

State of Washington

Joint Legislative Audit and Review Committee (JLARC)

# Summary of Tax Preference Review Recommendations

2009 ♦ 2008 ♦ 2007

October 30, 2009



This document provides a comprehensive summary of tax preference reviews prepared by JLARC. The reviews are conducted according to the schedule set by the Citizen Commission for Performance Measurement of Tax Preferences. The table summarizes JLARC's recommendations, the Commission's comments, and related legislation, if any, on all tax preferences studied to date since the initial 2007 reviews.

The summary is organized into full and expedited reviews by year and further grouped by JLARC recommendation.

JLARC may recommend that the Legislature:

- Continue the tax preference,
- Continue the tax preference and modify it, such as changing the expiration date,
- Re-examine or clarify the intent of the tax preference, or
- Terminate the tax preference or allow it to expire.

The Citizen Commission reviews the reports and hears public testimony. The Commission may either endorse the JLARC recommendation without comment, or adopt comments. Commissioners may also provide minority reports.

The detailed tax preference reviews and this summary document are located on the JLARC website at:

[www.citizentaxpref.wa.gov/reports.htm](http://www.citizentaxpref.wa.gov/reports.htm)



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**2009 Expedited Reviews**

Year Enacted	# of Claimants in 2008 (\$ amount)	JLARC Recommendation	Comments by Citizen Commission for Performance Measurement of Tax Preferences	Related Legislation as of 2009
<b>JLARC recommendation: Legislature should continue the tax preference</b>				
Municipal Utilities/ RCW 82.16.050(1)				
1935	Unknown (\$700,000)	Continue	Endorses without comment	Unknown until after 2010 session
Commercial Aircraft/ RCW 82.48.100				
1949	Unknown (\$700,000)	Continue	Endorses without comment	Unknown until after 2010 session
Aircraft Held for Sale / Aircraft Owned by Non-Residents/ RCW 82.48.100				
1955	Unknown Unknown	Continue	Endorses without comment	Unknown until after 2010 session
<b>JLARC recommendation: Legislature should continue the tax preference and modify the expiration date</b>				
Electricity for Electrolyte Firms/ RCW 82.16.0421				
2004	2 (\$2.2 million)	The Legislature should continue the public utility tax preference for electrolytic processing firms, for the purpose of sustaining the industry's competitiveness.	The Commission endorses the JLARC recommendation, and further recommends that the current expiration date of June 30, 2019, be considered the final date for this preference. In addition, the Legislature should explore other alternative means of achieving the goal of preserving family wage jobs.	The Legislature continued the tax preference in the 2009 Legislative Session under SHB 1062 with an expiration date of 2019.
Aluminum Industry/ RCW 82.04.4481; RCW 82.12.022(5); RCW 82.08.805; RCW 82.12.805; RCW 82.04.2909				
2004	3 (\$3.6 million)	The Legislature should extend the expiration date for the aluminum smelter tax preferences because the public policy goal of preserving family wage jobs is being maintained, and because the high energy prices that brought about the tax preference are higher and more volatile than when the incentives were originally enacted.	The Commission endorses the recommendation to extend the expiration date, and further recommends that the Legislature should consider establishing a final expiration date. In addition, the Legislature should explore other alternative means of achieving family wage jobs in rural communities.	Unknown until after 2010 session



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**2009 Expedited Reviews**

Year Enacted	# of Claimants in 2008 (\$ amount)	JLARC Recommendation	Comments by Citizen Commission for Performance Measurement of Tax Preferences	Related Legislation as of 2009
<b>JLARC recommendation: Legislature should re-examine or clarify the intent of the tax preference</b>				
Fraternal Benefit Societies/ RCW 48.36A.240				
1911	24 (\$1.1 million)	The Legislature should clarify the public purpose being served by the tax preference for fraternal benefit societies, because it is unclear whether the objective or rationale for the exemption changed with the re-enactments in 1947 and 1987.	Endorses without comment	Unknown until after 2010 session
Kidney Dialysis, Nursing Homes, and Hospice/ RCW 82.04.4289				
1945	96 (\$2.5 million)	The Legislature should clarify the intended public policy objective for the B&O tax preference for kidney dialysis, hospice, and nursing homes. Now that nonprofit hospitals pay tax on their services, it is not clear what other types of services the Legislature intends to exempt.	Does not endorse and comments as follows: The Commission recommends that the Legislature eliminate the B&O tax deduction for nursing homes, kidney dialysis facilities, and hospice centers.	Unknown until after 2010 session
Ocean Marine Insurance/ RCW 48.14.020(3)				
1947	51 (\$2.2 million)	The Legislature should clarify the public policy purpose for providing a lower insurance premium rate and tax base for ocean marine and foreign trade insurance. Clarification is required because there is a lack of a clearly stated public policy objective and changing conditions since earlier enactments.	Endorses without comment	Unknown until after 2010 session

