

## OVERVIEW

### Citizen Commission for Performance Measurement of Tax Preferences

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#### Proposed Process for Commission Action on 2019 Tax Preference Reviews

September 5, 2019

##### **STEP 1** Completion date – Thursday, September 5

Commissioners receive public testimony.

##### **STEP 2** Completion date – Wednesday, September 18

Using the Commissioner Draft Comment Form, Commissioners forward to the Legislative Auditor any proposed comments by September 18 (See [Commissioner Comment Form](#)).

The Legislative Auditor will compile proposed comments and distribute to all Commissioners by C.O.B., Friday, September 20.

For an example of the format of comments from prior years, [See Exhibit 1](#).

##### **STEP 3** Completion date – Monday, September 30

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

##### **STEP 4** Completion date – Wednesday, October 9

At the October 9<sup>th</sup> meeting, Commissioners will determine which comments to adopt. JLARC staff will be prepared to amend proposed comment language on the spot during the meeting, as Commissioners deliberate on the various comment proposals.

## PROCESS FOR OCTOBER 9 MEETING

First, the Commission will consider comments for preferences that received a full JLARC staff review.

Typically, Commissioners have elected to use one of the following options for each comment (see example in [Exhibit 1](#)):

- a. Endorse Legislative Auditor Recommendation without comment
- b. Endorse Legislative Auditor Recommendation with additional comment
- c. Do Not Endorse Legislative Auditor Recommendation without comment
- d. Do Not Endorse Legislative Auditor Recommendation with additional comment

The Chair will ask for proposals for comments individually for each of the nine preferences reviewed by JLARC staff. Any Commissioner can ask to add a minority report reflecting their individual comments (see [Exhibit 2](#)).

### PREFERENCES REVIEWED BY JLARC STAFF WITH LEGISLATIVE AUDITOR RECOMMENDATIONS

1	<a href="#">Aerospace Tax Preferences</a>	The Legislative Auditor recommends to clarify the preference.
2	<a href="#">Aircraft Part Prototypes</a>	The Legislative Auditor recommends to terminate the preference.
3	<a href="#">Commercial Airplane Parts: Place of Sale</a>	The Legislative Auditor recommends to review and clarify the preference.
4	<a href="#">Commuter Air Carrier Airplanes</a> (Property Tax)	The Legislative Auditor recommends to modify the preference.
5	<a href="#">Commuter Air Carrier Airplanes</a> (Sales and Use Tax)	The Legislative Auditor recommends to clarify expectations for levels of service and locations served.
6	<a href="#">Financial Institutions' Income from Certain Airplane Loans</a>	The Legislative Auditor recommends to clarify the intent and duration of the preference.
7	<a href="#">Hog Fuel to Produce Energy</a>	The Legislative Auditor recommends to continue the preference if facilities keep achieving the 75% job retention goal.
8	<a href="#">Modifying Large Private Airplanes Owned by Nonresidents</a>	The Legislative Auditor recommends to continue the preference and clarify the objective.
9	<a href="#">Property Tax Exemption for Multifamily Housing in Urban Areas</a>	The Legislative Auditor recommends to modify the preference.

**Then the Commission will consider whether there are any comments they wish to adopt for preferences that received an expedited review.**

- See Expedited Review report posted [here](#).
- The Commission has the option, but is not required, to comment on any preference with an Expedited Review.
- Any preferences proposed for commentary will be discussed individually.
- The Commission will then entertain a motion to act on each proposal.
- Any Commissioner can ask to add a minority report reflecting their individual comments.

## EXHIBIT 1

### Example from 2017 Commissioner Comment Process

#### ***Adopted Comment***

##### **State Chartered Credit Unions (B&O Tax)**

##### Legislative Auditor Recommendation: Clarify

The Legislature should clarify the B&O tax exemption for state-chartered credit unions to identify public policy objectives because none are stated in statute. As part of the clarification, the Legislature should provide a performance statement that provides targets and metrics to measure whether the public policy objectives have been achieved. The preference has incentivized credit unions to remain under state regulations, but the inferred objective of serving low-income populations is unclear. The Legislature may want to consider if a public policy objective to serve low-income populations is consistent with other state-chartered credit union policy objectives, such as providing a broad field of membership.

Commission Comment: The Commission endorses the Legislative Auditor's recommendation with comment.

The Legislature should define the policy objectives for this preference. Representatives from the credit union (CU) industry shared compelling testimony that showed this preference allows many CUs to remain state-chartered, and it preserves their non-profit character. However, both of those goals are derived from the industry's interpretation of its state authorizing legislation, and not from legislation that authorized this preference. Because of that ambiguity, staff inferred a third policy objective – serving underserved populations – that the industry supports but does not consider one of the main goals for this preference. It is in both the Legislature's and industry's interest to clarify the public policy objectives and performance metrics for this preference going forward.

## 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.