Are there factors with respect to previously reviewed preferences that should be considered in determining the review schedule?

For example:

- Preferences previously reviewed by JLARC staff where there is no substantive change and with no subsequent legislative action.
- Preferences recommended to continue for administrative or structural reasons, such as avoiding double-taxation.
- Preferences recommended for continuation by both JLARC staff and the Commission.
- Preferences with no data to evaluate performance metrics, regardless of whether they are implied or stated.
- Preferences that are not being used.

SUMMARY:

All preferences are required to be reviewed at least once every ten years.

The Commission has discretion to decide which preferences will undergo a full review by JLARC staff. Those that don't receive a JLARC evaluation will instead be subject to the Commission's expedited review process.

Full reviews are evaluated by the JLARC staff, and receive an audit recommendation to continue, terminate, allow to expire, or review/clarify. Expedited reviews do not receive a performance evaluation by JLARC staff. For these reviews, the Commission relies on descriptive information from the Department of Revenue and solicits public testimony.

Not reevaluating previously reviewed preferences may allow for a more efficient use of JLARC staff, such as attempting more extensive analysis on preferences intended to achieve a behavioral change or economic outcome.

WHY IS THIS AN ISSUE?

At the conclusion of first ten years of tax preference reviews, JLARC staff will have reviewed approximately 240 preferences.

The Commission will need to decide which of these to review again starting in 2017.

Substantial research has already been conducted for these 240 preferences. While conditions for many of them may merit an updated review, the previous research could still be valid for others. If prior research is likely still relevant, relying on this research in lieu of another full JLARC review could allow the Commission to focus JLARC's limited resources on other areas.

If a preference is <u>not</u> re-evaluated by JLARC staff, this does not necessarily exclude the preference from further discussion by the Commission. However, there would not be an update to the previous analysis and recommendation by JLARC staff.

For preferences reviewed by JLARC staff between 2007 and 2014 there are:

A. **21** preferences with JLARC staff recommending action (such as review/clarify or terminate), but no bills introduced related to them (see Table 1). Purposes for these preferences are unlikely to have changed.
B. 102 preferences where both the JLARC staff and the Commission recommended continuation. Nearly all of these (**94**), also appeared to be for a structural or administrative purpose, and likely the previous research is still germane (see Table 2 for list of 94).
C. **29** preferences where the JLARC staff noted getting additional or missing data would help evaluate performance (see Table 3). Note: 8 of these are also on Table 1.
D. **5** previously reviewed preferences had no beneficiaries (see Table 4).

HOW MIGHT CHANGES IMPACT THE QUALITY OF REVIEWS?

Opportunities

Focusing on a reduced universe of preferences could allow the JLARC staff to attempt more extensive analysis on preferences intended to achieve a behavioral change or economic outcome

In addition, if a reduced schedule of preferences were mapped out across multiple years, it would provide opportunities to collect data that may not currently exist. This, in turn, could improve the quality of the analysis.

Challenges

Other information could arise that impacts the relevance of a previously reviewed preference. It is always possible that industry changes, court developments, or federal policy developments could impact the circumstances that lead to the original policy purpose.

WHAT IS THE IMPACT ON JLARC STAFF RESOURCES OF ANY CHANGE?

Pursuing this issue would not increase JLARC staff workload.

Rather, it would provide an opportunity to either:

(a) focus existing resources to pursue more complex analysis on preferences intended to achieve a behavioral change or economic outcome; or
(b) conduct a full review of preferences that previously only received an expedited review.

Should the Commission continue to group preferences, such as by industry sector or by similarity of purpose?

SUMMARY:

Grouping preferences by the type of industry, economic sector, or policy area was a change in the original statute requested by the Commission and enacted in 2011. Grouping is seen as a method to develop a better understanding of any deliberate tax policy towards a sector, the relationships (if any) between the preferences, as well as a method to better understand the overall impact of tax preferences on an industry's tax burden.

JLARC staff grouped preference reviews in three years: medical, aerospace, and agriculture.

JLARC staff recommend continuing such groupings; however, to meet the objectives of understanding the overall impact of preferences on tax burden, it might require including preferences of smaller value as well as property taxes. While the Commission has done some industry grouping, to-date consideration has not been given to grouping preferences by policy areas.

In addition, the Commission received testimony from the business community to consider ways to improve outreach to taxpayers to inform them that preferences from which they benefit will be undergoing a performance review. Grouping may facilitate this outreach.

WHY IS THIS AN ISSUE?

The Legislature's original directive in 2006 was for the Commission to schedule reviews in the order they were established. This was changed in 2011 to allow grouping by industry, economic sector, or policy area. Grouping would help commissioners and legislators better understand whether policy objectives are consistent across an industry, industry-wide impacts on tax burden, and potential interplay between preferences.

The following groupings were made:

- 2013: medical
- 2014: aerospace
- 2015: agriculture

Because the authority to group came about after many preferences had already been reviewed, these groupings were not necessarily comprehensive.

Two other issues impacted the "comprehensiveness" of the groupings:

1. Because recently the Commission has declined to schedule property tax preferences for an in-depth review by JLARC staff, property tax preferences were generally not included in the first grouping efforts.
2. Because the focus of JLARC staff's analysis is usually high beneficiary savings preferences, smaller preferences may be excluded from the groupings.

Regarding taxpayer notification, the Commission and JLARC staff make efforts each year to notify the public and the Legislature about the specific preferences on the review schedule. However, the

Commission and JLARC staff lack the infrastructure for a targeted outreach to specific taxpayers, and taxpayer confidentiality requirements would further complicate notification.

The Commission may want to seek input from the Department of Revenue on cost effective, confidential measures to notify taxpayers about reviews of preferences from which they benefit. Grouping preferences may facilitate a more efficient notification process, as well as provide more advanced notice of what those groups will likely be.

HOW MIGHT CHANGES IMPACT THE QUALITY OF REVIEWS?

Opportunities

JLARC staff recommend continuing with the option of grouping as it appears to help those charged with reviewing tax policies (commissioners and legislators) better understand how a package of preferences might impact a given industry sector.

In addition, knowing what sectors will be the focus of the analysis years in advance can help facilitate analyzing effectiveness and establishing any needed data collection. Lack of data has been a problem: experience shows that creating a study design and a data collection plan years in advance can help improve the analysis.

Grouping preferences by industry may also heighten the visibility of the review process within a specific industry sector. This in turn could improve the likelihood that individual taxpayers will become informed about the review process.

Challenges

There are still a number of "learning" issues regarding how to make this grouping process efficient and effective. These include:

1. JLARC staff are still learning how to best approach combining analysis of overall impacts, as to-date most of our focus has been on individual preferences.
2. Currently, property taxes are generally not included in reviews. Including property taxes is likely important to understand both total tax burdens as well as the interplay between various tax types. For instance, a property tax preference may be a key to understanding the package of preferences offered as an incentive for economic development.
3. Currently, the focus has been on preferences with relatively high beneficiary savings. Including preferences with smaller beneficiary savings might also prove useful to commissioners and legislators if the goal is to understand a tax policy strategy or overall tax burdens.

With regard to taxpayer notification, the Department of Revenue may often not know the identity of specific beneficiaries. As JLARC staff have identified in our reviews, there are numerous structural issues that can complicate identifying specific beneficiaries. For example, most buyers exempted from sales tax for specific purchase are unknown, as well as the identify of many taxpayers exempt from property taxes. Further, many taxpayers may not be required to report on tax returns all exemptions to which they are legally entitled.

WHAT IS THE IMPACT ON JLARC STAFF RESOURCES OF ANY CHANGE?

Grouping preferences creates an expectation that JLARC staff will help policy makers understand impacts broader than that of a single preference. This should be a goal of JLARC's analysis, but it does come with a resource price.

