JLARC

State of Washington

Joint Legislative Audit & Review Committee (JLARC)

2015 Tax Preferences Preview

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This document provides summary information on the tax preferences scheduled for review in 2015. The information is primarily from the Department of Revenue (DOR), but also may include information on preferences previously reviewed by JLARC.

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AGRICULTURAL PRODUCTS (PROPERTY TAX)

Current statute: RCW 84.36.470

Department of Revenue 2008 Tax Exemption Report (p. 44):

Description: All agricultural products, as defined in RCW 82.04.213, grown or produced for sale by a person on lands owned or leased by the producer are exempt from property tax.

Purpose: Originally, the exemption was intended to assist a depressed agricultural economy. Now that business inventories are exempt from property tax, the exemption of agricultural products following harvest is superfluous because these items are held for sale, i.e. business inventory.

Category/Year Enacted: Agriculture. 1984; following reduced assessment from 1975 through 1983 and earlier limited exemptions in 1933 and 1939.

Primary Beneficiaries: Agricultural producers, processors and shippers.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000):

	CY 2008	CY 2009	CY 2010	CY 2011
State levy	$ 9,181	$ 9,847	$ 10,392	$ 10,748
Local levies	$ 36,643	$ 39,887	$ 42,717	$ 44,854

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

No - other taxpayers would experience reduced taxes for the state levy and most local levies. Furthermore, harvested agricultural products would likely be considered as exempt inventories.

FARM MACHINERY REPLACEMENT PARTS (SALES AND USE TAX)

Current statutes: RCW 82.08.855; 82.12.855

Department of Revenue 2012 Tax Exemption Report (p. 166):

Description: Retail sales/use tax exemptions are provided for eligible farmers for purchases of replacement parts for farm machinery, charges for the installation of exemption replacement parts, and charges for repair of farm machinery. Eligible farmers must be actively engaged in producing agricultural products which resulted in at least $10,000 in gross proceeds during the previous year. The machinery must be primarily used in the production of agricultural products. Replacement parts do not include consumable supplies such as fuel or oil.

Purpose: To support the agricultural industry.

Category/Year Enacted: Agriculture. 2006, expanded in 2007.

Primary Beneficiaries: The approximately 30,000 farmers in Washington and firms that repair farm machinery.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000):

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	$ 13,944	$ 14,419	$ 14,909	$ 15,416
Local taxes	$ 4,934	$ 5,102	$ 5,275	$ 5,455

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes.

FUEL USED ON FARMS (SALES AND USE TAX)

Current statutes: RCW 82.08.865; 82.12.865

Department of Revenue 2012 Tax Exemption Report (p. 166):

Description: Sales and use tax does not apply to sales of diesel fuel, biodiesel fuel or aircraft fuel as defined in RCW 82.42.010(5) to a farmer or a person who provides horticultural services for farmers, as long as the fuel is not used on public highways or for heating of water or space for human habitation.

Purpose: To support Washington farmers.

Category/Year Enacted: Agriculture. 2006

Primary Beneficiaries: Washington farmers, particularly those with diesel powered farm equipment and those who provide crop dusting services.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000):

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	$ 10,630	$ 10,949	$ 11,278	$ 11,616
Local taxes	$ 3,952	$ 4,071	$ 4,193	$ 4,319

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes.

HORTICULTURAL SERVICES FOR FARMERS (SALES AND USE TAX)

Current statute: RCW 82.04.050(3)(e)

Department of Revenue 2012 Tax Exemption Report (p. 158):

Description: Horticultural services provided to farmers are excluded from the definition of retail sale. These include services related to the cultivation of vegetables, fruits, grains, field crops, ornamental floriculture, and nursery products, as well as soil preparation, crop cultivation and harvesting services.

Purpose: To support the agricultural industry. When the retail sales tax was extended to landscaping and horticultural services in 1993, this exemption was enacted to exclude such services provided to farmers.

