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JLARC

Legislative Auditor's Report to the Legislature:

Guidance for Drafting Performance Statements in Tax Preference Legislation

Presentation to Citizen Commission for Performance Measurement of Tax Preferences

Keenan Konopaski, Legislative Auditor

Joint Legislative Audit & Review Committee

May 16, 2014



2013: Statute Now Requires Performance Statements for All New Tax Preferences

- 2013 Assignment to Legislative Auditor:
 - ✓ Recommend how to construct performance statements to better assist JLARC's tax preference evaluations

CERTIFICATION OF ENROLLMENT
ENGROSSED SUBSTITUTE SENATE BILL 5882

Chapter 13, Laws of 2013

63rd Legislature
2013 2nd Special Session

TAX PREFERENCES

EFFECTIVE DATE: 10/01/13 - Except section 203, which becomes effective 07/01/15, Parts III, X, XV, and XVI, which become effective 07/01/13, and Part XI, which becomes effective 01/01/14.

Passed by the Senate June 28, 2013 YEAS 43 NAYS 5	CERTIFICATE I, Hunter G. Goodman, Secretary of the Senate of the State of Washington, do hereby certify that the attached is ENGROSSED SUBSTITUTE SENATE BILL 5882 as passed by the Senate and the House of Representatives on the dates hereon set forth.
_____ BRAD OWEN President of the Senate	_____ HUNTER G. GOODMAN Secretary
Passed by the House June 28, 2013 YEAS 66 NAYS 25	
_____ FRANK CHOPP Speaker of the House of Representatives	

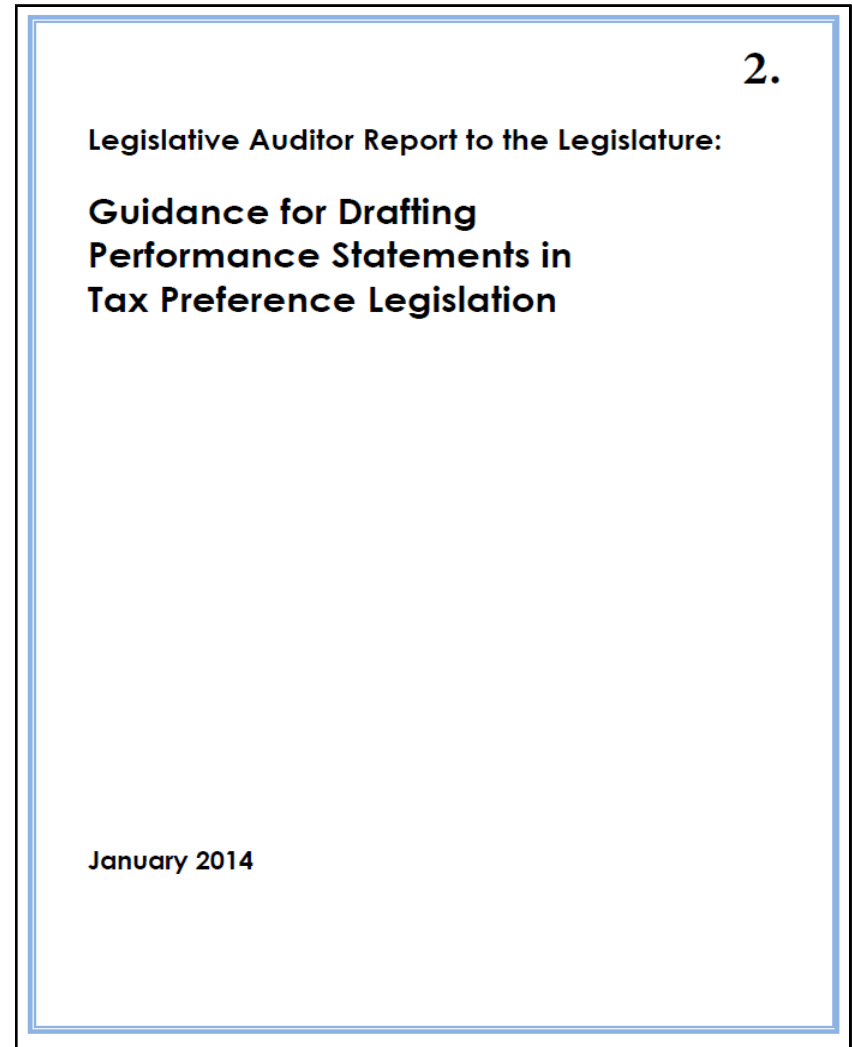
Approved June 30, 2013, 4:44 p.m.