In simple terms, the more complex the analysis the more staff time required to complete the analysis.

At times, grouping preferences can possibly improve efficiencies in the JLARC staff's analyses if all of the grouped preferences have a common policy purpose. However, if numerous preferences are provided for disparate purposes, they may require multiple and different analytical methods and realize few efficiencies.

The Department of Revenue would need to determine impacts of any enhanced taxpayer notification options.

Are there preferences that the Commission should determine as critical to the tax structure, and thus not subject to review?

SUMMARY:

Nearly all tax preferences are subject to the review process. Statute specifically exempts 52 preferences from the review process because they are:

- required by constitutional law (40)
- sales and use tax exemptions for machinery and equipment for manufacturing, research and development, or testing (1);
- the small business credit for the business and occupation tax (1);
- sales and use tax exemptions for food and prescription drugs (3);
- property tax relief for retired persons (4); or
- property tax valuations based on current use (3).

At the Commission's discretion, it can also omit any tax preference from the review process if it determines the preference is a "critical part of the structure of the tax system."

To date, the Commission has only identified one preference as critical to the tax system: the property tax exemption for household goods.

If certain preferences were not reviewed because there was a consensus they were critical to the tax structure, then the JLARC staff could be asked to focus on evaluating other preferences.

WHY IS THIS AN ISSUE?

Some tax preferences may exist fundamentally to define the state's system of taxation. These items may receive preferential tax treatment for legal reasons, or as value-based policy decisions about fairness or adequacy.

Preferences that define the tax system may still be subject to future legislative decision-making. However, those decisions may not require ongoing performance evaluation to determine whether there are changes in outcomes, circumstances, or taxpayer behaviors.

The Commission has an opportunity to identify other tax preferences they believe are critical to the tax system, and omit them from the review process.

Issue Paper #1 identified 94 preferences that appear to have been established for structural reasons. For these preferences, both the JLARC staff and the Commission recommended continuing them. This list of preferences may be a useful starting point for identifying preferences that are critical to the tax structure.

In addition to these 94 preferences, there are likely other preferences that underwent an expedited reviews over the last 10 years that may have been established for structural purposes. While the purpose for expedited preferences has not been subjected to JLARC research, DOR has labeled 48 other preferences not reviewed by JLARC as defining the "tax base" (see Table 5).

HOW MIGHT CHANGES IMPACT THE QUALITY OF REVIEWS?

Opportunities

If certain preferences were not reviewed because there was a consensus they were critical to the tax structure, then the JLARC staff could be asked to focus on evaluating other preferences.

Focusing on a reduced universe of preferences could allow the JLARC staff to attempt more extensive analysis on preferences intended to achieve a behavioral change or economic outcome.

In addition, if a schedule of fewer preferences were mapped out across multiple years, it would provide opportunities to collect data that may not currently exist. This, in turn, could improve the quality of the analysis.

Challenges

It may be difficult to achieve consensus on what is determined to be "critical."

WHAT IS THE IMPACT ON JLARC STAFF RESOURCES OF ANY CHANGE?

Pursuing this issue would not increase JLARC staff workload.

Rather, it would provide an opportunity to either:

(a) focus existing resources to pursue more complex analysis on preferences intended to achieve a behavioral change or economic outcome; or

(b) conduct a full review of preferences that previously only received an expedited review.

Should preferences receive greater priority in the schedule if they have an expiration date or if the Legislature specifically requests a JLARC review?

SUMMARY:

While all but 52 preferences are subject to the review process (see Issue Paper #3), the Commission has discretion to determine which of the other approximately 600 preferences should be subject to a JLARC staff evaluation.

For most preferences, the Legislature does not specifically reference the JLARC staff review process. In these cases, tax legislation that meets the statutory definition of a tax preference in RCW 43.136.021 can be evaluated by JLARC staff if the Commission elects to schedule it for review.

However, in some instances the Legislature has specifically included statutory language directing a JLARC staff review. (See also Issue Paper #5)

There are 37 preferences that include specific direction for a JLARC staff review. Twenty of these 37 preferences note a specific year in which the JLARC staff review should take place (see Table 6).

Further, 65 preferences have an expiration date in statute. These preferences will expire unless the Legislature takes affirmative action to renew them (see Table 7).

(Note: 30 of the 37 preferences noted above with specific legislative direction for a review also have expiration dates. So, there is a total of 72 preferences with either an expiration date or specific legislative direction to review).

If the Commission decides to schedule a JLARC review for a preference with an expiration date, it is important to be attentive that the review date precedes the expiration date. Historically, the Commission sought to schedule reviews two years prior to an expiration date.

WHY IS THIS AN ISSUE?

While the Legislature directed the Commission to set the review schedule for JLARC, preferences with study mandates and expiration dates may indicate a desire for prioritizing those preferences for JLARC study.

It is ambiguous whether specific statutory direction to JLARC to conduct a review supersedes the independent scheduling responsibility of the Commission. Regardless which legislative directive supersedes, if the Legislature includes a directive for a JLARC study, then that arguably indicates a strong legislative interest in a JLARC evaluation.

Expiration dates may be a clear directive to terminate, or can indicate the Legislature wants a preference to be temporary, or that it intends the expiration date to foster further legislative discussion and debate in the future. A JLARC review in advance of a preference's expiration date can assist the Legislature with determining whether to renew, modify, or allow it to expire.

Under accountability legislation passed in 2013, new preferences should include expiration dates or will likely default to an automatic expiration date 10 years after enactment.

HOW MIGHT CHANGES IMPACT THE QUALITY OF REVIEWS?

Opportunities

Prioritizing these preferences for JLARC review does not directly impact the quality of reviews.

Challenges

As noted, 65 preferences now have an expiration date. Recent history indicates that this number is increasing. There is potential that a focus on just the preferences with expiration dates will "crowd out" the ability to review other preferences.

WHAT IS THE IMPACT ON JLARC STAFF RESOURCES OF ANY CHANGE?

If the Commission decided preferences with a study mandate or expiration date should always be reviewed, this would currently require JLARC to evaluate 72 preferences across the 10 year schedule.

This would limit how many other studies the Commission could independently assign to JLARC's workload. The 72 preferences with study mandates and/or expiration dates equate to about one third of the current JLARC workload capacity.

Should preferences with a new "performance statement" provision receive greater priority in the schedule?

SUMMARY:

The Legislature placed a requirement on itself to include more robust tax preference transparency and accountability requirements in "new" preferences: this was included in 2013's ESSB 5882. The bill states that part of the reason for this requirement is to allow JLARC to measure the effectiveness of the new tax preference in achieving the purpose stated by the Legislature.

Some of the preferences included in ESSB 5882, as well as preferences passed during the 2015 session, include specific direction to JLARC in what to include in our performance evaluations. And in some instances, the Legislature specifically exempted a preference from review.

The combination of these two actions appears to send a signal from the Legislature that there is an expectation that preferences passed since 2013 will be reviewed. This does however create some constraints on the Commission's flexibility to prioritize the 10-year review schedule.

WHY IS THIS AN ISSUE?

With the passage of ESSB 5882 in the 2013 session, the Legislature responded to the Commission's and JLARC's work where we highlighted the difficulty of evaluating performance when there was no statement of expected performance (the proliferation of "review and clarify" recommendations).

Statute now requires that the Legislature, when enacting a new tax preference, include a tax performance statement. Such statements are to:

- State the legislative purpose of the preference, both within six general areas and in more detail.
- Specify clear, relevant, and ascertainable metrics and data requirements that allow JLARC and the Legislature to measure the preference's effectiveness.