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**2009 Expedited Reviews**

Year Enacted	# of Claimants in 2008 (\$ amount)	JLARC Recommendation	Comments by Citizen Commission for Performance Measurement of Tax Preferences	Related Legislation as of 2009
Manufacturers of Flour and Oil/ RCW 82.04.260(1)(a)				
1949	11 (\$400,000)	Recommendation 1	Endorses without comment	Unknown until after 2010 session
		The Legislature should continue a preferential B&O tax rate for manufacturers of flour and oil to provide relief for these industries with prices set in national markets; and		
1999	17 (\$330,000)	Recommendation 2	Endorses with comments: The Legislature should consider requesting that an economic impact study be conducted by December 31, 2010, which is enabled by relevant data gathering. Such a study would provide a more informed basis for determining whether to let this preference expire as scheduled, whether to extend the expiration date, or whether to modify the preference and extend the expiration date.	Unknown until after 2010 session
		The Legislature should review the preferential B&O tax rate for manufacturers of flour and oil to ensure the level of the rate is still appropriate.		

**JLARC recommendation: Legislature should allow the tax preference to expire**

Rural Electric Utility Contributions/ RCW 82.16.0491

1999	17 (\$330,000)	The Legislature should allow the credit for rural electric utility contributions to expire on June 30, 2011. While the credit has been utilized, there is not evidence to show that the exemption should be continued beyond the most recent target expiration date.	Endorses with comments: The Legislature should consider requesting that an economic impact study be conducted by December 31, 2010, which is enabled by relevant data gathering. Such a study would provide a more informed basis for determining whether to let this preference expire as scheduled, whether to extend the expiration date, or whether to modify the preference and extend the expiration date.	Unknown until after 2010 session
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**2009 Expedited Reviews**

<b>Year Enacted</b>	<b># of Claimants in 2008 (\$ amount)</b>	<b>JLARC Recommendation</b>	<b>Comments by Citizen Commission for Performance Measurement of Tax Preferences</b>	<b>Related Legislation as of 2009</b>
Rural County Software Development and Help Desk Firms/ RCW 82.04.4483; RCW 82.04.4484				
2004	68 (\$250,000)	The Legislature should allow the tax preferences to expire on January 1, 2011, because the incentives are not achieving the public policy objectives for which they were enacted. The best available data show few new jobs have been created and that rural/urban disparity in high technology jobs has not been mitigated by the incentives.	Endorses without comment	Unknown until after 2010 session
Field Burning Equipment/ RCW 82.08.841; RCW 82.12.841				
2005	Unknown (\$2 million)	The Legislature should allow the sales and use tax exemption for field burning equipment to expire, because the transition to reduced air emissions from agriculture burning has occurred.	Endorses without comment	Unknown until after 2010 session
Patient Lifting Devices/ RCW 82.04.4485				
2006	67 (\$2.3 million)	The Legislature should allow the B&O tax credit for patient lifting devices to expire on December 30, 2010, because the credit was intended to ease the financial hardship of purchasing patient lifting devices, and was limited both in duration and in the amount of credit to be taken.	Endorses without comment	Unknown until after 2010 session

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2009 Full Reviews				
Year Enacted	# of Claimants in 2008 (\$ amount)	JLARC Recommendation	Comments by Citizen Commission for Performance Measurement of Tax Preferences	Related Legislation as of 2009
<b>JLARC recommendation: Legislature should continue the tax preference</b>				
Motor Vehicle and Special Fuel/ 82.08.0255(1)(d); 82.12.0256(2)(d)				
1935	5 million (\$709 million)	Continue	Endorses without comment	Unknown until after 2010 session
Joint Utility Services/ 82.16.050(3)				
1935	551 (\$9.7 million)	Continue	Endorses without comment	Unknown until after 2010 session
Tuition and Fees/ 82.04.4282(5); 82.04.4332				
1935	557 (\$18 million)	Continue	<p>Does not endorse and comments as follows: The Commission recommends that the Legislature clarify the intended public policy purpose of the Tuition and Fees Deductions from B&amp;O tax and define more precisely the term “education institution” for purposes of determining which institutions are entitled to the B&amp;O tax deduction.</p> <p>Commissioner Stephen Miller voted in agreement with the Commission and submitted the following minority report: Any loss of private school opportunities due to the elimination of this tax preference can be made up for with growth in public school attendance, so there is no net loss of education in Washington State. As there is no public benefit to the preference, I encourage the Legislature to consider eliminating the preference entirely.</p>	Unknown until after 2010 session
Cash Discounts/ 82.04.4283; 82.08.010; 82.16.050(4)				
1935	10,000 (\$46 million)	Continue	Endorses without comment	Unknown until after 2010 session



