



Citizen Commission for Performance Measurement of Tax Preferences

William A. Longbrake,
Commission Chair

Lily Kahng, *Vice Chair*
Associate Professor of Law
Seattle University

Stephen Miller
President
Bellevue Education Association

Paul Guppy
Vice President for Research
Washington Policy Center

Brian Sonntag
State Auditor

Senator Phil Rockefeller
Chair, Joint Legislative Audit
and Review Committee

Vacancy

Citizen Commission for Performance Measurement of Tax Preferences Meeting Minutes

August 6, 2008

Marriott SeaTac Airport, Salon D
SeaTac, WA

Members Present:

Paul Guppy
Lily Kahng
William A. Longbrake
Sen. Phil Rockefeller

Members Absent:

Stephen Miller
Brian Sonntag

Staff:

Ruta Fanning
Keenan Konopaski
Gary Benson
Lizbeth Martin-Mahar
Cindy Evans
Lisa Hennessy

WELCOME / INTRODUCTIONS

Commission Chair Bill Longbrake welcomed those in attendance and called the meeting to order at 1:15 p.m.

APPROVAL OF MEETING MINUTES

MOTION: A motion was made to approve the April 18, 2008, meeting minutes.
The motion was seconded and carried unanimously.

STAFF REPORTS

Ruta Fanning briefed the Commission on the Open Public Meetings Act and the Commission's Conflict of Interest policy.

Commission Discussion

The Commission discussed both issues and their requirements, and suggested looking into Public Disclosure Commission (PDC) requirements.

ELECTION OF OFFICERS

Chair Longbrake called for nominations for the office of Commission Chair, with a term ending June 30, 2010.

MOTION: A motion was made to re-elect Bill Longbrake as Commission Chair.
The motion was seconded and carried unanimously.

Chair Longbrake called for nominations for the office of Commission Vice Chair, with a term ending June 30, 2010.

MOTION: A motion was made to re-elect Lily Kahng as Commission Vice Chair.
The motion was seconded and carried unanimously.

2008 PRELIMINARY TAX PREFERENCE PERFORMANCE REVIEWS

Gary Benson and Lizbeth Martin-Mahar, staff to the Joint Legislative Audit and Review Committee (JLARC), gave an overview of the presentation of the 2008 Preliminary Tax Preference reports. They explained that the written reports include comprehensive details on all 30 preferences that were reviewed this year. However, their presentation would focus on those nine preferences that include JLARC recommendations for clarification, modification, or termination.

Mr. Benson and Ms. Martin-Mahar gave highlights of the nine tax preferences, including legal history, answers to select review questions, and recommendations. They presented information on:

- Three sales and use tax preferences: electric generating equipment, items used in interstate commerce, and farm auction sales;
- Two business and occupation tax preferences: agricultural producers, and radio and TV broadcasting;
- Two public utility tax preferences: urban transportation and vessels, and irrigation water;
- One fuel tax exemption: gas tax for handling losses; and
- One property tax preference: airports owned by cities in other states.

Commission Discussion

Prior to Commission discussion of the 2008 Tax Preference Performance Reviews, Vice-Chair Lily Kahng disclosed an indirect interest regarding the property tax exemption for private colleges stating the following:

"I want to disclose the possibility of an indirect interest in the exemption from property taxes for private colleges under RCW 84.36.050(1). I am an associate professor at Seattle University and the University may or may not have availed itself of this exemption.

I request that this disclosure be noted in the minutes of the meeting."

The Commission began by asking questions about the tax preferences that had a recommendation of "Continue" the tax preference.

Regarding private K-12 schools, the Commission wanted further details on whether there was a possibility that the Department of Revenue's rule was broader than the statute for this tax preference. Mr. Benson said he would provide information on this issue after it had been investigated further and he would report back to the Commission at the September meeting.

The Commission also discussed several other tax preferences with a JLARC recommendation to "Continue," including intangibles, fraternal insurance, exported/imported fuel, wood biomass, and alcohol/biodiesel fuel production facilities and suggested alternative points that the Commission may wish to raise in addition to JLARC's recommendations. Formal comments to this effect will be discussed and adopted by the Commission at the October 31 meeting.

Next, the Commission continued to discuss the nine tax preferences that had a recommendation other than Continue along with the presentation of these reviews by staff.

The Commission remarked on the commendable work and thorough research JLARC had done on the tax preference reviews.

PRELIMINARY 2009 10-YEAR REVIEW SCHEDULE

Gary Benson presented a preliminary 2009 10-year Review Schedule and a list of potential adjustments. He outlined changes from the 2008 Review Schedule, and gave details of new tax preferences resulting from 2008 legislation. He also discussed technical changes where new information was discovered, scheduling of preferences with expiration dates, and rescheduling of reviews conducted in 2008.

Mr. Benson also presented information regarding the time involved and staffing necessary for future reviews. He explained that, with existing resources, JLARC was able to complete 30 reviews per year. He then pointed out that future review schedules would involve 60 reviews per year and, thus, require additional resources and/or modifications to reviews.

Commission Discussion

The Commission discussed possible alternatives for managing the tax preference review work. Options included requesting additional staff, modifying the scope of reviews, requesting authority to reduce the number of reviews per year, and extending the review schedule.

It was agreed the best option would be to request additional staffing as well as the authority to modify the current scope of reviews when necessary to adjust workload to resources. The Commission directed JLARC staff to draft a letter to the JLARC Executive Committee to this effect.

Regarding expedited reviews, the Commission revisited the issue of "de minimis," and discussed the possibility of a third tier of reviews for preferences that currently have no beneficiaries.

PUBLIC COMMENT

No public signed up for comment.

The meeting was adjourned at 4:25 p.m.