In addition statute now includes more explicit reporting requirements of those claiming the preferences to assist in the analysis process. For instance, for B&O preferences, the tax return must explicitly report the amount of the exclusion. In addition, the amount claimed by a tax payer is not considered confidential tax information and is subject to public disclosure 24 months after the end of the reporting period (this requirement does have some exclusions).

HOW MIGHT CHANGES IMPACT THE QUALITY OF REVIEWS?

Opportunities

A focus on preferences with clear statements of purpose and evaluation metrics likely will increase the quality of the outcome analysis. Often JLARC analysts dedicate considerable time to determining a preference's purpose at the expense of analyzing results.

Statements of purpose and metrics also facilitate JLARC's development of evaluation plans well in advance of completing the evaluation. Data collection can start years in advance with methods also defined well in advance. Facilitating such "early starts" will likely result in more robust analysis.

The resulting analysis is also likely more relevant to the legislative process. By stating a specific desired outcome, the Legislature has stated a desire to know what that outcome actually might be. This can be contrasted to preferences which have had no recent legislative scrutiny.

Challenges

Ten years of experience shows the value of routine analysis and how such analysis may bring to the surface areas where the Legislature may benefit from "reviewing and clarifying." A focus solely on those preferences with performance statements may crowd out the ability to highlight preferences without clear policy purposes.

In addition, as discussed in Issue Paper #2, the Commission and the Legislature have benefitted from grouping preferences by industry type. To-date, the preferences with these new purpose statements have not been industry specific. A focus on just those with new purpose statements may crowd out the ability to group preferences by industry type.

If performance statements do not continue to be included in future legislation for new or expanding preferences, then this issue would need to be revisited.

WHAT IS THE IMPACT ON JLARC STAFF RESOURCES OF ANY CHANGE?

Impacts, if any, are likely minimal.

Our more recent experience however, indicates that more in-depth analysis of results likely reduces the total number of reviews possible. A case study is the review of the high tech R&D preference: JLARC staff were able to evaluate the causal relationship between the preference and industry behavior. This took considerable staff and consultant resources to complete.

Are there questions evaluated by JLARC staff that should be de-emphasized? Are there questions that should be modified or added?

SUMMARY:

Statute poses questions for tax preference audits to answer but allows leeway: the questions are to be answered "as appropriate." JLARC staff suggest that the foundational questions posed in statute continue to be the right questions.

Staff suggest that three shifts in emphasis—while recognizing that they may not apply to every preference—may provide important information to policy makers: 1) Include analysis of secondary beneficiaries; 2) Broaden the review of other states beyond just tax treatment to include other strategies states may utilize to impact firm/individual behavior; and 3) Pursue causal analysis when appropriate.

WHY IS THIS AN ISSUE?

The 11 questions posed by statute in 2006 (see attached RCW 43.136.055) can be summarized as addressing three key areas:

1. What results did the legislature expect to see with this preference and are they getting those results: **is it working**?
2. What can we learn from approaches in other states? Do these approaches provide information that could **adjust how preferences are structured** to better perform in Washington?
3. What are the **benefit**s (such as savings to tax payers, job gains, and bringing businesses to the state) and the **costs** (such as net impacts given a corresponding reduction in public services, shifts of tax liabilities)?

With the 2013 passage of additional accountability requirements (ESSB 5882), the Legislature has established some implicit additional questions: for those preferences passed after ESSB 5882, do they have a clear **purpose**, clear **metric**s, and **transparent costs**?

JLARC staff suggest that these foundational questions are still the right questions. And as statute allows for flexibility ("answered as appropriate"), our practice is to address them to the extent it makes analytic sense to do so.

However, a small shift in the focus in two of the questions could be informative to the Legislature. Specifically:

- When looking at who benefits, there may be preferences where secondary beneficiaries are a key to what the Legislature was attempting to accomplish.
- When looking at the experiences of other states, because of substantive differences in tax approaches, a broader approach may be beneficial. This broader approach would include reviewing other techniques utilized by a state to impact the behavior of a firm or person: if

not a tax preference, do other states provide other forms of assistance, such as subsidized loans or infrastructure improvements.

A third area for consideration, and of particular concern, is our ability to answer the causal question which underlies the "Is it working?" theme. Legislators likely begin with the belief that a causal analysis is always possible: JLARC should be able to prove/disprove that the preference is "causing" a firm's/individual's behavior. In our ten year history of reviews, we have completed one causal evaluation (high tech R&D preference).

Answering the causal question does not require a change in the review questions. However, together with the suggested shift in focus in answering the "Other states?" and "Secondary beneficiaries?" questions, staff recognize both the value of these questions as well as the challenges they pose. Specifically, harder questions take more time to answer.

HOW MIGHT CHANGES IMPACT THE QUALITY OF REVIEWS?

Opportunities

The three shifts in how we go about answering questions will likely lead to a more sophisticated analysis: answering the causal question is always the most important evaluation question. And a broader approach to how other states utilize a basket of strategies to impact behavior and secondary beneficiaries will better inform policy makers.

Challenges

Each of these three shifts will require time to accomplish, at the expense of including other preferences in the reviews. There will likely be many times when staff attempt to provide an answer and find they cannot. While JLARC staff have found in the past that the answer "There is no definitive answer" does help inform the policy discussion, it can also be very frustrating to policy makers.

WHAT IS THE IMPACT ON JLARC STAFF RESOURCES OF ANY CHANGE?

More sophisticated questions require more time to answer. In the first five years of evaluation, there was an expectation that staff would complete 25 to 30 reviews. In recent years, this shifted to an expectation of about 15 reviews, with a focus on more complex and detailed analysis. If we continue to focus on more complex analysis, we will address fewer preference.

RCW 43.136.055

Review of tax preferences by joint legislative audit and review committee—Recommendations.

(1) The joint legislative audit and review committee must review tax preferences according to the schedule developed under RCW 43.136.045. The committee must consider, but not be limited to, the following factors in the review as relevant to each particular tax preference:

(a) The classes of individuals, types of organizations, or types of industries whose state tax liabilities are directly affected by the tax preference;

(b) Public policy objectives that might provide a justification for the tax preference, including but not limited to the legislative history, any legislative intent, or the extent to which the tax preference encourages business growth or relocation into this state, promotes growth or retention of high wage jobs, or helps stabilize communities;

(c) Evidence that the existence of the tax preference has contributed to the achievement of any of the public policy objectives;

(d) The extent to which continuation of the tax preference might contribute to any of the public policy objectives;

(e) The extent to which the tax preference may provide unintended benefits to an individual, organization, or industry other than those the legislature intended;

(f) The extent to which terminating the tax preference may have negative effects on the category of taxpayers that currently benefit from the tax preference, and the extent to which resulting higher taxes may have negative effects on employment and the economy;

(g) The feasibility of modifying the tax preference to provide for adjustment or recapture of the tax benefits of the tax preference if the objectives are not fulfilled;

(h) Fiscal impacts of the tax preference, including past impacts and expected future impacts if it is continued. For the purposes of this subsection, "fiscal impact" includes an analysis of the general effects of the tax preference on the overall state economy, including, but not limited to, the effects of the tax preference on the consumption and expenditures of persons and businesses within the state;

(i) The extent to which termination of the tax preference would affect the distribution of liability for payment of state taxes;

(j) The economic impact of the tax preference compared to the economic impact of government activities funded by the tax for which the tax preference is taken at the same level of expenditure as the tax preference. For purposes of this subsection the economic impact shall be determined using the Washington input-output model as published by the office of financial management;

(k) Consideration of similar tax preferences adopted in other states, and potential public policy benefits that might be gained by incorporating corresponding provisions in Washington.

(2) For each tax preference, the committee must provide a recommendation as to whether the tax preference should be continued without modification, modified, scheduled for sunset review at a future date, or terminated immediately. The committee may recommend accountability standards for the future review of a tax preference.

