

**2011  
EXPEDITED  
TAX PREFERENCE  
PERFORMANCE  
REVIEWS**

**SCOPE AND OBJECTIVES**

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STATE OF WASHINGTON  
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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 590 tax preferences.

Recognizing the need to assess the effectiveness of these tax preferences in meeting their intended objectives through an orderly process, the Legislature established the Citizen Commission for Performance Measurement of Tax Preferences. The Commission's role 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 (generally between \$2 million and \$10 million)
3. Expedited light reviews (generally less than \$2 million)

This document identifies the scope and objectives for the second category: expedited 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. For the expedited tax preferences JLARC is to provide recommendations to (1) continue, (2) modify, (3) add an expiration date and conduct another review prior to the expiration date, or (4) terminate the preference. JLARC may also recommend accountability standards for future reviews of tax preferences.

## Expedited Study Scope

The following tax preferences were recommended by the Citizen Commission as being subject to an expedited review :

Brief Description	RCW Citation	Year Enacted
1. Municipal sewer charges	82.04.432	1967
2. Interest on government obligations	82.04.4293	1970
3. Sheltered workshops	84.36.350	1970

## Expedited Study Scope (cont'd.)

Brief Description	RCW Citation	Year Enacted
4. Blood, bone & tissue banks	84.36.035	1971
5. Church camps	84.36.030(2)	1971
6. Display items for trade shows	82.12.0272	1971
7. Open space compensating tax exemptions	84.34.108(6)	1973
8. Day care centers	84.36.040(1)(a)	1973
9. Hospital laundry services	82.04.050(2)(a)	1973
10. Hog fuel sales to produce electricity	82.08.956; 82.12.956	2009

## Expedited Study Objectives

In response to the legislative directive, the study will answer, for each tax preference, the following questions:

### Public Policy Objectives:

1. What are the public policy objectives that provide a justification for the tax preference? Is the purpose or intent of the tax preference clear?
2. Is there any readily available evidence related to the achievement of any of these public policy objectives?

### Beneficiaries:

3. Who are the entities whose state and/or local tax liabilities are directly affected by the tax preference?

### Revenue and Economic Impacts:

4. What are the past and future tax revenue impacts of the tax preference to the taxpayer and to the government if it is continued?

## Timeframe for the Study

A preliminary audit report will be presented at the July 2011 JLARC meeting and at the August 2011 meeting of the Commission. A final report will be presented to JLARC in November 2011.

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## Tax Preference Review Process

