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October 15, 2014

William A. Longbrake, Chairman
Washington State Citizen Commission for Performance Measurement of Tax Preferences
1300 Quince Street SE
P.O. Box 40910
Olympia, WA 98504-0910

Re: Chair's Proposed Consolidated Comments to the 2014 Preliminary Tax Preferences Report

Dear Chairman Longbrake:

First, Russell Investments would like to thank you for your consideration of the issues we have raised with the recommendations found in the Preliminary 2014 Tax Preference Performance Review (Preliminary Report). We recognize how complex these issues are, and we greatly appreciate the Commission allowing us to weigh in on the final recommendations made to the Legislature.

That being said, we continue to remain very concerned that the Preliminary Report and the supplemental Commissioner comments still do not address the underlying concern; namely the report finds that the competitive disadvantage no longer exists for the International Investment Management Services (IIMS) sector. Without the current IIMS rate the state will no longer be competitive. The underlying audit recommendations are flawed because the analysis failed to examine any businesses' actual Washington tax burden with other states. This comparison is a vital component of establishing whether a competitive disadvantage exists, and without this analysis, Washington's unique and complex gross receipts tax structure has not been thoroughly considered.

This tax preference is absolutely necessary to rectify Washington's competitive disadvantage, and should be continued. If the Commission deems that the tax rate should be reviewed, we urge a minimum time of allowing the regulatory process to move forward.

Because of the significance of this report, we respectfully request moving forward cautiously and thoughtfully, and we request that the Commission reconsider the recommendations and comments found in the Preliminary Report.

Sincerely,

Leanne Webber
Global Tax Director

Cc: Commissioners, Citizen Commission for Performance Measurement of Tax Preferences
Representative Kathy Haigh, Chair, Joint Legislative Audit & Review Committee
Keenan Konopaski, Legislative Auditor, Joint Legislative Audit & Review Committee