



Citizen Commission for Performance Measurement of Tax Preferences

William A. Longbrake,
Commission Chair

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

James Bobst
Human Resource Manager
Pacific Fibre Products

Stephen Miller
Member
Washington Education Association

Paul Guppy
Vice President for Research
Washington Policy Center

Non-voting Members:

Brian Sonntag
State Auditor

Representative Troy Kelley
Chair, Joint Legislative Audit
and Review Committee

Citizen Commission for Performance Measurement of Tax Preferences Meeting Minutes

August 14, 2009
John A. Cherberg Bldg.
Senate Hearing Rm. 3
Olympia, WA

Members Present:

William A. Longbrake
James Bobst
Stephen Miller

Lily Kahng
Paul Guppy
Rep. Troy Kelley

Members Absent:

Brian Sonntag

Staff:

Ruta Fanning
Mary Welsh
Stacia Hollar
Lisa Hennessy

Keenan Konopaski
David Dean
Suzanne Kelly

WELCOME / INTRODUCTIONS

Commission Chair Bill Longbrake welcomed those in attendance and called the meeting to order at 1:10 p.m.

INTRODUCTION OF NEW MEMBERS

Chair Longbrake introduced the Commission's newest members, Troy Kelley, Chair of the Joint Legislative Audit and Review Committee, and James Bobst, appointed by the House Republican Caucus.

APPROVAL OF MEETING MINUTES

MOTION: A motion was made to approve the October 29, 2008 meeting minutes.
The motion was seconded and carried.

STAFF REPORTS

Ruta Fanning briefed the Commission on the Open Public Meetings Act and the Commission's Conflict of Interest policy, and discussed the Commission's subsequent steps over the next few months.

Ms. Fanning introduced new JLARC/Commission staff, Mary Welsh, David Dean, and Stacia Hollar.

Citizen Commission for Performance Measurement of Tax Preferences

August 14, 2009

Page 2

2009 PRELIMINARY TAX PREFERENCE PERFORMANCE REVIEWS

Keenan Konopaski, Mary Welsh, and David Dean outlined the 2009 Preliminary Tax Preference reports. They explained that the written reports include comprehensive details on all 25 preferences reviewed this year. Their presentation focused on the ten preferences that include JLARC recommendations for clarification, modification, or expiration.

Mr. Konopaski, Ms. Welsh, and Mr. Dean gave highlights of the ten tax preferences, including legal history, answers to select review questions, and recommendations. They presented information on:

- Four business and occupation tax preferences: nursing homes/kidney dialysis/hospice, manufacturers of flour and oil, rural county software developers and help desk firms, and patient lifting devices;
- Three sales and use tax preferences: aluminum industry, newspapers, and equipment used to reduce field burning;
- Two insurance premium tax preferences: fraternal benefit societies, and ocean marine insurance; and
- One public utility tax preference: rural electric utility contributions.

Commission Discussion

Commission members James Bobst and Stephen Miller disclosed potential indirect conflicts with two tax preferences under review. Mr. Bobst disclosed that he is currently a member of a fraternal benefit society. In the discussion on the tax preference for tuition and fees, Mr. Miller indicated he is a member of the Washington Education Association and has taught at both public and private schools.

In regard to the tax preferences for investment income of non-financial businesses and employee income, the Chair asked if the incidental income from business investments could be taxed another way than under the B&O tax. Staff said they would report back to the Commission with a response. The Commission discussed the economic impact of the business and occupation tax preference for tuition and fees. JLARC agreed to clarify the language in the report so as not to imply that a reduction in quantity and quality of education would necessarily occur if the exemption were eliminated.

Formal comments will be discussed and adopted by the Commission at the October 16 meeting.

PRELIMINARY 2010 10-YEAR REVIEW SCHEDULE

Ruta Fanning and Mary Welsh presented a preliminary 2010 10-year Review Schedule. They outlined changes from the 2009 Review Schedule, and gave details of new and modified tax preferences resulting from 2009 legislation. They reviewed the "Expedited Light" category which, for preferences with a biennial fiscal impact of \$2 million or less, allows JLARC to summarize the preference's purpose, primary beneficiaries, and taxpayer savings without making a recommendation.

PUBLIC COMMENT

No public signed up for comment.

The meeting was adjourned at 4:05 p.m.