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<b>2009 Full Reviews</b>				
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<b>Investments by Nonfinancial Firms/ 82.04.4281</b>				
1935	Unknown (\$310 million)	Continue	Endorses with comments: The Legislature should consider whether investment income should be taxed by some means other than the B&O gross receipts tax.	Unknown until after 2010 session
<b>Income of Employees/ 82.04.360</b>				
1935	3.2 million (\$2.3 billion)	Continue	Endorses without comment	Unknown until after 2010 session
<b>Motor Fuel Taxes/ 82.04.4285</b>				
1935	2,400 (\$23.2 million)	Continue	Endorses without comment	Unknown until after 2010 session
<b>Casual Sales/ 82.08.0251</b>				
1935	Unknown (\$25.6 million)	Continue	Endorses without comment	Unknown until after 2010 session
<b>Janitorial Services/ 82.04.050(2)(d)</b>				
1935	Unknown (\$33 million)	Continue	The Commission does not endorse the JLARC recommendation, and recommends the State Legislature terminate this preference.	Unknown until after 2010 session
<b>Feed and Seed/ 82.04.050(9)</b>				
1935	40,000 (\$57 million)	Continue	Endorses without comment	Unknown until after 2010 session

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2009 Full Reviews				
Year Enacted	# of Claimants in 2008 (\$ amount)	JLARC Recommendation	Comments by Citizen Commission for Performance Measurement of Tax Preferences	Related Legislation as of 2009
General Aviation/ 82.48.110				
1949	5,900 (\$10.8 million)	Continue	Endorses with comments: The Commission endorses the recommendation because it meets the Legislature's objective of avoiding double taxation; however, the Legislature should consider whether the current excise fees should be raised and whether the level of these excise fees should more closely correspond to the Legislature's apparent original intent of approximately one percent of value.	Unknown until after 2010 session
<b>JLARC recommendation: Legislature should re-examine or clarify the intent of the tax preference</b>				
Newspapers/ 82.08.0253; 82.12.0345				
1935	2.3 million (\$9.5 million)	The Legislature should clarify the current intent of the retail sales and use tax exemptions for newspapers, because a number of circumstances have changed since the original tax preference enactment.  The Department of Revenue should update its administrative rule for newspapers to reflect current law, because the administrative rule uses a content-based definition.	Endorses without comment	Unknown until after 2010 session



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**2008 Expedited Reviews**

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<b>JLARC recommendation: Legislature should continue the tax preference</b>				
Public Utility Tax Credit Losses/ RCW 82.16.050(5)				
1935	170 (\$2 million)	Continue	Endorses without comment	None
Processing Horticultural Products/ RCW 82.04.4287				
1935	Unknown (\$1 million)	Continue	Endorses without comment	None
Fraternal Insurance/ RCW 82.04.370				
1935	23 (\$2 million)	Continue	Endorses without comment	None
Sales for Resale by Water and Gas Utilities/ RCW 82.16.050(2)				
1935	81 (\$2 million)	Continue	Endorses without comment	None
Minimum Income Threshold/ RCW 82.16.040				
1935	Unknown (\$1.2 million)	Continue	Endorses without comment	Two bills (HB 1625, SB 5785) introduced in the 2009 session would have limited the tax preference, but they were not enacted.
Public Utility Operating Property/ RCW 82.08.0256; RCW 82.12.0257				
1935	Unknown (\$244,000)	Continue	Endorses without comment	None

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<b>JLARC recommendation: Legislature should continue the tax preference and modify the expiration date</b>				
Alcohol and Biodiesel Fuel Production/ RCW 82.04.260(1e); RCW 84.36.635; RCW 82.29A.135				
2003	See detailed report	<b>Recommendation 1</b>		
		The Legislature should continue the property tax exemption for machinery and equipment used in producing alcohol fuel, biodiesel and biodiesel feedstock and review for effectiveness in the future once this industry is more developed.	Endorses without comment	Three bills (HB 1743, HB 1804, SB 5467) introduced in the 2009 session would have extended the expiration date and required accountability for the tax preference and thereby implemented the recommendation, but they were not enacted. Three additional bills (HB 1892, SB 6093, SB 6094) introduced in the 2009 session would have repealed the tax preference and thereby contradicted the recommendation, but they were not enacted. This exemption expires in 2009.
		<b>Recommendation 2</b>		
		The Legislature should continue the leasehold excise tax exemption for leasehold interests of machinery and equipment used in producing alcohol, biodiesel and biodiesel feedstock and review for effectiveness in the future once this industry is more developed.	Endorses without comment	Same as Recommendation 1
<b>Recommendation 3</b>				
The Legislature should continue the preferred business and occupation tax rate for manufacturers of alcohol and biodiesel fuel and feedstock and review for effectiveness in the future once this industry is more developed.	Endorses without comment	Same as Recommendation 1		



