

Overview

Citizen Commission for Performance Measurement of Tax Preferences Proposed Process for Commission Action on 2014 Tax Preference Reviews

September 19, 2014

Step One: Completion date—Friday, September 19

- Commissioners receive public testimony.

Step Two: Completion date—Monday, October 6th

- Using the Commissioner Draft Comment Form, Commissioners forward to the Legislative Auditor any proposed comments by October 6th. ([See Commissioner Comment Form.](#))
- The Legislative Auditor will compile proposed comments using groups A through F (see explanation on following pages) and distribute to all Commissioners by C.O.B., Wednesday, October 8th. ([See Exhibit 1: Example from 2013 Commissioner Comment Process, pg. 5 of this document.](#))

Step Three: Completion date—Monday, October 13th

- Chair to prepare consolidated draft of proposed commissioner comments. Legislative Auditor will distribute to all Commissioners.

Step Four: Completion date—Friday, October 17th

- At the October 17 meeting, Commissioners will determine which comments to adopt, using the process outlined below.

OCTOBER 17th MEETING

First, the Commission will consider JLARC staff reviews that have no proposed comments.

Group A: Continue – endorse without comment

- Commissioners will be asked if they would like to adopt individual comments for any preferences from Group A.
- **If there are any proposed comments, those preferences will be moved to Group B** (see below).
- The Commission will then entertain a motion to act on those remaining in the Group A list.
- Any Commissioner can ask to add a minority report reflecting their individual comments. ([See Exhibit 2: Citizen Commission for Performance Measurement of Tax Preferences Bylaws, Article VII: Minority Reports on pg. 6 of this document.](#))

GROUP A - LEGISLATIVE AUDITOR RECOMMENDATION: CONTINUE
Electric Power Exported and Resold (Public Utility Tax)
Sales Subject to Public Utility Tax (Sales Tax) (Sales & Use Tax)

The Commission will then consider adopting additional comments for preferences in Groups B through F, in order.

Groups B Through F

Action on the remaining specific preference reviews will be considered in order of the following groups. For **Groups B through E** are organized based on the Legislative Auditor recommendation: the Commission will determine whether to endorse or not endorse, and adopt any additional comments. **Group F** if provided to add comments on Expedited Preferences.

GROUP B: Continue – endorse or not endorse; consider whether to provide a comment

GROUP B - LEGISLATIVE AUDITOR RECOMMENDATION: CONTINUE

(Tax Preferences with individual comments from Group A.)
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GROUP C: Review and Clarify – endorse without comment

- Commissioners will be asked if they would like to adopt individual comments for any preferences from Group C.
- **If there are any proposed comments, those preferences will be moved to Group D** (see below).
- The Commission will then entertain a motion to act on those remaining in the Group C list.

GROUP C - LEGISLATIVE AUDITOR RECOMMENDATION: REVIEW AND CLARIFY – With No Additional Comments from Commissioners.

Aerospace Industry Tax Preferences (package of 8 preferences with same recommendation)
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Certified Aircraft Repair Firms (B&O Tax)

Commercial Airplane Part Place of Sale (B&O Tax)
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Dairy Product Processors Deduction and Preferential Rate (B&O Tax)
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Fruit and Vegetable Processors Exemption and Preferential Rate (B&O Tax)
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Seafood Product Processors and Certain Sellers-Exemption and Preferential Rate (B&O Tax)
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Electricity Power Exported or Resold (B&O Tax)
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International Investment Management Services (B&O Tax)
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GROUP D: Review and Clarify – endorse or not endorse; consider whether to provide a comment

GROUP D - LEGISLATIVE AUDITOR RECOMMENDATION: REVIEW AND CLARIFY

(Tax Preferences with individual comments from Group C.)

GROUP E: Terminate – endorse or not endorse; consider whether to provide a comment

GROUP E - LEGISLATIVE AUDITOR RECOMMENDATION: TERMINATE

Aircraft Part Prototypes (Sales/Use Tax)

GROUP F: Expedited Preferences where Commission may wish to add comments

- Each preference and any associated Commission comments will be discussed individually.
- The Commission will then entertain a motion to act on each individual preference.
- Any Commissioner can ask to add a minority report reflecting their individual comments.

EXHIBIT 1: EXAMPLE FROM 2013 COMMISSIONER COMMENT PROCESS

GROUP B: Continue- endorse or not endorse; consider whether to provide a comment

Draft comment proposed by Chair Longbrake for Commission consideration.

Tax Preference	Comment
<p align="center">1</p> <p align="center"><u>Prescription Drug Resellers (B&O Tax)</u></p>	<p>Legislative Auditor recommendation: Continue: Because the preference is meeting the inferred public policy objective of reducing a competitive disadvantage for wholesalers operating Washington warehouses relative to out-of-state drug distributors that have no nexus to Washington and pay no B&O tax.</p> <p>Possible comment: Endorse with comment: The Commission endorses the Legislative Auditor’s recommendation to continue the prescription drug resellers preference, but notes that public testimony raised questions about whether the preference provides public benefits and whether a competitive disadvantage exists which merits this preference. The Legislature could consider whether to review this preference.</p> <p>Rationale for comment: The Legislative Auditor believes the Legislature’s inferred public policy objective for the prescription drug resellers B&O preferential tax rate is intended to reduce a competitive disadvantage for drug resellers operating warehouses in Washington relative to businesses that distribute drugs in the state without nexus and that owe no B&O tax. But, the preference is also available to drug resellers operating out-of-state warehouses that have nexus. The Commission received testimony questioning the necessity of this preference, but also received testimony indicating that drug reseller employment in the state has grown 182% since the preference was enacted in 1998.</p>

***Exhibit 2: Citizen Commission for Performance Measurement of Tax Preferences
Bylaws***

Article VII: Minority Reports

Section 1: Minority Report(s): Any Commission member may request a minority report for any motion that has been approved by a vote of the Commission. Requests must be made to the Chair at the meeting, following the approval of the motion. The Chair shall ensure that minority reports requested by members are registered in the record of business for the Commission meeting.