Category/Year Enacted: Agriculture. 1993

Primary Beneficiaries: Farmers and firms that provide horticultural services for them.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000):

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	$ 5,200	$ 5,200	$ 5,200	$ 5,200
Local taxes	$ 1,290	$ 1,290	$ 1,290	$ 1,290

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes.

GRAIN AND UNPROCESSED MILK WHOLESALING (B&O TAX)

Current statute: RCW 82.04.332

Department of Revenue 2012 Tax Exemption Report (p. 51):

Description: Wholesale sales of unprocessed milk and various types of grain and other agricultural products, including wheat, oats, barley, dry peas, dry beans, lentils and triticale, are exempt from B&O tax. The exemption does not extend to wholesale sales of products manufactured from these products. Farmers who produce and sell such items at wholesale are already exempt under RCW 82.04.330; this exemption covers subsequent wholesale sales.

Purpose: To assist agriculture.

Category/Year Enacted: Agriculture. 1998. Previously, this activity was subject to a very low B&O tax rate. As part of a consolidation of tax rates, this category was entirely exempted in 1998. Unprocessed milk was added in 2007.

Primary Beneficiaries: Agricultural businesses.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000):

	FY 2012	FY 2013	FY 2014	FY 2015
State tax*	$ 5,200	$ 5,200	$ 5,200	$ 5,200
Local taxes - not considered.				

*Estimate based on the existing wholesaling tax rate of 0.484%.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes.

FARM PROPERTY (ESTATE TAX)

Current statute: RCW 83.100.046

Department of Revenue 2012 Tax Exemption Report (p. 250):

Description: The estate tax enacted in 2005 allows a deduction for the value of qualified real and personal property used primarily for farming.

Purpose: To support family-farms and encourage surviving family members to continue farming.

Category/Year Enacted: Agriculture. 2005

Primary Beneficiaries: Estates containing property used for active farming purposes.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000):

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	$ 4,431	$ 3,681	$ 4,742	$ 4,023
Local taxes - no local tax.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes.

COMMERCIALLY GROWN FISH OR SHELLFISH (ENHANCED FOOD FISH TAX)

Current statute: RCW 82.27.030(2)

Department of Revenue 2012 Tax Exemption Report (p. 156):

Description: Food fish that are raised from eggs and shellfish grown by agricultural methods are exempt from fish tax.

Purpose: The tax is not intended to apply to commercially produced fish and shellfish.

Category/Year Enacted: Tax base. 1980; extended to shellfish in 1995.

Primary Beneficiaries: Commercial producers of food fish and shellfish.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000):

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	$ 2,944	$ 2,944	$ 2,944	$ 2,944
Local taxes - none.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes.

LIVESTOCK MEDICINE (SALES AND USE TAX)

Current statutes: RCW 82.08.880; 82.12.880

Department of Revenue 2012 Tax Exemption Report (p. 167):

Description: Exemption from retail sales/use tax is provided for pharmaceuticals for livestock used by farmers. The drug must be approved by the U.S. Department of Agriculture or the Food and Drug Administration and must be administered to an animal that is being raised for purposes of sale as an agricultural product. The exemption applies to sales of eligible medicines made directly to farmers or to veterinarians who in turn administer the medicine to livestock.

Purpose: To support the agricultural industry and help offset the high cost of medicines for livestock.

Category/Year Enacted: Agriculture. 2001

Primary Beneficiaries: Farmers who raise animals for sale.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000):

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	$ 1,600	$ 1,600	$ 1,600	$ 1,600
Local taxes	$ 595	$ 595	$ 595	$ 595

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes.

GAS USED TO HEAT CHICKEN HOUSES (SALES AND USE TAX)

Current statutes: RCW 82.08.910; 82.12.910

Department of Revenue 2012 Tax Exemption Report (p. 168):

Description: Sales to farmers of propane or natural gas used to heat structures that house chickens are exempt from retail sales/use tax. The propane or natural gas must be used exclusively to heat these structures and the chickens must be eventually sold as agricultural products.