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**2008 Expedited Reviews**

Year Enacted	# of Claimants in 2007 (\$ amount)	JLARC Recommendation	Comments by Citizen Commission for Performance Measurement of Tax Preferences	Related Legislation as of 2009
Wood Biomass Fuel: Production Facilities/ Sales / Distribution/ RCW 82.08.960; RCW 84.36.640; RCW 82.29A.135; RCW 82.12.960; RCW 82.04.4335				
2003	0 (\$0)	Recommendation 1		
		The Legislature should continue the property tax exemption for machinery and equipment used in producing wood biomass fuel. Since this tax preference is not currently being utilized, it should be reviewed for effectiveness in the future once it is used.	Does not endorse and comments as follows: The Commission recommends that these preferences be allowed to expire in 2009 unless there is evidence that taxpayers plan to use them.	Three bills (HB 1743, HB 1804, SB 5467) introduced in the 2009 session would have extended the expiration date and required accountability for the tax preference and thereby implemented the recommendation, but they were not enacted. This exemption expires in 2009.
		Recommendation 2		
		The Legislature should continue the leasehold excise tax exemption for leasehold interests of machinery and equipment used in producing wood biomass fuel. Since this tax preference is not currently being utilized, it should be reviewed for effectiveness in the future once it is used.	Same as Recommendation 1	Same as Recommendation 1
Recommendation 3				
The Legislature should continue the retail sales tax exemption for sales of machinery and equipment used in constructing, altering or updating equipment which is used in selling wood biomass fuel. Since this tax preference is not currently being utilized, it should be reviewed for effectiveness in the future once it is used.	Same as Recommendation 1	Same as Recommendation 1		



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**2008 Expedited Reviews**

Year Enacted	# of Claimants in 2007 (\$ amount)	JLARC Recommendation	Comments by Citizen Commission for Performance Measurement of Tax Preferences	Related Legislation as of 2009
Recommendation 4				
		The Legislature should continue the use tax exemption for use of machinery and equipment used in constructing, altering or updating equipment which is used in selling wood biomass fuel. Since this tax preference is not currently being utilized, it should be reviewed for effectiveness in the future once it is used.	Same as Recommendation 1	Same as Recommendation 1
Recommendation 5				
		The Legislature should continue the business and occupation tax deduction for sales or distribution of wood biomass fuel. Since this tax preference is not currently being utilized, it should be reviewed for effectiveness in the future once it is used.	Same as Recommendation 1	Same as Recommendation 1
<b>JLARC recommendation: Legislature should re-examine or clarify the intent of the tax preference</b>				
Irrigation Water/ RCW 82.16.050(7)				
1935	Unknown (\$669,000)	Due to the lack of legislative intent and growth in beneficiaries of the public utility tax deduction for irrigation water, the Legislature should clarify if gross income derived from non-agricultural uses of irrigation water should be allowed for this tax deduction.	Endorses without comment	One bill (SB 5911) introduced in the 2009 session would have limited the tax preference and thereby implemented the recommendation, but it was not enacted.



Summary of Tax Preference Review Recommendations

**2008 Expedited Reviews**

Year Enacted	# of Claimants in 2007 (\$ amount)	JLARC Recommendation	Comments by Citizen Commission for Performance Measurement of Tax Preferences	Related Legislation as of 2009
Radio and TV Broadcasting/ RCW 82.04.280(6)				
1935	65 (\$2 million)	The Department of Revenue should conform its rule and practice on radio and television broadcasting advertising income to comply with the statute that allows two means for broadcasters to deduct income earned from the sale of network, national, and regional advertising. Since one of these means is no longer operative, broadcasters should deduct only actual sales of network, national, and regional advertising.	Endorses without comment	None
Farm Auction Sales/ RCW 82.08.0257; RCW 82.12.0258				
1943	Unknown (\$2 million)	Due to the fact that Washington currently does not have uniform tax treatment for all purchases of used farm machinery and equipment regardless of location and method by which the property is acquired, the Legislature should require reporting information of on-farm auction sales and review the policy of these retail sales and use tax exemptions.	Endorses without comment	One bill (SB 5911) introduced in the 2009 session would have eliminated the sales tax exemption but not the use tax exemption and thereby partially implemented the recommendation, but it was not enacted.
<b>JLARC recommendation: Legislature should terminate the tax preference</b>				
Gas Tax Exemption for Handling Losses/ RCW 82.36.029				
1939	179 (\$2.5 million)	The Legislature should terminate the motor vehicle fuel handling loss deduction.	Endorses without comment	Two bills (HB 1504, SB 5027) introduced in the 2009 session would have eliminated the tax preference, but they were not enacted.