Should there be a more specific question for evaluating a tax preference's impact on the distribution of the tax liability?

SUMMARY:

Statute currently includes the following as one of the evaluation topics the JLARC staff should consider:

> *"The extent to which termination of the tax preference would affect the distribution of liability for payment of state taxes;"* [RCW 43.136.055(1)(i)]

This topic area is not a significant part of the current JLARC workload for preference reviews. There are both opportunities and challenges to adding this focus, and, adding this systemically would require resources.

WHY IS THIS AN ISSUE?

Historically, the JLARC staff have not analyzed this issue in a way that would substantively quantify shifts in tax liability across taxpayers.

JLARC staff analysis of property tax preferences typically notes that a property tax preference conceptually shifts tax payments from beneficiaries to non-beneficiaries. This is a result of the levy-based property tax system in our state. The total amount of such tax shifts should be approximately equivalent to the size of the preference. However, the JLARC staff have not attempted to analyze more information about the size of the shift for particular categories of non-beneficiary taxpayers.

Preferences applied to rate-based taxes (such as B&O, sales tax, PUT, etc.) do not automatically shift taxes from beneficiaries to non-beneficiaries. So for these preferences, there is no structural increase in taxes for non-beneficiaries when a tax preference is enacted. However, when a subset of taxpayers receives a reduced rate-based tax liability, the overall societal share of the tax burden changes. Analyzing differences in the distribution of taxes in this case requires a broader look at taxes paid by different groups of taxpayers (as opposed to analyzing just the preference amount).

There are significant analytical challenges to such distribution analyses. Two key challenges are described here.

First, absent legislative direction, it is unclear what factors to use in assessing tax distribution changes. There are a wide variety of factors that could be of interest to policymakers. For example, do policymakers want to see whether the distribution has changed by income level, by geographic location, by business vs. individuals, by industry type, etc.? In the preferences JLARC staff have analyzed to date, the legislation has not expressed a statement of whether the Legislature is interested in the distributional effects across these or any other factors.

Second, such distributional analyses require information on both beneficiaries as well as non-beneficiaries. The information needed depends on the distribution factors of interest, would need to be linked to tax liabilities, and its availability is unknown.

In conclusion, the workload for this analysis could be significant, and the legislative interest is unknown. The JLARC staff would suggest receiving legislative direction before incorporating substantive distribution analyses as part of the regular tax preference review process.

If a specific preference included a public policy purpose related to the distribution of tax liability, to the best of its ability JLARC staff would incorporate that analysis into the review of that specific preference.

HOW MIGHT CHANGES IMPACT THE QUALITY OF REVIEWS?

Opportunities

- If tax liability distribution or equity was incorporated into the policy purpose for a tax preference, assessing this issue would be critically important to helping inform the Legislature.

Challenges

- As noted above, this would be challenging analysis and the availability of information needed for it is unknown.

WHAT IS THE IMPACT ON JLARC STAFF RESOURCES OF ANY CHANGE?

This topic area is not a significant part of the current JLARC workload for preference reviews. Adding this systemically would require resources. The amount of resources needed is unclear, and would be difficult to identify in the abstract without further direction about the area of interest from the Legislature.

For preferences intended to accomplish using one tax approach over another, should there be an additional evaluation question to identify changes in fiscal impacts over time?

SUMMARY:

Depending on how tax laws are structured when establishing different types of state tax regimes, certain activities can be subject to more than one type of tax.

For example, sales of gasoline could potentially be subject to both the retail sales tax (6.5% of retail price) as well as motor vehicle fuel tax (44.5 cents per gallon of gasoline).

In these instances, if the Legislature does not state otherwise it is assumed that the tax policy is intended to purposefully apply both taxes.

However, JLARC staff have identified instances where the Legislature enacted a tax preference whose policy purpose is to exempt a specific activity from one tax because the Legislature recognizes another tax applies and it has decided the activity should not be taxed under both regimes.

Preferences with this purpose are defining the structure of the tax system, and the Legislature in effect is choosing between one of two approaches to taxing the activity. However, the amount of the tax may not be the same under each of the approaches. Further, differences in amounts between the two approaches can vary over time.

The type of analysis is likely not complicated to calculate.

WHY IS THIS AN ISSUE?

Over the last ten years, JLARC staff identified 12 preferences where the policy purpose appeared to be defining the tax structure by choosing between different tax approaches. Of these 12, JLARC staff reviewed 11 of them and one was subject to the expedited review process (see Table 8).

The Citizen Commission has observed there are instances where the amount of tax was similar under either approach when the preference was enacted years ago, but these amounts might be very different under current laws. As a result, the Commission has commented that a comparison of the tax amount calculated under both approaches may be informative to the Legislature.

HOW MIGHT CHANGES IMPACT THE QUALITY OF REVIEWS?

Opportunities

Identifying the potential tax amounts calculated under alternate approaches would be germane to the public policy for these types of preferences and informative for the Legislature. It would likely make sense to limit this evaluation question only to preferences with this type of structural policy objective.

Challenges

This analysis would add an additional revenue calculation to the review process. If information on the amount of the current preference was unreliable or not disclosable, this would not likely produce additional information.

If the Commission decided to exclude these preferences from the review process as a "critical part of the structure of the tax system" (see Issue Paper #3), this information would not be identified in the JLARC staff reviews.

WHAT IS THE IMPACT ON JLARC STAFF RESOURCES OF ANY CHANGE?

The type of analysis is likely not complicated to calculate.

Also, since there are only 12 instances of preferences with this type of objective in prior JLARC reviews, the additional workload would likely be minimal.

Does the overall review effort merit additional JLARC staff resources?

SUMMARY:

As the Legislature clarifies what it wants and adds specific metrics, JLARC's job becomes both easier and harder.

Easier as we don't spend time arriving at an inferred objective (inferring what the Legislature wanted), harder because expectations are increased regarding our ability to collect and maintain the data needed to draw correlations (or causal links) between the preference and the expected outcome.

More sophisticated, data driven analysis takes more time, especially when there is an expectation for causal analysis. For example, use of the REMI tool has facilitated our ability to answer return on investment questions.

In short, there are trade-offs: more sophisticated analysis coupled with higher expectations for that analysis, means fewer preferences can be reviewed with current staff resources.

WHY IS THIS AN ISSUE?

JLARC began its preference reviews with two dedicated staff. Since then, two additional staff have been added to the effort, for a total of four staff dedicated to reviewing the 600+ preferences.

Over the course of ten years, our knowledge of how to efficiently conduct reviews has increased. We know that the more specific the Legislature is in expressing desired outcomes, the more focused we can be in answering the basic performance question: were those outcomes achieved?

With the passage of SSB 5882 in 2013, the Legislature now requires of itself to state public policy objectives and to state metrics it hopes to achieve. When these objectives and metrics are stated clearly, there will be a growing body of preferences where JLARC staff can focus more of their efforts on outcome analysis. However, the majority of preference still don't have these "5882" public policy statements.

While clearer statements on objectives allow greater focus on outcomes, they are often also accompanied with expectations for more sophisticated outcome analysis, such as an expectation that JLARC will be able to inform the Legislature regarding the cause and effect question. For example, did the preference cause the creation of jobs?

The Legislature also now requires of itself to think about where data might be available to address those correlation and causal questions. This too has added to JLARC's workload: we must now establish data collection plans with agencies and monitor the on-going collection and quality of that data. The workload associated with this task is new.

While the 2013 legislation has improved clarity of policy objectives and performance expectations, it applies only to new or modified preferences. For preferences enacted before then without subsequent modification, there is still often no explicit statement of Legislative intent. In those cases, considerable resources are dedicated to scouring the legislative and historic records to arrive at an inferred public policy. The amount of staff work that goes into arriving at that inferred objective is often substantial. This means that less time is available to analyze outcomes.

