

Summary of 2009 Tax Preference Review Recommendations and Commission Comments

2009 Expedited Reviews

- ▶ Municipal Utilities
- ▶ Commercial Aircraft
- ▶ Aircraft Held for Sale / Aircraft Owned by Non-Residents
- ▶ Electricity for Electrolyte Firms
- ▶ Aluminum Industry
- ▶ Fraternal Benefit Societies
- ▶ Kidney Dialysis, Nursing Homes, and Hospice
- ▶ Ocean Marine Insurance
- ▶ Manufacturers of Flour and Oil
- ▶ Rural Electric Utility Contributions
- ▶ Rural County Software Development and Help Desk Firms
- ▶ Field Burning Equipment
- ▶ Patient Lifting Devices

2009 Full Reviews

- ▶ Motor Vehicle and Special Fuel
- ▶ Joint Utility Services
- ▶ Tuition and Fees
- ▶ Cash Discounts
- ▶ Investments by Nonfinancial Firms
- ▶ Income of Employees
- ▶ Motor Fuel Taxes
- ▶ Casual Sales
- ▶ Janitorial Services
- ▶ Feed and Seed
- ▶ General Aviation
- ▶ Newspapers

2009 Expedited Reviews

Year Enacted	# of Claimants \$ amount	JLARC Recommendation	Comments by Citizen Commission for Performance Measurement of Tax Preferences	Related Legislation as of 2010
JLARC recommendation: Legislature should continue the tax preference				
Municipal Utilities / RCW 82.16.050(1)				
1935	Unknown \$700,000	Continue	Endorses without comment	None
Commercial Aircraft / RCW 82.48.100				
1949	Unknown \$700,000	Continue	Endorses without comment	None
Aircraft Held for Sale / Aircraft Owned by Non-Residents / RCW 82.48.100				
1955	Unknown Unknown	Continue	Endorses without comment	None
JLARC recommendation: Legislature should continue the tax preference and modify the expiration date				
Electricity for Electrolyte Firms / RCW 82.16.0421				
2004 Expires 6/30/2019	2 \$778,000	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 Expires 1/1/2017	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.	The Legislature continued the tax preferences in 2010 under EHB 2672, extending the expiration date from 1/1/2012 to 1/1/2017. JLARC must review the preferences in 2015 with a particular analysis of jobs retained due to the preferences.

2009 Expedited Reviews

Year Enacted	# of Claimants \$ amount	JLARC Recommendation	Comments by Citizen Commission for Performance Measurement of Tax Preferences	Related Legislation as of 2010
JLARC recommendation: Legislature should re-examine or clarify the intent of the tax preference				
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	None
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.	One bill was introduced in 2010 (SB 6841) to eliminate the B&O tax preference for kidney dialysis, nursing homes, and hospice, but it was not enacted.
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	One bill was introduced in 2010 (SB 6841) to eliminate the preferential insurance premiums tax rate for ocean marine insurance, but it was not enacted.

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Manufacturers of Flour and Oil / RCW 82.04.260(1)(a)				
1949	11 \$400,000	Recommendation 1		
		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.	Endorses without comment	One bill was introduced in 2010 (SB 6841) to eliminate the preferential B&O tax rate for manufacturers of flour and oil, but it was not enacted.
Recommendation 2				
		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.	Endorses without comment	Same as Recommendation 1.
JLARC recommendation: Legislature should allow the tax preference to expire				
Rural Electric Utility Contributions / RCW 82.16.0491				
1999 Expires 6/30/2011	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.	One bill was introduced in 2010 (SB 6841) to eliminate the public utility tax credit for rural electric utility contributions, but it was not enacted. No action was taken to extend the current expiration date of 6/30/2011.

2009 Expedited Reviews

Year Enacted	# of Claimants \$ amount	JLARC Recommendation	Comments by Citizen Commission for Performance Measurement of Tax Preferences	Related Legislation as of 2010
Rural County Software Development and Help Desk Firms / RCW 82.04.4483; RCW 82.04.4484				
2004 Expires 1/1/2011	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	One bill was introduced in 2010 (SB 6841) to eliminate the B&O tax preferences for rural county software development and help desk firms, but it was not enacted. However, as no action was taken to extend the current expiration date of 1/1/2011, JLARC's recommendation will be implemented.
Field Burning Equipment / RCW 82.08.841; RCW 82.12.841				
2005 Expires 1/1/2011	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	One bill was introduced in 2010 (SB 6841) to eliminate the retail sales and use tax exemptions for field burning equipment, but it was not enacted. However, as no action was taken to extend the current expiration date of 1/1/2011, JLARC's recommendation will be implemented.
Patient Lifting Devices / RCW 82.04.4485				
2006 Expires 12/30/2010	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	One bill was introduced in 2010 (SB 6841) to eliminate the B&O tax credit for patient lifting devices, but it was not enacted. However, as no action was taken to extend the current expiration date of 12/30/2010, JLARC's recommendation will be implemented.

2009 Full Reviews

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JLARC recommendation: Legislature should continue the tax preference				
Motor Vehicle and Special Fuel / 82.08.0255(1)(d); 82.12.0256(2)(d)				
1935	5 million \$709 million	Continue	Endorses without comment	None
Joint Utility Services / 82.16.050(3)				
1935	551 \$9.7 million	Continue	Endorses without comment	None
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&O tax and define more precisely the term "education institution" for purposes of determining which institutions are entitled to the B&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>	None

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Cash Discounts / 82.04.4283; 82.08.010; 82.16.050(4)				
1935	10,000 \$46 million	Continue	Endorses without comment	None
Investments by Nonfinancial Firms / 82.04.4281				
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.	None
Income of Employees / 82.04.360				
1935	3.2 million \$2.3 billion	Continue	Endorses without comment	None
Motor Fuel Taxes / 82.04.4285				
1935	2,400 \$23.2 million	Continue	Endorses without comment	None
Casual Sales / 82.08.0251				
1935	Unknown \$25.6 million	Continue	Endorses without comment	None
Janitorial Services / 82.04.050(2)(d)				
1935	Unknown \$33 million	Continue	The Commission does not endorse the JLARC recommendation, and recommends the State Legislature terminate this preference.	None
Feed and Seed / 82.04.050(9)				
1935	40,000 \$57 million	Continue	Endorses without comment	None

2009 Full Reviews

Year Enacted	# of Claimants \$ amount	JLARC Recommendation	Comments by Citizen Commission for Performance Measurement of Tax Preferences	Related Legislation as of 2010
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.	Two bills were introduced in 2010 (HB 3176 and SB 6873) to replace the set annual fee amounts with an annual excise tax of five-tenths of one percent based on the taxable value of the aircraft. Neither bill was enacted.
JLARC recommendation: Legislature should re-examine or clarify the intent of the tax preference				
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	One bill was introduced in 2010 (SB 6841) to eliminate the retail sales and use tax exemptions for newspapers, but it was not enacted. The Department of Revenue is currently in the process of amending the administrative rule for newspapers (WAC 458-20-143, Publishers of newspapers, magazines, periodicals).