Summary of Tax Preference Review Recommendations

**2008 Expedited Reviews**

Year Enacted	# of Claimants in 2007 (\$ amount)	JLARC Recommendation	Comments by Citizen Commission for Performance Measurement of Tax Preferences	Related Legislation as of 2009
Airports Owned by Cities in Other States/ RCW 84.36.130				
1941	0 (\$0)	Given that there are no out-of-state municipalities owning airport property in Washington, the Legislature should terminate this property tax exemption.	Endorses without comment	One bill (ESSB 5557) introduced in the 2009 session would have eliminated the tax preference, but it was not enacted.



Summary of Tax Preference Review Recommendations

2008 Full Reviews				
Year Enacted	# of Claimants in 2007 (\$ amount)	JLARC Recommendation	Comments by Citizen Commission for Performance Measurement of Tax Preferences	Related Legislation as of 2009
<b>JLARC recommendation: Legislature should continue the tax preference</b>				
Private K-12 Schools/RCW 84.36.050(1)				
1925	248 (\$16 million)	Continue	Endorses without comment	None
Private Colleges/ RCW 84.36.050(1)				
1925	69 (\$32 million)	Continue	Endorses without comment	None
Intangibles/ RCW 84.36.070				
1931	Unknown (\$9.9 billion)	Continue	Does not endorse and comments as follows: Given the revenue impact of the exemption (\$11 billion in 2008), the dramatic growth of intangible property in the New Economy, and the impact of such a large exemption on the adequacy, efficiency and fairness of the tax system, the Commission recommends that the Legislature study the exemption and consider how to appropriately treat intangible property.	Two bills (HB 2350, HB 2354) introduced in the 2009 session would have established a tax on intangible property and thereby contradicted the recommendation, but they were not enacted.
Commercial Vessels/ RCW 84.36.080(1); RCW 84.40.036				
1931	2,500 (\$900,000)	Continue	Endorses without comment	None
Other Ships and Vessels/ RCW 84.36.090				
1931	236,036 (\$32.8 million)	Continue	Endorses without comment	None
Exported and Imported Fuel/ RCW 82.36.230; RCW 82.38.030				
1933	162 (\$1.2 billion)	Continue	Endorses with comment: The Commission recommends the Legislature consider whether to modify this exemption in light of US Supreme Court decisions subsequent to enactment of this exemption.	One bill (HB 2277) introduced in the 2009 session would have limited the tax preference and thereby contradicted the recommendation, but it was not enacted.

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2008 Full Reviews				
Year Enacted	# of Claimants in 2007 (\$ amount)	JLARC Recommendation	Comments by Citizen Commission for Performance Measurement of Tax Preferences	Related Legislation as of 2009
Real Estate Sales/ RCW 82.04.390				
1935	Unknown (\$363 million)	Continue	Endorses without comment	None
Credit Losses/ RCW 82.04.4284				
1935	4,171 (\$5 million)	Continue	Endorses without comment	None
Insurance Premiums/ RCW 82.04.320				
1935	1,729 (\$360 million)	Continue	Endorses without comment	None
Public Utilities/ RCW 82.04.310				
1935	7,037 (\$40 million)	Continue	Endorses without comment	None
<b>JLARC recommendation: Legislature should continue the tax preference, extend the expiration date, and add accountability requirement</b>				
Electric Generating Equipment; Renewable Resources/ RCW 82.08.02567; RCW 82.12.02567				
1996	Unknown (\$25 million)	Recommendation 1 Continue the retail sales and use tax preferences and reexamine these alternative energy tax preferences at a later date to determine their effectiveness in encouraging growth in this industry in Washington.	Endorses without comment	One bill (ESSB 6170) enacted in the 2009 session implements the recommendation by replacing the expiring tax preferences with similar, new sales and use tax refunds expiring in 2013. Four additional bills (E2SHB 1009, HB 1719, SSB 5161, SB 6029) introduced in the 2009 session would have implemented the recommendation, but they were not enacted.