HOW MIGHT CHANGES IMPACT THE QUALITY OF REVIEWS?

Opportunities

Additional staff and/or consulting resources may positively impact two areas: 1. the sophistication of our analysis; and, 2. the number of preferences we can review in a year.

Challenges

The systematic review of tax preferences is an effort still in its early stages across the nation. Washington is often held out as a model because we've been doing this for ten years.

Nevertheless, JLARC staff are still continuing to evolve and refine how we conduct these reviews. And, the legislative process is still evolving in how to clearly state desired outcomes. JLARC staff may still be required to conduct considerable research in the history of the issue when those statements of desired outcomes are not concise.

Table 1: Preferences With JLARC Staff Recommending Action, No Bills Introduced

PREFERENCE NAME	Beneficiary Savings (Biennial)	Legislative Auditor Recommendation	Citizen Commission Comment
Aerospace Product Development Computer Expenditures (Sales and Use Tax)	$ 13,600,000	Review and Clarify	Endorses with comment
Aircraft Part Prototypes (Sales and Use Tax)	$ -	Terminate	Endorses without comment
Aircraft Testing or Crew Training (Aircraft Fuel Tax)	$ 35,667,000	Review and Clarify	Endorses with comment
Artistic and Cultural Organizations (B&O Tax)	$ 7,650,000	Review and Clarify	Endorses without comment
Artistic and Cultural Organizations (Sales and Use Tax)	$ 5,994,000	Review and Clarify	Endorses without comment
Certified Aircraft Repair Firms (B&O Tax)	$ 1,300,000	Review and Clarify	Endorses with comment
Commercial Air Operations (Aircraft Fuel Tax)	$ 84,648,000	Review and Clarify	Endorses with comment
Commercial Airplane Manufacturing - Credit for Taxes Paid (B&O Tax)	$ 31,600,000	Review and Clarify	Endorses with comment
Commercial Airplane Production Facilities (Sales and Use Tax)	$ -	Review and Clarify	Endorses with comment
Electricity Sales for Resale (B&O Tax)		Review and Clarify	Endorses without comment
Exported and Imported Fuel (Aircraft Fuel Tax)	$ 130,507,000	Review and Clarify	Endorses with comment
Fishing Boat Fuel (Sales and Use Tax)	$ 12,221,000	Review and Clarify	Endorses with comment
Fuel Used in Commercial Vessels (B&O Tax)	$ 8,112,000	Review and Clarify	Endorses without comment
Government Payments to Public and Nonprofit Hospitals (B&O Tax)	$ 162,684,000	Review and Clarify	Endorses with comment
Interstate Transportation - In-State Portion (Public Utility Tax)	$ 59,700,000	Terminate	Does not endorse; recommends Review and Clarify
Interstate Transportation - Shipments to Ports (Public Utility Tax)	$ 15,200,000	Review and Clarify	Endorses with comment
Minor Final Assembly Completed in Washington (B&O Tax)	$ -	Terminate	Endorses without comment
Precious Metals and Bullion (Sales and Use Tax)	$ 39,150,000	Review and Clarify	Endorses without comment
Rural County and CEZ New Jobs (B&O Tax)	$ 4,311,000	Review and Clarify	Endorses with comment
Superefficient Airplane Production Facilities (Leasehold Excise Tax)	$ -	Review and Clarify	Endorses with comment
Superefficient Airplane Production Facilities (Property Tax)	$ -	Review and Clarify	Endorses with comment

Table 2: Preferences With JLARC Staff Recommending Continue, Appear Structural

PREFERENCE NAME	Beneficiary Savings (Biennial)
Aircraft Held for Sale (Aircraft Excise Tax)	$ 16,000
Aircraft Testing or Crew Training (Aircraft Excise Tax)	
Annuities (Insurance Premiums Tax)	$ 188,700,000
Bad Debts (B&O Tax)	$ 20,700,000
Bad Debts (Public Utility Tax)	$ 3,640,000
Basic Health Plan Receipts (Insurance Premiums Tax)	$ 6,482,000
Boats Sold to Nonresidents (Sales Tax)	$ 13,800,000
Boxing and Wrestling Matches (B&O Tax)	$ 41,000
Breeding Livestock, Cattle, and Milk Cows (Sales and Use Tax)	$ 19,792,000
Cash Discounts (Multiple Taxes)	$ 90,200,000
Casual Sales (Sales Tax)	$ 65,100,000
Cemeteries (Property Tax)	$ 14,700,000
Commercial Aircraft (Aircraft Excise Tax)	$ (19,200,000)
Commercial Vessels (Property Tax)	$ 19,000,000
Condominium and Homeowner Maintenance Fees (B&O Tax)	$ 19,950,000
Contributions and Donations (B&O Tax)	$ 128,370,000
Credit Unions - State Chartered (B&O Tax)	$ 60,900,000
Dietary Supplements (Sales and Use Tax)	$ 12,185,000
Display Items for Trade Shows (Use Tax)	$ 4,984,000
Electric Power Exported or Resold (Public Utility Tax)	$ 111,900,000
Electricity and Steam (Sales and Use Tax)	
Exported and Imported Fuel (Fuel Tax)	$ 2,700,000,000
Exported Fuel (Fuel Tax)	$ 3,300,000
Family-Owned Business Interest (Estate Tax)	
Feed and Seed (Sales and Use Tax)	$ 144,000,000
Fertilizer and Chemical Sprays (Sales and Use Tax)	$ 166,600,000
Fraternal Insurance (B&O Tax)	$ 4,200,000
General Aviation (Property Tax)	$ 22,200,000
Government and Public Uses (Fuel Tax)	$ 3,424,000
Growing Crops (Property Tax)	$ 5,450,000
Health Insurance by State Pool (Insurance Premiums Tax)	$ 2,900,000
Health Maintenance Organizations (B&O Tax)	$ 53,100,000
Horticultural Services for Farmers (Sales and Use Tax)	$ 21,100,000
Household Goods (Property Tax)	$ 674,700,000
Humane Societies (Property Tax)	$ 350,000
Incidental Use of Public Highway (Fuel Tax)	
Income of Employees (B&O Tax)	$ 4,910,000,000
Insulin (Sales and Use Tax)	$ 52,454,000
Insurance Guaranty Funds (Insurance Premiums Tax)	$ 480,000

