



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

May 21, 2012
John A. Cherberg Bldg.,
Senate Hearing Rm. 3
Olympia, WA

Members Present:

William A. Longbrake
Paul Guppy
James Bobst

Stephen Miller
Sen. Craig Pridemore

Members Absent:

Lily Kahng

Brian Sonntag

Staff:

Keenan Konopaski
Mary Welsh
Peter Heineccius
Cindy Evans

John Woolley
Dana Lynn
Suzanne Kelly
Lisa Hennessy

WELCOME / INTRODUCTIONS

Commission Chair Bill Longbrake welcomed those in attendance and called the meeting to order at 2:05 p.m.

APPROVAL OF MEETING MINUTES

MOTION: A motion was made to approve the October 11, 2011, meeting minutes.

The motion was seconded and carried.

STAFF REPORTS

John Woolley briefed the Commission on the 2012 Legislative Sessions, focusing on two bills that passed in the 2012 Sessions and have impacts on tax preference reviews. ESB 6635 revises the exemption for interest earnings secured by first mortgages; extends the B&O tax exemptions for manufacturing fruits and vegetables to July, 2015; extends the preference for data centers to April 2020; and amends the definition of newspaper to include Internet versions and set the B&O rate at 0.365 percent until June 2013 and 0.35 percent until July 2015. E2SSB 5538 re-establishes the motion picture competitiveness program tax credit.

Keenan Konopaski briefed the Commission on the Pew Center on the States Report, "Evaluating State Tax Incentives." In April, the Pew Center on the States released its analysis of states' evaluation of tax incentives (preferences). Washington is one of 13 states "leading the way" in meeting the Pew Center's criteria for the scope of evaluation and/or quality of evaluation. Chair

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Bill Longbrake asked JLARC staff to invite a representative from the Pew Center to attend a Commission meeting.

ADJUSTMENTS TO THE 2012 REVIEW SCHEDULE

Keenan Konopaski explained adjustments to the 2012 review schedule. To facilitate analysis, JLARC staff combined the B&O and sales tax preferences for precious metals and bullion into one report. The current work plan listed the B&O preference as an expedited review.

MOTION: A motion was made to ratify the adjustment of the Precious Metals and Bullion B&O tax preference from an expedited review to a full JLARC review.

The motion was seconded and carried.

2012 EXPEDITED TAX PREFERENCES

John Woolley provided information on the 2102 Expedited Tax Preferences. One preference had an adjustment to estimated taxpayer savings. Prior to DOR issuing their 2012 preference report, JLARC had no estimated taxpayer savings for the Hazardous Substance tax preference. The preference, included in the expedited report, now has an estimated biennial taxpayer savings of \$167 million.

The Commission discussed the Hazardous Substance tax preference. They agreed to let the preference stand as an expedited review, allow public comment, and reserve the right to move the study to a more thorough review in a future year if warranted.

EVALUATION QUESTIONS ANSWERED IN 2012 JLARC REVIEWS

Mary Welsh provided information on the evaluation questions answered in the 2012 JLARC reviews of tax preferences.

APPROVAL OF 10-YEAR TAX PREFERENCE REVIEW SCHEDULE / 2013 LIST OF REVIEWS

John Woolley presented a proposed list of 68 tax preferences scheduled for review in 2013 and a proposed 10-Year Review Schedule. He asked that Commissioners select 22 preferences on the 2013 list for a full JLARC review. Chair Longbrake submitted a memo to Commission members to help in identifying those 22 preferences.

The Commission discussed the tax preferences under consideration for review in 2013. DOR representatives Vikki Smith and Kathy Oline were present to answer Commissioner's questions regarding tax preferences.

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MOTION: A motion was made to adopt 21 studies for a full JLARC review in 2013: Health Maintenance Organizations (B&O); Public and Nonprofit Hospitals, Medicare Income (B&O); Local Residential & Coin-Op Telephone Service (Sales and Use); Medicare, GAU, and BHP Receipts (Insurance Premium); Retailing (B&O); Dentistry (Insurance Premium); Fishing Boat Fuel (Sales and Use); Nonprofit Youth and Local Govt. Recreation Services (Sales and Use); Medical Devices (Sales and Use); Tree Trimming Under Power Lines (Sales and Use); Artistic and Cultural Organizations (B&O); Nonprofit Blood, Bone, and Tissue Banks (Sales and Use); Insulin (Sales and Use); Arts & Cultural Organizations (Sales and Use); Fuel Used in Commercial Vessels (B&O); Use Tax On Rental Value (Sales and Use); Customer-Generated Power (PUT); Prescription Drug Administration (B&O); Nonprofit Blood, Bone, and Tissue Banks (B&O); Rural County and CEZ New Jobs (B&O); and Dietary Supplements (Sales and Use).

The motion also included a proposal to hold two preferences for further consideration at a subsequent meeting: Competitive Telephone Service (Sales and Use), and Kidney Dialysis Equipment (Sales and Use).

The motion was seconded and carried.

PUBLIC COMMENT

No public signed up to comment.

Chair Longbrake adjourned the meeting at 3:15 p.m.