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2008 Full Reviews				
Year Enacted	# of Claimants in 2007 (\$ amount)	JLARC Recommendation	Comments by Citizen Commission for Performance Measurement of Tax Preferences	Related Legislation as of 2009
Recommendation 2				
		The Legislature should implement reporting requirements and criteria on which to evaluate the tax exemptions and reevaluate the wattage threshold limit to ensure there are not unintended beneficiaries.	Endorses without comment	One bill (ESSB 6170) enacted in the 2009 session implements the recommendation by attaching documentation requirements to the new tax preferences and increasing the minimum wattage threshold. Three additional bills (E2SHB 1009, HB 1719, SSB 5161) introduced in the 2009 session would have partially implemented the recommendation by attaching further documentation requirements to the existing tax preferences, but they were not enacted.
<b>JLARC recommendation: Legislature should re-examine or clarify the intent of the tax preference</b>				
Agricultural Producers/ RCW 82.04.330; RCW 82.04.410				
1935	35,000 (\$28.8 million)	Given the fact that incomes have increased significantly for some farms since the period of financial hardships when this tax exemption was enacted, the Legislature should consider establishing an income threshold in order to qualify for the business and occupation tax exemption for agricultural producers.	Endorses without comment	One bill (SB 5911) introduced in the 2009 session would have limited the tax preference and thereby implemented the recommendation, but it was not enacted.
Tax Rate for Urban Trans. & Vessels/ RCW 82.16.020 (1d&e)				
1935	2,015 (\$6.2 million)	The Legislature should review the policy of taxing transportation related business activity at different public utility tax rates based on where a transportation service takes place or the size of a vessel in which the service is conducted.	Endorses without comment	One bill (SB 5911) introduced in the 2009 session would have eliminated the tax preference and thereby implemented the recommendation, but it was not enacted.

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<b>2008 Full Reviews</b>				
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Items Used in Interstate Commerce/ RCW 82.08.0261				
1949	184 (\$110 million)	The Legislature should clarify the public policy purpose for the retail sales tax exemption for sales of tangible personal property to air, rail, and water private or common carriers to be used in interstate or foreign commerce.	Endorses without comment	One bill (SB 5911) introduced in the 2009 session would have eliminated the tax preference and thereby implemented the recommendation, but it was not enacted.



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2007 Expedited Reviews				
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<b>JLARC recommendation: Legislature should continue the tax preference</b>				
Nonprofit Libraries/ RCW 84.36.040(1)(b)				
1854	10 (\$36,000)	Continue	Endorses without comment	None
Fire Companies/ RCW 84.36.060(1)(c)				
1890	1 (\$5,500)	Continue	Endorses without comment	None
Growing Crops/ RCW 84.40.030(3)				
1890	1,179 (\$2.6 million)	Continue	Endorses without comment	One bill (SB 5472) was introduced during the 2009 session that would have eliminated the tax preference, but was not enacted.
Humane Societies/ RCW 84.36.060(1)(d)				
1915	22 (\$170,000)	Continue	Endorses without comment	None
Collections and Museums/ RCW 84.36.060(1)(a)				
1915	145 (\$3.1 million)	Continue	Endorses without comment	None
Veterans Organizations/ RCW 84.36.030(4)				
1929	159 (\$570,000)	Continue	Endorses without comment	None
Nonprofit Youth Organizations/ RCW 84.36.030(3)				
1933	115 (\$1.9 million)	Continue	Endorses without comment	None
Contributions and Donations/ RCW 82.04.4282				
1935	Unknown (\$56 million)	Continue	Endorses without comment	None
Boxing and Wrestling Matches/ RCW 82.04.340				
1935	14 (\$18,000)	Continue	Endorses without comment	None

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**2007 Expedited Reviews**

Year Enacted	# of Claimants in 2006 (\$ amount)	JLARC Recommendation	Comments by Citizen Commission for Performance Measurement of Tax Preferences	Related Legislation as of 2009
Lost or Destroyed Fuel/ RCW 82.36.370; RCW 82.38.180(4)-(6)				
1923	Unknown	Continue	Endorses without comment	None
Historic Auto Museums/ RCW 82.32.580				
2005	0 (\$0)	Continue	Endorses without comment	None
<b>JLARC recommendation: Legislature should re-examine or clarify the intent of the tax preference</b>				
Nonprofit Nursing Homes/ RCW 84.36.040(1)(d)				
1891	42 (\$2.8 million)	Recommendation 1 If the Legislature intended to provide the nonprofit nursing home property tax exemption under the assumption that these organizations were providing more charity or low-income care than other nursing homes, then the Legislature should modify the property tax exemption to be dependent on meeting a threshold of charity or low income care.	Endorses with comments: The Legislature should determine whether the nonprofit nursing home property tax exemption is intended to be available to nursing homes that provide more charity or low-income care than other nursing homes, and if necessary, amend the exemption to ensure that it carries out its intended purpose. Explanation: The Commission intends their comments to be more directive than JLARC staff by stating the Legislature should definitively clarify their intent.	One bill (ESSB 5557) was introduced during the 2009 session that would have implemented the recommendation, but was not enacted.



