



Citizen Commission for Performance Measurement of Tax Preferences

William A. Longbrake, *Chair*
Board of Directors, BECU

Stephen B. Miller, *Vice Chair*
Washington Education Association

James Bobst
Pacific Fibre Products, Inc.

Ruta Fanning
Retired Legislative Auditor

Non-voting Members:

Senator **Jeanne Kohl-Welles**
Chair, Joint Legislative Audit
and Review Committee

Troy Kelley
State Auditor

Citizen Commission for Performance Measurement of Tax Preferences Meeting Minutes

May 17, 2013
John A. Cherberg Bldg.,
Senate Hearing Rm. ABC
Olympia, WA

Members Present:

William A. Longbrake	Stephen Miller
Ruta Fanning	James Bobst
Troy Kelley	

Members Absent:

Sen. Jeanne Kohl-Welles

Staff:

Keenan Konopaski	John Woolley
Mary Welsh	Dana Lynn
Peter Heineccius	Suzanne Kelly
Matt Stoutenburg	Audrey Phillips
Stacia Hollar, AG Staff	

WELCOME AND INTRODUCTIONS

Commission Chair Bill Longbrake welcomed those in attendance and called the meeting to order at 1:00 p.m.

APPROVAL OF MEETING MINUTES

MOTION: A motion was made to approve the October, 2012, meeting minutes.

The motion was seconded and carried.

STAFF REPORTS

Keenan Konopaski, Legislative Auditor, and John Woolley, Deputy Legislative Auditor, briefed the Commission on bills that are currently before the Legislature and may have an impact on tax preferences or the review process.

Keenan Konopaski informed the Commission of comments added to the 2012 JLARC Tax Preference Reviews by the members of the Joint Legislative Audit and Review Committee at its February meeting.

(See TVW recording at [0:00:48](#))

OTHER ITEMS

Chair Longbrake welcomed State Auditor Troy Kelley to the meeting. The Chair also noted that this was the last meeting for Commissioner James Bobst, and thanked him for his service on the Commission.

(See TVW recording at [0:12:21](#))

2013 EXPEDITED TAX PREFERENCES

Staff presented the 2013 Expedited Tax Preference Report to the Commission. John Woolley reminded the Commission of the decisions made in the prior year of which preferences would receive expedited review. Keenan Konopaski reminded the Commissioners that they will have the opportunity to add comments to the report at the October 2013 meeting.

Chair Longbrake proposed making recommendations about some of the preferences in the 2013 Expedited report, and to group these preferences into four categories:

- Recommendation to schedule an expiration date
- Recommendation to allow to expire
- Preferences to terminate
- Other preferences

The Commission discussed the Chair's proposal. The Commission decided to invite public testimony at the September meeting in order to answer questions the Commission had regarding certain preferences. The Commission will draft any questions for distribution at the August meeting.

(See TVW recording at [0:13:12](#))

EVALUATION QUESTIONS ANSWERED IN 2013 JLARC REVIEWS

Mary Welsh, JLARC staff to the Commission, presented information regarding which statutory review questions would be answered for each preference in the 2013 JLARC Tax Preference Reviews, which will be presented to the Commission at the August meeting.

(See TVW recording at [0:34:04](#))

DISCUSSION OF 2014 LIST OF REVIEWS, 2014 PREVIEW, AND 10-YEAR TAX PREFERENCE REVIEW SCHEDULE

Staff presented a proposed list of preferences to review during the 2014 cycle. Keenan Konopaski discussed with the Commission that the aerospace preferences may require complex econometric analysis which will have an impact on the total number of preferences staff will be able to review.. DOR representatives Gary Grossmann, Kim Davis, and Steve Smith were available to answer the Commission's questions.

Chair Longbrake proposed sorting the preferences into four different groups:

- Group A: Aerospace Group
- Group B: Previously Studied Fresh Food Producers
- Group C: Possible JLARC Staff Review, based on staff resources
- Group D: Expedited Review (No JLARC Studies)

The Commission discussed which preferences to place in each group. Staff indicated that additional information for any questions the Commission had would be provided at the September meeting. In addition, staff will determine what information—if any—may be disclosable for those preferences where the beneficiary savings are listed as "Not disclosable."

(See TVW recording at [0:36:45](#))

PRELIMINARY APPROVAL OF 2014 TAX PREFERENCE REVIEW SCHEDULE

MOTION: A motion was made to:

1. Schedule the ten preferences in the Aerospace Group (Group A) for a full JLARC staff review: Aircraft Pre-Production Expenditures (B&O Tax), Commercial Aircraft Manufacturing - Preferential Rate (B&O Tax), Aircraft Pre-Production Computer Expenditures (Sales and Use Tax), Commercial Aircraft Manufacturing - Credit for Taxes Paid (B&O Tax), Aerospace Product Development (B&O Tax), Aircraft Part Prototypes (Sales and Use Tax), Commercial Airplane Part Place of Sale (B&O Tax), Superefficient Aircraft Production (Sales and Use Tax), Superefficient Aircraft Production Facilities (Leasehold Excise Tax), and Superefficient Aircraft Production Facilities (Property Tax);
2. Schedule the six preferences in the Fresh Food Group (Group B) for a JLARC staff review limited, to the extent possible, to updating prior studies with any new information: Fruit and Vegetable Manufacturing - Exemption (B&O Tax), Fruit and Vegetable Manufacturing - Preferential Rate (B&O Tax), Seafood Products Manufacturing - Exemption (B&O Tax), Seafood Products Manufacturing - Preferential Rate (B&O Tax), Dairy Products Manufacturing - Exemption (B&O Tax), and Dairy Products Manufacturing - Preferential Rate (B&O Tax);
3. Prioritize the eleven preferences in Group C for a full JLARC staff review in the following order, to the extent that staff resources permit after considering priorities 1 and 2 above: Sales Subject to Public Utility Tax (Sales Tax), Electric Power Exported or Resold (Public Utility Tax), International Investment Management (B&O Tax), Film and Video Production Equipment (Sales and Use Tax), Microbrewers (Beer Tax), Wholesale Auto Auctions (B&O Tax), Child Care (B&O Tax), Products Shipped Out-of-State (Litter Tax), Mental Health Services (B&O Tax), Nonprofit Fundraising (Sales Tax), and Church Child Care (B&O Tax); and
4. Schedule the remaining 43 preferences for expedited review.

The motion was seconded and carried.

(See TVW recording at [1:21:44](#))

PUBLIC COMMENT

John Ehrenreich, representing the Washington Forest Protection Association, testified regarding the tax preference for Forest Land Special Assessments (Property Tax). (See TVW recording at [1:26:40](#))

Pat Holm testified regarding the review process conducted by the Citizen Commission and JLARC staff. (See TVW recording at [1:36:59](#))

Steve Zemke, representing the group Tax Sanity, testified regarding tax reform and legislative action on tax preferences. (See TVW recording at [1:43:08](#))

Following public testimony Chair Longbrake adjourned the meeting at 2:53 p.m.