Table 2 continued

Insurance Premiums (B&O Tax)	$	836,200,000
Interest from State and Municipal Obligations (B&O Tax)	$	1,760,000
Interstate Bridges (Property Tax)	$	29,100,000
Investment of Businesses in Related Entities (B&O Tax)	$	14,400,000
Investments by Nonfinancial Firms (B&O Tax)	$	577,800,000
Joint Utility Services (Public Utility Tax)	$	20,000,000
Kidney Dialysis Equipment (Sales and Use Tax)	$	8,764,000
Labor and Services Used to Construct and Repair Public Roads (Sales and Use Tax)	$	128,100,000
Laundry Services for Nonprofit Health Care Facilities (Sales and Use Tax)	$	8,800,000
Leases Under $250 per Year and Short Term Leases (Leasehold Excise Tax)	$	5,572,000
Logging Operations Using Federally Owned Roads (Fuel Tax)		
Lost or Destroyed Fuel (Fuel Tax)	$	-
Medical Devices (Sales and Use Tax)	$	122,885,000
Medicare Receipts (Insurance Premiums Tax)	$	82,962,000
Minimum Income Threshold (Public Utility Tax)	$	2,600,000
Motor Fuel Taxes (B&O Tax)	$	49,500,000
Motor Vehicle and Special Fuel (Sales and Use Tax)	$	1,462,000,000
Municipal Utilities (Public Utility Tax)	$	1,400,000
Natural and Manufactured Gas (Sales and Use Tax)	$	193,700,000
Nonprofit Blood and Tissue Banks (B&O Tax)	$	4,661,000
Nonprofit Blood and Tissue Banks (Property Tax)	$	6,090,000
Nonprofit Blood and Tissue Banks (Sales and Use Tax)	$	17,956,000
Nonprofit Church Camps (Property Tax)	$	6,878,000
Nonprofit Churches, Parsonages, and Convents (Property Tax)	$	130,700,000
Nonprofit Collections and Museums (Property Tax)	$	6,520,000
Nonprofit Conservation and Open Space Lands (Property Tax)	$	3,909,000
Nonprofit Day Care Centers (Property Tax)	$	15,750,000
Nonprofit Fire Companies (Property Tax)	$	12,000
Nonprofit Libraries (Property Tax)	$	75,000
Nonprofit Private Colleges (Property Tax)	$	75,800,000
Nonprofit Private K-12 Schools (Property Tax)	$	48,100,000
Nonprofit Youth Organizations (Property Tax)	$	4,020,000
Nonresident Aircraft (Aircraft Excise Tax)	$	2,000
Nonresidents' Personal Property (Use Tax)	$	8,548,000,000
Open Space Land Classification Removal (Property Tax)	$	3,880,000
Other Ships and Vessels (Property Tax)	$	30,500,000
Poultry Used in Production (Sales and Use Tax)	$	462,000
Power Pumping Unit (Fuel Tax)	$	2,369,000
Processing Horticultural Products (B&O Tax)	$	3,500,000
Public Utilities (B&O Tax)	$	113,200,000
Public Utility Operating Property (Sales and Use Tax)	$	525,000
Real Estate Excise Tax Exemptions (Real Estate Excise Tax)	$	1,356,200,000

Table 2 continued

Real Estate Sales (B&O Tax)	$ 638,951,000
Sales for Resale (Public Utility Tax)	$ 5,200,000
Sales or Use Tax Paid in Another State (Use Tax)	$ 1,000,000
Sales Subject to Public Utility Tax (Sales Tax)	$ 1,846,322,000
Sand and Gravel for Local Road Construction (Sales and Use Tax)	$ 4,174,000
Special Mobile Equipment (Fuel Tax)	
Title Insurance Premiums (Insurance Premiums Tax)	$ 6,060,000
Tree Trimming Under Power Lines (Sales and Use Tax)	$ -
Urban Passenger Transit Fuel (Sales and Use Tax)	$ 22,046,000
Use Tax on Rental Value (Use Tax)	$ 3,344,000
Vehicles Acquired While in Military Service (Use Tax)	$ 7,812,000
Veterans Organizations (Property Tax)	$ 1,180,000
Waste Vegetable Oil Biodiesel (Fuel Tax)	

Table 3: Preferences Where JLARC Staff Noted Additional Data/Missing Data Would Assist Evaluation

PREFERENCE NAME	Beneficiary Savings (Biennial)
Aerospace Product Development (B&O Tax)	$ 6,500,000
Aerospace Product Development Computer Expenditures (Sales and Use Tax)	$ 13,600,000
Aerospace Product Development Expenditures (B&O Tax)	$ 197,900,000
Aluminum Manufacturing (B&O Tax)	$ 2,400,000
Aluminum Smelter Electricity or Natural Gas Purchases (B&O Tax)	$ -
Aluminum Smelter Property Taxes (B&O Tax)	$ 2,900,000
Aluminum Smelter Purchases (Public Utility Tax)	Not disclosable
Aluminum Smelter Purchases (Sales and Use Tax)	$ 1,500,000
Aluminum Smelter Use of Natural Gas (Use Tax)	$ 500,000
Biotechnology Manufacturing (Sales and Use Tax)	$ 1,409,000
Certified Aircraft Repair Firms (B&O Tax)	$ 1,300,000
Commercial Airplane Manufacturing - Credit for Taxes Paid (B&O Tax)	$ 31,600,000
Commercial Airplane Manufacturing - Preferential Rate (B&O Tax)	$ 238,500,000
Commercial Airplane Part Place of Sale (B&O Tax)	not known
Commercial Airplane Production Facilities (Sales and Use Tax)	$ -
Dairy Product Ingredient Sales - Deduction (B&O Tax)	$ 8,900,000
Dairy Product Processors - Deduction (B&O Tax)	$ 8,900,000
Electricity Sales for Resale (B&O Tax)	not known
Farm Auction Sales (Sales and Use Tax)	$ 4,100,000
Fruit and Vegetable Processors - Exemption (B&O Tax)	$ 39,300,000
Fuel Used in Commercial Vessels (B&O Tax)	$ 8,112,000
Motion Picture Program Contributions (B&O Tax)	$ 7,000,000
Prescription Drug Administration (B&O Tax)	$ 6,118,000
Public Facilities Districts (Leasehold Excise Tax)	$ 900,000
Seafood Product Processors and Certain Sellers - Exemption (B&O Tax)	$ 4,400,000
Solar Energy and Silicon Product Manufacturers (B&O Tax)	$ 3,050,000
Superefficient Airplane Production Facilities (Leasehold Excise Tax)	$ -
Superefficient Airplane Production Facilities (Property Tax)	$ -
Warehouse and Grain Elevator Construction and Equipment (Sales and Use Tax)	$ 10,500,000

Table 4: Preferences JLARC Staff Previoulsy Reviewed, No Beneficiaries

PREFERENCE NAME
Aircraft Part Prototypes (Sales and Use Tax)
Airports Owned by Cities in Other States (Property Tax)
Aluminum Smelter Electricity or Natural Gas Purchases (B&O Tax)
Minor Final Assembly Completed in Washington (B&O Tax)
Superefficient Airplane Production Facilities (Leasehold Excise Tax)

Table 5: Preferences Identified by DOR as Defining Tax Base, But Not Reviewed by JLARC

PREFERENCE NAME	Beneficiary Savings (Biennial)
Accommodation Sales (B&O Tax)	$ 385,000
Accommodation Sales of Automobiles (B&O Tax)	$ 3,575,000
Computer software and digital goods	$ -
Constitutional or Federal Prohibition (Hazardous Substance Tax)	
Core Deposits and Tire Fees (Sales and Use Tax)	$ 354,000
Crude Oil (Petroleum Products Tax)	$ -
Deduction of one-half of fish tax	$ -
Endowment funds	$ -
Excluded vehicles	$ -
Exported Petroleum Products (Oil Spill Tax)	$ 7,915,000
Exported Petroleum Products (Petroleum Products Tax)	$ -
Food and Beverages Consumed On-Site (Litter Tax)	$ 1,328,000
Fuel Exported in Fuel Tanks (Petroleum Products Tax)	$ -
Fuel Used Before Tax Imposed (Petroleum Products Tax)	$ -
Fuel Used to Process Petroleum Products (Petroleum Products Tax)	$ -
Hazardous Substance Exemptions (Hazardous Substance Tax)	$ 167,177,000
Hazardous Substance Exemptions (Hazardous Substance Tax)	$ 167,177,000
Hazardous Substance Exemptions (Hazardous Substance Tax)	$ 167,177,000
Hazardous Substance Tax Credits (Hazardous Substance Tax)	$ 31,556,000
Hazardous Substance Tax Credits (Hazardous Substance Tax)	$ 31,556,000
Health Insurance Claims (B&O Tax)	$ -
Imported Frozen or Packaged Fish (Enhanced Food Fish Tax)	$ 20,815,000
Local regional transportation vehicles	$ -
Marital Deduction (Estate Tax)	$ 261,433,000
Motor Vehicles, Travel Trailers, and Campers (Property Tax)	$ 1,496,860,000
Natural Gas Not Delivered via Pipeline (Use Tax)	$ -
Natural Gas Subject to Public Utility Tax (Use Tax)	$ 67,190,000
Natural Gas Surplus Sales (B&O Tax)	$ -
Nonfuel Use of Petroleum (Oil Spill Tax)	$ 387,000
Packaged Petroleum Products (Petroleum Products Tax)	$ -
Products Shipped Out-of-State (Litter Tax)	$ 1,587,000
Professional Employer Organization Wages (B&O Tax)	$ 2,084,000
Property Management Personnel Payments (B&O Tax)	$ 1,342,000
Public Property Leaseholds (Property Tax)	$ (33,394,000)
Racing Fuel (Fuel Tax)	
Residential and Recreational Developments (Leasehold Excise Tax)	$ (253,000)
Second Narrows Bridge (Public Utility Tax)	$ -
Second Narrows Bridge (Real Estate Excise Tax)	$ -
Secondary Transportation (Oil Spill Tax)	$ -