Summary of Tax Preference Review Recommendations

2007 Expedited Reviews				
Year Enacted	# of Claimants in 2006 (\$ amount)	JLARC Recommendation	Comments by Citizen Commission for Performance Measurement of Tax Preferences	Related Legislation as of 2009
Recommendation 2				
		If the Legislature wants information on community service activities performed by nursing homes, then it should require nursing homes to report an annual community service inventory.	Endorses with comments: The Legislature should determine whether it should require information on community service activities performed by nursing homes, and if so, it should amend the exemption to require nursing homes to report an annual community service inventory.  Explanation: The Commission intends their comments to be more directive than JLARC staff by stating the Legislature should definitively clarify their intent.	One bill (ESSB 5557) was introduced during the 2009 session that would have implemented the recommendation, but was not enacted.
Membership Dues and Fees/ RCW 82.04.4282				
1935	218 (\$2 million)	To ease the administration and compliance of the membership dues and fees tax preference, the Legislature should clarify which clubs should qualify and provide a simple method to value this deduction.	Endorses without comment	One bill was introduced during the 2008 session (HB 2397) and one bill was introduced during the 2009 session (SB 5911) that would have partially implemented the recommendation, but they were not enacted. One bill was introduced during the 2009 session (HB 1255) that would have eliminated the tax preference and thereby implemented the recommendation, but it was not enacted.

Summary of Tax Preference Review Recommendations

**2007 Expedited Reviews**

Year Enacted	# of Claimants in 2006 (\$ amount)	JLARC Recommendation	Comments by Citizen Commission for Performance Measurement of Tax Preferences	Related Legislation as of 2009
Horse Racing/ RCW 82.04.350				
1933	5 (\$2 million)	If the Legislature had a public policy objective to avoid double taxation for all horse racing, then this business and occupation tax exemption should be adjusted to tie qualifying for this exemption to actually paying the pari-mutuel tax. If the Legislature had a public policy objective to avoid double taxation only for businesses operating class 1 horse racing meets, then the Legislature should continue the business and occupation tax exemption.	Endorses without comment	One bill was introduced during the 2009 session (SB 5911) that would have eliminated the tax preference, but was not enacted.
Refunded Fuel Tax for Nonhighway Use/ RCW 82.36.280; RCW 82.38.180(1)				
1923	4,967 (\$20.3 million)	In an effort to maintain equity in the treatment of fuel taxes, the Legislature should review its policy of restricting the amount of fuel taxes that may be refunded to programs for off-road recreational users of motor vehicle fuel.	Endorses without comment	One bill introduced in the 2008 session (HB 2819) and one bill introduced in the 2009 session (HB 2101) would have changed the fuel tax rate used to determine fuel tax distributions to special recreational accounts and thereby would have partially implemented the recommendation, but they were not enacted. Two bills were introduced in the 2009 session (HB 1668, SB 5783) that would have changed the fuel tax rate used to determine fuel tax distributions to the Snowmobile Account and thereby would have partially implemented the recommendation, but they were not enacted.



Summary of Tax Preference Review Recommendations

**2007 Expedited Reviews**

Year Enacted	# of Claimants in 2006 (\$ amount)	JLARC Recommendation	Comments by Citizen Commission for Performance Measurement of Tax Preferences	Related Legislation as of 2009
<b>JLARC recommendation: Legislature should terminate the tax preference and allow beneficiaries to qualify for another tax preference</b>				
Orphanages/ RCW 84.36.040(1)(c)				
1891	2 (\$138,000)	If the Legislature is concerned with providing uniform and equitable tax treatment to all nonprofit organizations providing similar housing and care for children, the Legislature should terminate the orphanage property tax exemption and allow the orphanages to qualify for the nonsectarian property tax exemption.	Endorses with comments: The Commission recommends that nonprofit orphanages continue to qualify for tax exempt status. Explanation: The Commission intends to ensure that nonprofit orphanages continue to qualify for tax exempt status.	None

