Citizen Commission for Performance Measurement of Tax Preferences

Meeting Minutes
February 23, 2007
Tyee Event Center, Chinook Room
Tumwater, WA

Members Present:
Richard S. Davis
Representative Ross Hunter
Lily Kahng
Carolyn Logue
William A. Longbrake

Absent:
Charles Hasse
Brian Sonntag

Staff:
Ruta Fanning
Gary Benson
Lizbeth Martin-Mahar
Suzanne Kelly
Lisa Hennessy

WELCOME
Commission Chair Bill Longbrake welcomed those in attendance and called the meeting to order at 1:10 p.m.

APPROVAL OF MEETING MINUTES
MOTION: A motion was made to approve the January 19, 2007, meeting minutes.
The motion was seconded and carried unanimously.

ADOPTION OF REVISED AGENDA
Chair Longbrake pointed out a minor change to the original agendas sent to Commission members and the public, adding a short discussion of tax preference study objectives.

MOTION: A motion was made to adopt the revised agenda.
The motion was seconded and carried unanimously.
STAFF REPORTS
Ruta Fanning gave a brief report on on-going staff work and an update on the Legislative Session.

TAX PREFERENCE PERFORMANCE REVIEW: BEEF PROCESSORS – PRELIMINARY REPORT
Lizbeth Martin-Mahar, JLARC Research Analyst, presented the preliminary report for this study. Since this tax deduction is set to expire prior to the 2008 Legislative Session, this is a special report prepared for consideration by the 2007 Legislature.

This tax deduction was enacted in 2004 to provide temporary tax relief to Washington beef processors due to import bans on U.S. beef. Several countries imposed import bans in response to the discovery of Bovine Spongiform Encephalopathy (BSE) in a cow in Washington State. The tax performance review of the beef processors’ tax deduction addressed ten primary questions outlined in law, and focused on whether the tax preference was meeting the public policy objectives for which it was intended. The report concluded that while other countries’ import bans of U.S. beef have not been completely relaxed, beef production by the industry has recovered to pre-ban levels. The report included a recommendation to retain the current expiration date of the tax preference of December 31, 2007, allowing it to terminate at the end of 2007.

Agency Comment
Mary Welsh, representing the Department of Revenue (DOR), expressed the agency’s agreement with the report recommendation, stating the report was well researched and the results were well founded.

In the absence of a representative from the Office of Financial Management (OFM), Chair Longbrake read a letter from OFM Director, Victor Moore, indicating concurrence with the recommendation in the report.

Public Comment
Ray McGaugh, Tyson Fresh Meats, provided both oral and written comments opposing the recommendation to allow termination of the beef processors tax preference. Mr. McGaugh indicated that Tyson Fresh Meats is still working to return export sales to pre-BSE levels, and the tax deduction continues to provide value.

Commission Discussion
The Commission discussed the public policy objectives and beneficiaries of the tax preference. There was clarification that the Legislature’s public policy objectives specifically targeted beef processors that slaughter their own cattle and sell at wholesale, and that beneficiaries of the tax preference were not required to be exporters to foreign markets.

The Commission discussed the extent to which continuation of the tax preference would contribute to intended public policy objectives. Ms. Martin-Mahar explained that the public policy objective of providing temporary tax relief is being fulfilled, but that continuation of the preference would violate the “temporary” nature of the objective. The Commission also discussed revenue and economic impacts of the preference.
MOTION: A motion was made to acknowledge receipt of the preliminary JLARC report on the beef processors tax preference, note the Commission had provided a forum for discussion and public comment thereon, and endorse the JLARC report and recommendation. The motion was seconded and carried unanimously. Commissioner Logue was not present for the vote.

DISCUSSION OF TAX PREFERENCE STUDY OBJECTIVES

Gary Benson facilitated a review and discussion of the study objectives for 2007 tax preference reviews. Regarding public policy objectives, the Commission discussed “recapturing” tax benefits if public policy objectives are not being met. Staff indicated they would review the use of the word “recapture” in the study objectives.

The Commission discussed possible difficulties in assessing questions related to beneficiaries and economic impacts due to the nature of some of the tax preferences. The Commission also discussed potential difficulties in ascertaining legislative intent for every tax preference.

PUBLIC COMMENT

Don Petersen, Washington State Senior Citizens’ Lobby, commented on the Lobby’s interest in the work of the Commission. He expressed the Lobby’s appreciation that tax preferences, and the fairness and adequacy of the tax system, are being reviewed by the Legislature.

The meeting was adjourned at 3:15 p.m.