Table 5 continued

Sewerage Processing and Disposal (Public Utility Tax)	$	16,785,000
Successive Use (Petroleum Products Tax)	$	-
Syrup Exported (Syrup Tax)	$	-
Syrup Previously Taxed (Syrup Tax)	$	-
Syrup Purchased Before Tax Imposed (Syrup Tax)	$	-
Tax Paid in Other States (Enhanced Food Fish Tax)	$	852,000
Tax Paid in Other States (Syrup Tax)	$	-
Timber (Property Tax)	$	-
Trademarked Syrup (Syrup Tax)	$	-

Table 6: Preferences with Legislative Direction for JLARC Study

PREFERENCE NAME	Expiration Date	Legislative Direction	Beneficiary Savings (Biennial)
Aerospace Product Development (B&O Tax)	7/1/2040	Schedule in 2019 and analyze per 2013 ESSB 5952 § 1(4)	$6,500,000
Aerospace Product Development Computer Expenditures (Sales and Use Tax)	7/1/2040	Schedule in 2019 and analyze per 2013 ESSB 5952 § 1(4)	$ 13,600,000
Aerospace Product Development Expenditures (B&O Tax)	7/1/2040	Schedule in 2019 and analyze per 2013 ESSB 5952 § 1(4)	$ 197,900,000
Alternative Fuel Commercial Vehicle Credit (B&O Tax)	1/1/2022	Analyze per 2015 3 sp.s. c 44 § 410	$ -
Alternative Fuel Commercial Vehicle Credit (Public Utility Tax)	1/1/2022	Analyze per 2015 3 sp.s. c 44 § 410	$ -
Aluminum Manufacturing (B&O Tax)	7/1/2027	Analyze per 2015 3rd sp.s. c 44 § 501	$ 2,400,000
Aluminum Smelter Electricity or Natural Gas Purchases (B&O Tax)		Analyze per 2015 3rd sp.s. c 44 § 501	$ -
Aluminum Smelter Property Taxes (B&O Tax)	7/1/2027	Analyze per 2015 3rd sp.s. c 44 § 501	$ 2,900,000
Aluminum Smelter Purchases (Sales and Use Tax)	7/1/2027	Analyze per 2015 3rd sp.s. c 44 § 501	$ 1,500,000
Certified Aircraft Repair Firms (B&O Tax)	7/1/2040	Schedule in 2019 and analyze per 2013 ESSB 5952 § 1(4)	$ 1,300,000
Commercial Airplane Manufacturing - Credit for Taxes Paid (B&O Tax)	7/1/2040	Schedule in 2019 and analyze per 2013 ESSB 5952 § 1(4)	$ 31,600,000
Commercial Airplane Manufacturing - Preferential Rate (B&O Tax)	7/1/2040	Schedule in 2019 and analyze per 2013 ESSB 5952 § 1(4)	$ 238,500,000
Commercial Airplane Production Facilities (Sales and Use Tax)	7/1/2040	Schedule in 2019 and analyze per 2013 ESSB 5952 § 1(4)	$ -
Commuting Programs (Multiple Taxes)	7/1/2024	Schedule by 2024 and analyze per 2015 3rd sp.s. c 44 § 419	$ 5,700,000
Dairy Product Processors - Preferential Rate (B&O Tax)		Analyze per 2015 3rd sp.s. c 6 §201	$ 9,100,000
Entity-Owned Nonresident Vessels (Use Tax)	1/1/2026	Schedule by 2024 and analyze per 2015 3rd sp.s. c 44 §801	$ 4,088,000
Fruit and Vegetable Processors - Exemption (B&O Tax)	7/1/2025	Analyze per 2015 3rd sp.s. c 6 §201	$ 39,300,000
Fruit and Vegetable Processors - Preferential Rate (B&O Tax)		Analyze per 2015 3rd sp.s. c 6 §201	$ 30,800,000
Hiring Unemployed Veterans (B&O Tax)	7/1/2023	Schedule by 2022 and analyze per 2015 3rd sp.s. c 44 §1001	$ -
Hiring Unemployed Veterans (Public Utility Tax)	7/1/2023	Schedule by 2022 and analyze per 2015 3rd sp.s. c 44 §1001	$ -
Hog Fuel to Produce Energy (Sales and Use Tax)	6/30/2024	Schedule in 2019 and analyze per 2013 ESSB 5882 § 1005(2)-(3)	$ 3,237,000
Natural Gas Used for Transportation (Public Utility Tax)	1/1/2026	Schedule in 2023 and analyze per 2014 c 216 § 101(2); scheduled in 2024 to permit a session between review and	$ -
Natural Gas Used for Transportation (Use Tax)	1/1/2026	Schedule in 2023 and analyze per 2014 c 216 § 101(2); scheduled in 2024 to permit a session between review and	$ -
Newspapers (B&O Tax)	7/1/2024	Analyze per 2015 3rd sp.s. c 44 § 601(2)	$ 496,000
Nonprofit Blood and Tissue Banks (B&O Tax)		Analyze per 2013 ESSB 5882 § 1201 (FN)	$ 4,661,000
Nonprofit Blood and Tissue Banks (Property Tax)		Analyze per 2013 ESSB 5882 § 1201 (FN)	$ 6,090,000
Nonprofit Blood and Tissue Banks (Sales and Use Tax)		Analyze per 2013 ESSB 5882 § 1201 (FN)	$ 17,956,000
Nonprofit Fundraising (Use Tax)		Analyze per 2015 c 32 § 1(4)	$ 20,000
Paymaster Services for Affiliated Businesses (B&O Tax)		Analyze per 2013 ESSB 5882 § 101(4)	$ -
Renewable Energy Machinery (Sales and Use Tax)	1/1/2020	Schedule in 2018 and analyze per 2013 ESSB 5882 § 1504(2)-(4)	$ 40,800,000
Seafood Product Processors and Certain Sellers - Preferential Rate (B&O Tax)		Analyze per 2015 3rd sp.s. c 6 §201	$ 3,500,000
Solar Energy Machinery and Equipment (Sales and Use Tax)	6/30/2018	Analyze per 2013 ESSB 5882 § 1601 (FN)	$ 2,948,000
Standard Financial Information (Sales and Use Tax)	7/1/2021	Schedule in 2017 and analyze per 2013 ESSB 5882 § 701(2)	$ 936,000