Summary of Tax Preference Review Recommendations

2007 Full Reviews				
Year Enacted	# of Claimants in 2006 (\$ amount)	JLARC Recommendation	Comments by Citizen Commission for Performance Measurement of Tax Preferences	Related Legislation as of 2009
<b>JLARC recommendation: Legislature should continue the tax preference</b>				
Churches, Parsonages and Convents/ RCW 84.36.020				
1854	5,137 (\$66 million)	Continue	Endorses without comment	None
Cemeteries/ RCW 84.36.020				
1854	196 (\$7.4 million)	Continue	Endorses without comment	None
Household Goods/ RCW 84.36.110(1)				
1935	2.4 million (\$341 million)	Continue	Endorses without comment	No legislation was introduced in the 2008 or 2009 session to eliminate the tax preference. Two bills (HB 2350, HB 2354) were introduced during the 2009 session that would have limited the tax preference, but they were not enacted.
Refund of Fuel Tax for Exported Fuel/ RCW 82.36.300; RCW 82.38.180(2)				
1923	89 (\$1.3 million)	Continue	Endorses without comment	No legislation was introduced in the 2008 or 2009 session to eliminate the tax preference. One bill (HB 2277) was introduced during the 2009 session that would have limited the tax preference and thereby contradicted the recommendation, but was not enacted.



Summary of Tax Preference Review Recommendations

2007 Full Reviews				
Year Enacted	# of Claimants in 2006 (\$ amount)	JLARC Recommendation	Comments by Citizen Commission for Performance Measurement of Tax Preferences	Related Legislation as of 2009
<b>JLARC recommendation: Legislature should re-examine or clarify the intent of the tax preference</b>				
Nonprofit Hospitals/ RCW 84.36.040(1)(e)				
1886	45 (\$47 million)	Recommendation 1		
		If the Legislature intended to provide a nonprofit hospital property tax exemption under the assumption that these organizations were providing more charity or low-income care than other hospitals, then the Legislature should modify the property tax exemption to be dependent on meeting a threshold of charity or low-income care.	Endorses with comments: The Legislature should determine whether the nonprofit hospital property tax exemption is intended to be available to hospitals that provide more charity or low-income care than other hospitals, and if necessary, amend the exemption to ensure that it carries out its intended purpose.  Explanation: The Commission intends their comments to be more directive than JLARC staff by stating the Legislature should definitively clarify their intent.	Legislation was introduced during the 2009 session (SB 5347) that would have implemented the recommendation, but it was not enacted.
		Recommendation 2		
		If the Legislature wants additional information on community service activities performed by hospitals, then it should require hospitals to report an annual community services inventory.	Endorses with comments: The Legislature should determine whether it should require information on community service activities performed by nonprofit hospitals, and if so, it should amend the exemption to require nonprofit hospitals to report an annual community service inventory.	Legislation was introduced during the 2009 session (ESSB 5557) that would have implemented the recommendation, but it was not enacted.
Recommendation 3				
		The Legislature should clarify which specific services provided by nonprofit hospitals qualify for a property tax exemption.	Endorses without comment	None

Summary of Tax Preference Review Recommendations

2007 Full Reviews				
Year Enacted	# of Claimants in 2006 (\$ amount)	JLARC Recommendation	Comments by Citizen Commission for Performance Measurement of Tax Preferences	Related Legislation as of 2009
Nonsectarian Organizations/ RCW 84.36.030(1)				
1915	651 (\$17 million)	If the Legislature intended all nonprofit nonsectarian organizations to meet a gift giving test to qualify for the property tax exemption, the Legislature should enact a gift giving criterion into law.	Endorses with comments: The Legislature should determine whether it intends nonprofit nonsectarian organizations to meet a gift giving test to qualify for the property tax exemption, and if so, it should enact a gift giving criterion into law.	None



Summary of Tax Preference Review Recommendations

2007 Beef Processors				
Year Enacted	# of Claimants in 2006 (\$ amount)	JLARC Recommendation	Comments by Citizen Commission for Performance Measurement of Tax Preferences	Related Legislation as of 2009
<b>JLARC recommendation: Legislature should terminate the tax preference</b>				
Beef Processors/ RCW 82.04.4336				
2004	6 (\$1.1 million)	The Legislature should retain the current law expiration date of December 31, 2007, which means the tax preference will terminate at the end of 2007.	Endorses without comment	Prior to release of the report, two bills (HB 1899, SSB 6055) were introduced during the 2007 session that would have extended the tax preference. Following release of the report, they were not enacted.