FILED
July 1, 2013

_____ JAY INSLEE Governor of the State of Washington	_____ Secretary of State State of Washington
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2014 Legislative Auditor's Report Includes Three Parts

- 1. Tool** to assist policy makers to clarify what they want accomplished
- 2. Drafting guide** to help translate into a bill
- 3. Issues/ideas** to consider
 - Report developed with advice from task force: AWB, DOR, OFM, State Treasurer's Office



Tool: “Logic Chain” Helpful in Clarifying Policy Expectations

Exempt solar-powered cars from sales and use tax

...in order to...

Reduce the price charged to customers for solar-powered cars

...thereby...

Inducing some customers to buy solar-powered cars when they might not otherwise

...thereby...

Increasing the number of solar-powered cars on the road in Washington

...thereby...

Reducing the amount of CO₂ emissions in Washington



Tool: “Logic Chain” Helpful in Clarifying Performance Expectations

Exempt solar-powered cars from sales and use tax

Reduce the price charged to customers for solar-powered cars

By an average of ?%

Inducing some customers to buy solar-powered cars when they might not otherwise

Increasing the number of solar-powered cars on the road in Washington

By a specific number of cars?

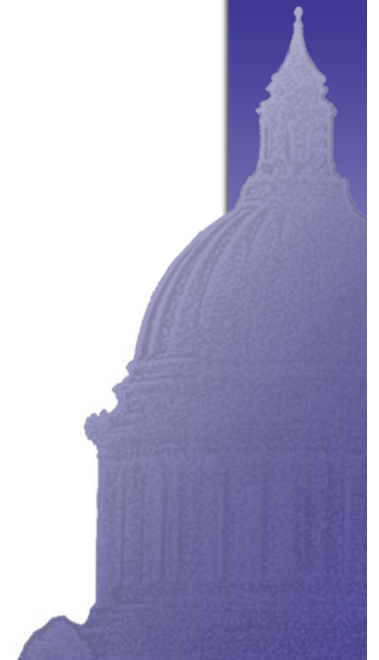
Reducing the amount of CO₂ emissions in Washington

By ?%



Issues/Ideas

**Legislative Auditor's
Observations:
Issues to Consider When
Drafting Tax Preference
Legislation**



Legislative Auditor's Report Identifies Issues to Consider, Including:

- Choice: evaluate effectiveness by determining causality or achieving targets?
- What taxpayer info do you want to be disclosable or to remain confidential?
- Choice: performance at the firm level or performance industry-wide?
- If new information is needed from taxpayers, clearly identify it and a collection mechanism
- Some additional observations on specific data for measuring jobs and industry competitiveness

Legislature Used Guidance in 2014 Session

- Presentations to JLARC, House Finance, and Senate Ways & Means Committees
- All legislation passed in 2014 included performance statements based on guidance
- Several performance statements include detailed measurements of effectiveness, including data sources

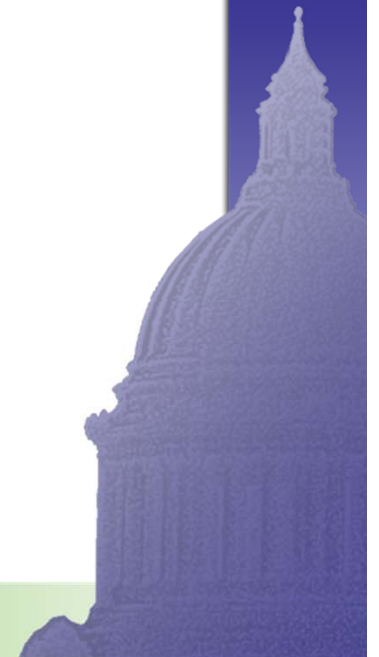
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