Purpose: To support the poultry industry.

Category/Year Enacted: Agriculture. 2001

Primary Beneficiaries: Approximately 70 poultry producers.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000):

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	$ 1,116	$ 1,116	$ 1,116	$ 1,116
Local taxes	$ 276	$ 276	$ 276	$ 276

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes.

LEASED IRRIGATION EQUIPMENT (SALES AND USE TAX)

Current statutes: RCW 82.08.0288; 82.12.0283

Department of Revenue 2012 Tax Exemption Report (p. 164):

Description: Leases of irrigation equipment are exempt from retail sales/use tax, if the equipment is at least partially attached to the land and is an incidental part of a land lease. To qualify for the exemption on the leased equipment, sales/use tax must have been paid on the original purchase of the equipment by the owner.

Purpose: Normally, persons who lease tangible personal property pay sales tax to the lessor. However, in this instance, sales tax was already paid by the owner of the land. For sales tax to apply at the lessee level, the original acquisition of the equipment by the lessor would be an exempt sale for resale.

Category/Year Enacted: Agriculture. 1983

Primary Beneficiaries: Farmers who lease farm land which includes irrigation equipment.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000):

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	$ 995	$ 995	$ 995	$ 995
Local taxes	$ 246	$ 246	$ 246	$ 246

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes.

SHIPPING FARM PRODUCTS TO PORT (PUBLIC UTILITY TAX)

Current statute: RCW 82.16.050(10)

Department of Revenue 2012 Tax Exemption Report (p. 134):

Description: Public utility tax deduction is allowed for gross income derived from the transportation of agricultural commodities from point of origin in this state to interim storage facilities in this state for trans-shipment, without intervening transportation, to a marine export facility for shipment by vessel outside of the state. The deduction only applies if: (1) at least 96 percent of all agricultural commodities delivered by the person claiming the deduction during the preceding year was shipped by vessel in original form outside the state, and (2) any of the commodities that are trans-shipped from interim storage facilities to export facilities will be received at storage facilities operated by the same commodity dealer and will be shipped from such facilities by vessel in original form outside the state.

Purpose: Allows the Department to continue a long-standing administrative practice of not taxing income derived from hauling grain by truck to interim storage facilities for trans-shipment by barge or rail to export facilities, followed by subsequent transportation by vessel to interstate or foreign destinations.

Category/Year Enacted: Agriculture. 2007

Primary Beneficiaries: Persons who transport grain and other agricultural products.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000):

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	$ 1,129	$ 1,157	$ 1,186	$ 1,216
Local taxes - not considered.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes.

FARMING MACHINERY AND EQUIPMENT (PROPERTY TAX)

Current statute: RCW 84.36.630

Department of Revenue 2008 Tax Exemption Report (p. 47):

Description: Personal property in the form of machinery and equipment owned by a farmer and used in growing and producing agricultural products is exempt from the state property tax only. Farm machinery is still subject to local property tax levies.

Purpose: To reduce the property tax burden for farmers.

Category/Year Enacted: Agriculture. 2001

Primary Beneficiaries: Farmers who own machinery and equipment.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000):

	CY 2008	CY 2009	CY 2010	CY 2011
State levy	$ 1,033	$ 1,066	$ 1,081	$ 1,076
Local levies	$ 0	$ 0	$ 0	$ 0

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

No - other taxpayers would experience reduced taxes for the state levy.

LIVESTOCK NUTRIENT MANAGEMENT EQUIPMENT (SALES AND USE TAX)

Current statutes: RCW 82.08.890; 82.12.890

Department of Revenue 2012 Tax Exemption Report (p. 167):

Description: Retail sales/use tax exemption is provided for facilities used for livestock nutrient management, including the maintenance and repair of equipment. The facilities and equipment must be used exclusively for activities necessary to maintain a livestock management plan as required by Chapter 90.64 RCW, an animal feeding operation that holds a permit under Chapter 90.48 RCW or an animal feeding operation that has a nutrient management plan approved by a conservation district. The exemption applies to purchases made after the management plan is certified pursuant to the law. NOTE: this exemption was suspended for the period July 1, 2010 through June 30, 2013.

