



# Citizen Commission for Performance Measurement of Tax Preferences

William A. Longbrake, *Chair*  
Vice Chair  
Washington Mutual, Inc.

Lily Kahng, *Vice Chair*  
Associate Professor of Law  
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Stephen Miller, President  
Bellevue Education Association

Brian Sonntag  
State Auditor

Paul Guppy  
Vice President for Research,  
Washington Policy Center

Senator Phil Rockefeller  
Chair, Joint Legislative Audit  
and Review Committee

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## Citizen Commission for Performance Measurement of Tax Preferences Meeting Minutes

April 18, 2008  
House Hearing Room C  
John L. O'Brien Bldg.  
Olympia, WA

### Members Present:

Paul Guppy  
Lily Kahng  
William A. Longbrake  
Stephen Miller

### Members Absent:

Sen. Phil Rockefeller  
Brian Sonntag

### Staff:

Ruta Fanning  
Gary Benson  
Keenan Konopaski  
Lizbeth Martin-Mahar  
Cindy Evans  
Curt Rogers

### WELCOME / INTRODUCTIONS

Commission Chair Bill Longbrake welcomed those in attendance and called the meeting to order at 1:05 p.m.

### APPROVAL OF MEETING MINUTES

MOTION: A motion was made to approve the October 29, 2007, meeting minutes.  
The motion was seconded and carried unanimously.

### COMMISSION MEMBER CHANGES / STAFF INTRODUCTIONS

Chair Longbrake noted that Carolyn Logue has resigned from the Commission due to potential conflicts representing clients in her new job. A new appointment has not yet been made. Ruta Fanning introduced new JLARC staff member, Stacia Hollar, who will be documenting the legal Legislative history and related court opinions pertaining to tax preferences. Prior to joining JLARC, Ms. Hollar worked in the offices of the State Auditor and the Attorney General.

## **ADJUSTMENT OF 2008 TAX PREFERENCE REVIEW SCHEDULE**

Gary Benson presented three recommended changes to the 2008 Tax Preference Review Schedule. Upon closer examination of the tax preferences, staff recommended the following:

- **Items used in interstate commerce (RCW 82.08.0261)** should be given a full review. The exemption amount surpasses the \$10 million per biennium threshold for an expedited review.
- **Tax rate for urban transportation and vessels (RCW 82.16.020(1d&e))** should be given a full review. The exemption amount surpasses the \$10 million per biennium threshold for an expedited review.
- **Leasehold excise tax of alternative fuel production facilities (RCW 82.29A.135)** should be added to the list of 2008 expedited reviews as it expires December 31, 2009.

Mr. Benson explained that the recommended changes would also require adjustment of the Proposed Scope and Objectives for both the Full and Expedited Reviews, since the Scope and Objectives documents list the specific preferences under review in 2008.

**MOTION:** A motion was made to approve the Amended 2008 Tax Preference Review Schedule pursuant to recommendations of staff.

The motion was seconded and carried unanimously.

## **LEGISLATIVE ACTIVITY ON 2007 TAX PREFERENCE REVIEWS**

Gary Benson reported that JLARC had presented the 2007 Tax Preference Reviews to a Joint Hearing of the House Finance and Senate Ways and Means Committees.

The House introduced two pieces of legislation during the 2008 session that pertain to tax preferences reviewed in the 2007 reports. House Bill 2819 relates to increasing the distribution of off-road recreation monies, and is consistent with JLARC's recommendations. House Bill 3110 concerns taxation of non-profit nursing homes, and is also consistent with JLARC's recommendations. Mr. Benson clarified that neither bill passed the Legislature.

Lizbeth Martin-Mahar commented that JLARC had received positive feedback from both the House and Senate regarding the content and thoroughness of the reviews.

## **Commission Discussion**

Chair Longbrake suggested including a section in subsequent reviews that summarizes previous reports and tracks any legislative action. Ruta Fanning agreed that would be helpful to both the Commission and the Legislature.

## **TAX PREFERENCE SCHEDULE AND RESOURCE CONSIDERATIONS**

Ruta Fanning presented several issues regarding tax preference review scheduling and staffing requiring consideration by the Commission:

- Some tax preferences on the schedule are also subject to additional separate studies, so there is possible overlap in study efforts;

- The House Finance Chair, Representative Hunter, has requested scheduling reviews two years prior to statutory expiration dates; and
- The current 10-year review schedule is not feasible with current staff and scope.

### **Commission Discussion**

Regarding additional separate studies, Chair Longbrake suggested further research into the scope of the additional studies to determine the extent of overlap. Since the Commission is mandated to conduct studies in a certain manner, if research shows extensive overlap, the Commission should consider requesting an amendment to its enabling statute to allow greater discretion in how it develops its work schedule. The Commission agreed.

Regarding Representative Hunter's request concerning scheduling reviews, Ms. Fanning explained that the request was made to provide more time for legislative and public consideration. The Commission discussed a response to the request wherein it would comply with the request to the best extent possible, noting that in some cases it may be necessary to keep with the current scheduling. The Commission chair will transmit a letter responding to this effect to Representative Hunter.

Regarding the current staffing level and the number of studies in one year, Ms. Fanning noted that current staffing for conducting the 30 reviews for 2008 is two FTEs. That is the maximum number of studies that can be accomplished with the current staffing. The ten-year schedule assumes an average of 53 reviews per year beginning in 2009. She presented several options for solving the issue including requesting additional FTEs, requesting authority to reduce the number of reviews per year, extending the review schedule, and reducing the scope of expedited reviews. The Commission discussed reducing the scope of reviews and agreed that this might be viable unless it was substantially reduced. The Commission also discussed extending the review schedule and reducing the number of reviews, but agreed they would not be desirable options.

The Commission agreed that, while the Legislature must make the final decision on solving the issue, their recommendation is to request additional FTEs from the Legislature and authority to reduce, somewhat, the scope of the reviews.

### **UPCOMING MEETINGS/SCHEDULE OF EVENTS**

Ruta Fanning presented a review of upcoming meetings, noting that the Commission must elect officers at the August 6 meeting. The Commission will also receive the 2008 Preliminary Reports, and the 2009 Review Schedule on August 6.

At the September 5 meeting, the Commission will hear public comments on the preliminary reports. The Commission will adopt its comments on the preliminary reports at the October 31 meeting.

### **PUBLIC COMMENT**

No public signed up for comment.

The meeting was adjourned at 2:20 p.m.