was seconded and carried.

2011 EXPEDITED LIGHT REPORT AND ADDITIONAL INFORMATION ON SELECTED TAX PREFERENCES

Keenan Konopaski gave the Commission an overview of the 2011 Expedited Light Tax Preference Report and the additional information requested by the Commission and provided by the Department of Revenue (DOR). The Commission discussed 2011 Expedited Light Tax Preferences and the information provided by DOR. DOR representative, Gary Grossmann, was present to answer questions.

Keenan Konopaski mentioned that the Commission has the option to adopt comments on the Expedited Light Report along with the Expedited and Full Tax Preference Reports.

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2012 LIST OF REVIEWS

Keenan Konopaski, John Woolley, and Mary Welsh discussed possible revisions to the 10-Year Review Schedule in light of new legislation (SB 5044), and provided information about the preferences scheduled for review in 2012. Mary Welsh explained that SB 5044 provides for changes to the tax preference review process. The new law gives the Commission greater flexibility in selecting preferences to be reviewed, such as grouping preferences by industry type, economic sector, or policy area. It also gives JLARC staff greater flexibility in selecting questions to answer in tax preference reviews.

The Commission discussed various aspects of SB 5044, including using an economic model developed by the Office of Financial Management (OFM) for addressing a new question regarding economic development incentives. Lorrie Brown and Ta-Win Lin, from OFM, were present to answer questions pertaining to their model.

Mary Welsh presented a list of 59 tax preferences proposed by JLARC for review in 2012. She also presented a preview of these preferences using DOR Exemption Study information. Ms. Welsh indicated that JLARC has the capacity to evaluate 22 of the 59 tax preferences; reviews by the Commission of the remaining preferences would be based solely on DOR information. Any additions made by the Commission to the list of 22 suggested by the JLARC staff would require removing another preference from the list, so that the total number of preferences evaluated by JLARC does not exceed 22.

Ms. Welsh offered next steps for the Commission in developing the 2012 Review Schedule: 1) consider the 2012 schedule as proposed; 2) submit any requests for more information from DOR by May 31 (JLARC will forward requests to DOR), as well as proposed revisions to the schedule; 3) an opportunity to ask questions of DOR at the August 15 meeting; and 4) approve the 2012 10-Year Review Schedule at the September 23 meeting.

The Commission discussed the list of tax preferences for review in 2012. The Commission agreed to consider the list as proposed by JLARC staff, and submit any requests for additional information and/or proposed revisions to JLARC by May 31.

PUBLIC COMMENT

Dick Nelson provided public comment pertaining to the review of tax preferences.

With no further public comment or Commission discussion, the meeting was adjourned at 3:45 p.m.