Purpose: To support the Washington dairy industry and livestock feeding operations.

Category/Year Enacted: Agriculture. 2001, expanded in 2006 to livestock feeding operations. Suspended for three years in 2010.

Primary Beneficiaries: Dairies and livestock operations.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000):

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	$ 0	$ 0	$ 640	$ 640
Local taxes	$ 0	$ 0	$ 168	$ 168

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes.

HOPS PROCESSED AND EXPORTED (B&O TAX)

Current statute: RCW 82.04.337

Department of Revenue 2012 Tax Exemption Report (p. 53):

Description: B&O tax exemption is allowed for the sale of hops that are processed into extract, pellets or powder in this state and then shipped outside the state for first use. Income received for other types of processing or warehousing of hops is not exempt from the tax.

Purpose: To recognize that processing of hops into extract, pellets or powder is merely to facilitate shipment of the product and does not constitute a manufacturing activity.

Category/Year Enacted: Agriculture. 1987

Primary Beneficiaries: Hop growers and approximately eight processing firms.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000):

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	$ 800	$ 800	$ 800	$ 800
Local taxes - not considered.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes.

FARM-WORKER HOUSING (SALES AND USE TAX)

Current statutes: RCW 82.08.02745; 82.12.02685

Department of Revenue 2012 Tax Exemption Report (p. 163):

Description: Exemption from retail sales/use tax is provided for goods and services used in constructing, repairing, or improving of new or existing structures used as agricultural employee housing. Ownership of the housing facility may be by agricultural employers, governmental entities, nonprofit organizations, or for-profit housing providers. Agricultural employee housing does not include housing regularly provided on a commercial basis to the general public.

Purpose: To encourage construction of housing facilities for agricultural employees.

Category/Year Enacted: Agriculture. 1996

Primary Beneficiaries: Farmers and others who build housing facilities for farm workers.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000):

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	$ 550	$ 550	$ 550	$ 550
Local taxes	$ 140	$ 140	$ 140	$ 140

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes.

CHRISTMAS TREE INPUTS (SALES AND USE TAX)

Current statute: RCW 82.04.213

Department of Revenue 2012 Tax Exemption Report (p. 160):

Description: Items purchased for the production of plantation Christmas trees are exempt from retail sales/use tax because plantation Christmas trees are included in the definition of agricultural products in RCW 82.04.213 and such items are excluded from the definition of retail sale in RCW 82.04.050(9).

Purpose: To recognize that production of Christmas trees is similar to other agricultural products.

Category/Year Enacted: Agriculture. 1987

Primary Beneficiaries: Approximately 250 growers of plantation Christmas trees.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000):

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	$ 449	$ 449	$ 449	$ 449
Local taxes	$ 167	$ 167	$ 167	$ 167

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes.

SEED CONDITIONING (B&O TAX)

Current statute: RCW 82.04.120

Department of Revenue 2012 Tax Exemption Report (p. 43):

Description: The definition of "to manufacture" for B&O tax purposes excludes conditioning of seed for use in planting. The term "seed" may be applied to a wide variety of plant products and includes those intended for home use as well as agricultural applications. Persons who condition seed for others or for resale to farmers are also exempt from B&O tax per RCW 82.04.331.

Purpose: To encourage such businesses to locate in Washington.

Category/Year Enacted: Agriculture. 1987

Primary Beneficiaries: Firms that prepare and distribute seed.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000):

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	$ 582	$ 588	$ 594	$ 600
Local taxes - not considered.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes.

