



# Citizen Commission for Performance Measurement of Tax Preferences

William A. Longbrake, *Chair*  
Governor's Council of Economic Advisors

Lily Kahng, *Vice Chair*  
Seattle University Law School

James Bobst  
Pacific Fibre Products, Inc.

Stephen B. Miller  
Washington Education Association

Paul Guppy  
Washington Policy Center

**Non-voting Members:**

Senator Craig Pridemore  
Chair, Joint Legislative Audit  
and Review Committee

Brian Sonntag  
State Auditor

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

September 23, 2011

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

**Members Present:**

William A. Longbrake  
Paul Guppy  
James Bobst

Lily Kahng  
Sen. Craig Pridemore

**Members Absent:**

Stephen Miller

Brian Sonntag

**Staff:**

Keenan Konopaski  
Mary Welsh  
Peter Heineccius  
Cindy Evans  
Lisa Hennessy

John Woolley  
Dana Lynn  
John Bowden  
Suzanne Kelly  
Curt Rogers

### WELCOME / INTRODUCTIONS

Commission Chair Bill Longbrake welcomed those in attendance and called the meeting to order at 2:00 p.m.

### APPROVAL OF MEETING MINUTES

MOTION: A motion was made to approve the August 15, 2011, meeting minutes.

The motion was seconded and carried with one abstention, that of James Bobst, who was absent from the August meeting.

### APPROVAL OF 10-YEAR TAX PREFERENCE REVIEW SCHEDULE

John Woolley introduced tax preferences proposed for review in 2012. The list included three parts: 19 preferences the Commission previously agreed would be reviewed in 2012; seven preferences under consideration for review; and 30 preferences to be addressed in a separate report with Department of Revenue (DOR) information.

The Commission discussed the seven tax preferences under consideration for review in 2012. DOR representatives Kathy Oline and Kim Davis were present to answer Commissioner's questions regarding tax preferences.

MOTION: A motion was made to add fuel use exemptions (RCW 82.38.080), health insurance by state pool (RCW 48.14.022), and solar energy and silicon

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manufacturing (RCW 82.04.294) preferences to complete the list of 22 JLARC reviews for 2012.

The motion was seconded and carried.

John Woolley presented the remainder of the proposed 10-Year Review Schedule. With the new authority granted to the Commission to group preferences according to type of industry, economic sector, or policy area, JLARC staff proposed several groupings of preferences over the next ten years. The Commission discussed the proposed groupings.

**MOTION:** A motion was made to adopt the 10-Year Tax Preference Review Schedule as proposed, incorporating the changes made to the list of preferences for review in 2012.

The motion was seconded and carried.

The Commission revisited their questions from the August 15 meeting regarding the renewable energy machinery and equipment (M&E) exemption reduction, and the issue of expiration dates. JLARC staff reviewed answers they provided to the Commission on these questions.

## **PUBLIC COMMENT ON 2011 JLARC REVIEWS OF TAX PREFERENCES**

The Commission discussed written testimony that had been provided in advance of the meeting from Dick Nelson and the Washington Realtors.

Commission Member James Bobst disclosed a potential conflict of interest regarding the hog fuel sales and use tax exemption, as his company works with businesses that benefit from the preference.

Commission Chair Bill Longbrake disclosed a potential conflict of interest regarding the deduction for interest from real estate loans, as he was formerly an executive with a company that benefited from the preference. Chair Longbrake added that he currently serves on the board of an out-of-state bank that does not benefit from this preference.

Alan Powell, representing the Northwest Yacht Brokers Association (NYBA), provided public testimony regarding the boat sales to nonresidents tax preference.

John Ehrenreich, representing the Washington Forest Protection Association (WFPA), and Kathryn VanNatta, representing Northwest Pulp & Paper Association, provided public testimony pertaining to the hog fuel tax preference.

Cindi Holmstrom, representing the Washington Financial League, provided public testimony pertaining to the interest on real estate loans tax preference.

Chris Nims, representing Agri Beef, provided public testimony regarding the tax preference for meat processors.

Robert Whitlock, from the Olympia Fellowship of Reconciliation, provided public testimony pertaining to real estate excise tax exemptions.

Andy Nicholas, representing the Washington State Budget and Policy Center, provided public testimony regarding the sales of goods to nonresidents preference.

Chair Longbrake reminded Commissioners that any of their written comments should be submitted to JLARC by October 5 for copying and distribution prior to the October 11 meeting.

With no further public comment Chair Longbrake adjourned the meeting at 4:10 p.m.