

# 2010 EXPEDITED LIGHT TAX PREFERENCE PERFORMANCE REVIEWS

## SCOPE AND OBJECTIVES

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STATE OF WASHINGTON  
JOINT LEGISLATIVE AUDIT AND  
REVIEW COMMITTEE

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## Why a JLARC Study of Tax Preferences?

Engrossed House Bill 1069 (2006) established the Citizen Commission for Performance Measurement of Tax Preferences and directed it to develop a schedule for periodic review of the state's tax preferences. The bill also directed the Joint Legislative Audit and Review Committee (JLARC) to conduct the periodic reviews.

## Background

Tax preferences are exemptions, exclusions, or deductions from the base of a state tax; a credit against a state tax; a deferral of a state tax; or a preferential state tax rate. The state has more than 580 tax preferences.

Recognizing the need to assess the effectiveness of these tax preferences in meeting their intended objectives, and an orderly process to do so, the Legislature established the Citizen Commission for Performance Measurement of Tax Preferences. The role of the Commission is to develop a schedule for the performance review of all tax preferences at least once every ten years. The ten-year schedule is to be revised annually.

Omitted from review are several categories of tax preferences identified by statute (e.g., tax preferences required by constitutional law). Any tax preference that the Commission determines is a critical part of the structure of the tax system may also be omitted.

The Commission has identified three categories of review, based on each tax preference's estimated biennial fiscal impact:

1. Full reviews (over \$10 million)
2. Expedited reviews (between \$2 million and \$10 million)
3. Expedited light reviews (less than \$2 million)

This document identifies the scope and objectives for the third category: expedited light tax preference reviews. JLARC is to review tax preferences according to the schedule developed by the Commission, and consistent with guidelines set forth in statute.

## Expedited Light Study Scope

This review will summarize information provided in the Department of Revenue's "Tax Exemptions 2009" report. Given the information in this study, the JLARC review will summarize each tax preference's purpose, primary beneficiaries, and taxpayer savings. No JLARC staff recommendations will be made for these tax preferences.

For 2010, the following tax preferences are subject to the expedited light process:

Brief Description	RCW Citation	Year Enacted
1. Accommodation sales	82.04.425	1955
2. Driver training vehicles	82.12.0264	1955
3. Fuel used in urban transportation	82.36.275; 82.38.080	1957
4. Ship under construction	84.36.079	1959
5. Goods in transit	84.36.300	1961

## Expedited Light Study Scope (cont'd.)

Brief Description	RCW Citation	Year Enacted
6. Purchases by residents of Alaska & Hawaii	82.08.0269	1961
7. Expenditures for watershed & flood protection	82.08.0271; 82.12.930	1963
8. Agricultural fairs	82.04.335	1965
9. Sand and gravel for local road construction	82.04.415	1965
10. Water cooperatives	84.36.250	1965
11. Semen for artificial insemination	82.08.0272; 82.12.0267	1965
12. Form lumber	82.08.0274; 82.12.0268	1965
13. Pollution control facilities	82.04.427; 82.34.060(2)	1967
14. Processors of dry peas	82.04.260(2)	1967
15. Sales of fuel to foreign governments	82.36.245	1967
16. Credit for pollution control facilities	82.16.045	1967
17. Transit deduction for Metro	35.58.560	1967
18. Credit for tax paid on pollution control facilities	82.34.050(2)	1967
19. Pollen	82.08.0277; 82.12.0273	1967
20. Interest on agricultural loans	82.04.4294	1970
21. Intergovernmental charges	82.04.4291	1970
22. Sheltered workshops	82.04.385	1970
23. REET – No change beneficial owner	82.45.010(3)(o)	1970
24. Annexation sales	82.08.0278; 82.12.0274	1970
25. Christmas trees and cottonwoods	84.33.170	1971
26. Timber	84.33.040	1971
27. Litter tax; agricultural products	82.19.050(2)	1971
28. Forest land compensating tax exemptions	84.33.140(13,14)	1971
29. Nursery stock	84.40.220	1971
30. Home improvements	84.36.400	1972
31. Destroyed property	84.70.010	1974
32. Returnable containers	82.08.0282; 82.12.0276	1974
33. Certified aircraft repair firms	82.04.250(3)	2003
34. Energy efficient equipment	82.04.4493	2008
35. Gas pumps – power outages	82.04.4491	2008
36. Internet newspaper advertising	82.04.214; 82.04.280(1)	2008
37. Anaerobic digesters	84.36.635; 82.29A.135	2008
38. Aluminum smelter digital goods	82.08.805; 82.12.805	2009

## Timeframe for the Study

A preliminary audit report will be presented at the July 2010 JLARC meeting and at the August 2010 meeting of the Commission. A final report will be presented to JLARC in November 2010.

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## Tax Preference Review Process