Table 6 continued

Superefficient Airplane Production Facilities (Leasehold Excise Tax)	7/1/2040	Schedule in 2019 and analyze per 2013 ESSB 5952 § 1(4)	$ -
Superefficient Airplane Production Facilities (Property Tax)	7/1/2040	Schedule in 2019 and analyze per 2013 ESSB 5952 § 1(4)	$ -
Tribal Lands Used for Economic Development (Property Tax)	1/1/2022	Schedule in 2020 and analyze per 2014 c 207 § 11	$ -
Vessel Deconstruction (Sales and Use Tax)	1/1/2025	Schedule by 2018 and analyze per 2014 c 195 § 303; scheduled in 2017 to permit a session between review and expiration	$ -

Table 7: Preferences with Expiration Dates

PREFERENCE NAME	Expiration Date	Beneficiary Savings (Biennial)
Aerospace Product Development (B&O Tax)	7/1/2040	$ 6,500,000
Aerospace Product Development Computer Expenditures (Sales and Use Tax)	7/1/2040	$ 13,600,000
Aerospace Product Development Expenditures (B&O Tax)	7/1/2040	$ 197,900,000
Aircraft for Air Ambulances (Multiple Taxes)	1/1/2020	$ -
Alternative Fuel Commercial Vehicle Credit (B&O Tax)	1/1/2022	$ -
Alternative Fuel Commercial Vehicle Credit (Public Utility Tax)	1/1/2022	$ -
Alternative Fuel Vehicles (Sales and Use Tax)	7/1/2019	$ 680,000
Aluminum Manufacturing (B&O Tax)	7/1/2027	$ 2,400,000
Aluminum Smelter Property Taxes (B&O Tax)	7/1/2027	$ 2,900,000
Aluminum Smelter Purchases (Sales and Use Tax)	7/1/2027	$ 1,500,000
Aluminum Smelter Use of Natural Gas (Use Tax)	7/1/2027	$ 500,000
Battery-Powered Vehicles (Sales and Use Tax)	7/1/2019	$ -
Biotechnology Manufacturing (Sales and Use Tax)	1/1/2017	$ 1,409,000
Certified Aircraft Repair Firms (B&O Tax)	7/1/2040	$ 1,300,000
Clay Targets (Sales and Use Tax)	7/1/2017	$ 36,000
Commercial Airplane Manufacturing - Credit for Taxes Paid (B&O Tax)	7/1/2040	$ 31,600,000
Commercial Airplane Manufacturing - Preferential Rate (B&O Tax)	7/1/2040	$ 238,500,000
Commercial Airplane Production Facilities (Sales and Use Tax)	7/1/2040	$ -
Commuting Programs (Multiple Taxes)	7/1/2024	$ 5,700,000
Corporate Headquarters (Sales and Use Tax)	12/31/2020	$ -
Custom Farming (B&O Tax)	12/31/2020	$ 140,000
Customer-Generated Power (Public Utility Tax)	6/30/2020	$ 4,078,000
Dairy Product Ingredient Sales - Deduction (B&O Tax)	7/1/2025	$ -
Dairy Product Ingredient Sales - Preferential Rate (B&O Tax)	7/1/2023	$ -
Dairy Product Processors - Deduction (B&O Tax)	7/1/2025	$ 8,900,000
Disabled Veterans Adaptive Vehicle Equipment (Sales and Use Tax)	7/1/2018	$ 67,000
Electric Vehicle Battery Charging Stations (Sales and Use Tax)	1/1/2020	$ -
Electric Vehicle Infrastructure (Leasehold Excise Tax)	1/1/2020	$ -
Electricity for Electrolyte Firms (Public Utility Tax)	6/30/2019	$ 1,560,000
Entity-Owned Nonresident Vessels (Use Tax)	1/1/2026	$ 4,088,000
Flavor-Imparting Items (Sales and Use Tax)	7/1/2017	$ 115,000
Fruit and Vegetable Processors - Exemption (B&O Tax)	7/1/2025	$ 39,300,000
Fuel Used by Mint Growers (Sales and Use Tax)	7/1/2017	$ 366,000
Hauling Farm Products for Relatives (Public Utility Tax)	12/31/2020	$ -

Table 7 continued

Health Benefit Exchange (B&O Tax)	7/1/2023	$	360,000
Hiring Unemployed Veterans (B&O Tax)	7/1/2023	$	-
Hiring Unemployed Veterans (Public Utility Tax)	7/1/2023	$	-
Hog Fuel to Produce Energy (Sales and Use Tax)	6/30/2024	$	3,237,000
Manufacturer's Job Creation Deferral (Sales and Use Tax)	1/1/2026	$	4,340,000
Medical Marijuana Collective Gardens (Sales and Use Tax)	7/1/2016	$	-
Mental Health Services (B&O Tax)	8/1/2016	$	1,451,000
Motion Picture Program Contributions (B&O Tax)	7/1/2017	$	7,000,000
Multi-Unit Urban Housing in Rural Counties (Property Tax)	1/1/2020	$	-
Natural Gas Used for Transportation (Public Utility Tax)	1/1/2026	$	-
Natural Gas Used for Transportation (Use Tax)	1/1/2026	$	-
Newspapers (B&O Tax)	7/1/2024	$	496,000
Nonresident Large Private Airplanes (Sales and Use Tax)	7/1/2021	$	3,031,000
Renewable Energy Machinery (Sales and Use Tax)	1/1/2020	$	40,800,000
Rural County Deferral (Sales and Use Tax)	7/1/2020	$	10,484,000
Rural Electric Cooperative Finance Organizations (B&O Tax)	7/1/2017	$	-
Seafood Product Processors and Certain Sellers - Exemption (B&O Tax)	7/1/2025	$	4,400,000
Second Narrows Bridge (Sales and Use Tax)	12/31/2031	$	-
Semiconductor Materials Manufacturing - Gases and Chemicals (Sales and Use Tax)	12/1/2018	$	-
Semiconductor Materials Manufacturing - Preferential Rate (B&O Tax)	12/1/2018	$	-
Solar Energy and Silicon Product Manufacturers (B&O Tax)	6/30/2017	$	3,050,000
Solar Energy Machinery and Equipment (Sales and Use Tax)	6/30/2018	$	2,948,000
Standard Financial Information (Sales and Use Tax)	7/1/2021	$	936,000
Superefficient Airplane Production Facilities (Leasehold Excise Tax)	7/1/2040	$	-
Superefficient Airplane Production Facilities (Property Tax)	7/1/2040	$	-
Targeted Urban Industrial and Manufacturing New Construction (Property Tax)	12/31/2032	$	-
Timber and Wood Products (B&O Tax)	6/30/2024	$	28,133,000
Tribal Lands Used for Economic Development (Property Tax)	1/1/2022	$	-
Vessel Deconstruction (Sales and Use Tax)	1/1/2025	$	-
Warehoused Agricultural Crop Protection Products (Hazardous Substance Tax)	1/1/2026	$	525,000
Workforce Training (B&O Tax)	7/1/2021	$	66,000

Table 8: Preferences Intended for Choosing One Tax Approach Over Another

PREFERENCE NAME	Beneficiary Savings (Biennial)
Aircraft Testing or Crew Training (Aircraft Excise Tax)	
Boxing and Wrestling Matches (B&O Tax)	$ 41,000
Commercial Aircraft (Aircraft Excise Tax)	$ (19,200,000)
General Aviation (Property Tax)	$ 22,200,000
Health Maintenance Organizations (B&O Tax)	$ 53,100,000
Insurance Premiums (B&O Tax)	$ 836,200,000
Leases Under $250 per Year and Short Term Leases (Leasehold Excise Tax)	$ 5,572,000
Motor Vehicle and Special Fuel (Sales and Use Tax)	$ 1,462,000,000
Natural and Manufactured Gas (Sales and Use Tax)	$ 193,700,000
Natural gas subject to public utility tax	$ 71,003,000
Public Utilities (B&O Tax)	$ 113,200,000
Sales Subject to Public Utility Tax (Sales Tax)	$ 1,846,322,000