Conditioned Seed Wholesaling (B&O Tax)

Current statute: RCW 82.04.331

Department of Revenue 2012 Tax Exemption Report (p. 51):

Description: B&O tax exemption is provided for persons making wholesale sales to farmers of seed that is conditioned for use in planting. The exemption is also provided for conditioning of seed that is owned by other persons. The exemption does not apply to seed packaged for retail sale, flower or vegetable seeds, or seeds or portions of plants used to grow ornamental flowers, shrubs, trees, ferns or mosses.

Purpose: To assist firms providing seed for use in commercial agriculture.

Category/Year Enacted: Agriculture. 1998

Primary Beneficiaries: The seed conditioning industry.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000):

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	$ 566	$ 571	$ 577	$ 583
Local taxes - not considered.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes.

HORTICULTURAL PACKING MATERIALS (SALES AND USE TAX)

Current statutes: RCW 82.08.0311; 82.12.0311

Department of Revenue 2012 Tax Exemption Report (p. 165):

Description: Exemption from retail sales/use tax is provided for materials and supplies used directly in packing of fresh, perishable horticultural products.

Purpose: To support the agricultural industry. The exemption complements the B&O tax deduction for processors of fresh horticultural products.

Category/Year Enacted: Agriculture. 1988

Primary Beneficiaries: Fruit and vegetable packers.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000):

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	$ 342	$ 352	$ 363	$ 373
Local taxes	$ 85	$ 87	$ 90	$ 92

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes.

HAY CUBING (B&O TAX)

Current statute: RCW 82.04.120

Department of Revenue 2012 Tax Exemption Report (p. 43):

Description: The definition of "to manufacture" for B&O tax purposes excludes the activity of cubing hay or alfalfa (i.e., compacting hay into small "cubes" to facilitate shipping, principally to foreign markets). As a result, farmers who cube these items for sale at wholesale are not subject to B&O tax on this income. Persons who cube hay/alfalfa for others are taxed under the service classification if the activity takes place on the grower's land and under wholesaling when the activity is performed elsewhere.

Purpose: To improve the competitive position of Washington firms that cube hay for export.

Category/Year Enacted: Agriculture. 1997

Primary Beneficiaries: Approximately five firms engaged in this activity.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000):

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	$ 368	$ 368	$ 368	$ 368
Local taxes - not considered.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes.

CHICKEN BEDDING MATERIALS (SALES AND USE TAX)

Current statutes: RCW 82.08.920; 82.12.920

Department of Revenue 2012 Tax Exemption Report (p. 169):

Description: Sales of bedding materials to farmers who raise chickens for sale as agricultural products are exempt from retail sales/use tax. The purpose of the bedding materials must be to accumulate and facilitate the removal of chicken manure.

Purpose: To support the poultry industry.

Category/Year Enacted: Agriculture. 2001

Primary Beneficiaries: Approximately 70 poultry producers.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000):

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	$ 279	$ 279	$ 279	$ 279
Local taxes	$ 69	$ 69	$ 69	$ 69

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes.

ANAEROBIC DIGESTERS FOR DAIRIES (SALES AND USE TAX)

Current statutes: RCW 82.08.900; 82.12.900

Department of Revenue 2012 Tax Exemption Report (p. 168):

Description: Exemption from retail sales/use tax is provided for anaerobic digesters that are used primarily to treat manure resulting from dairy and livestock operations. The exemption covers construction, equipment and installation costs.

Purpose: To support the dairy and livestock industry in Washington.

Category/Year Enacted: Agriculture. 2001, expanded to livestock operations in 2006.

Primary Beneficiaries: Washington dairies.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000):

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	$ 190	$ 190	$ 190	$ 190
Local taxes	$ 47	$ 47	$ 47	$ 47

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes.

CHRISTMAS TREE PRODUCERS (B&O TAX)

Current statutes: RCW 82.04.100; 82.04.330

Department of Revenue 2012 Tax Exemption Report (p. 50):

Description: Income associated with extraction and wholesaling of plantation Christmas trees is exempt from B&O tax. Only Christmas trees grown by agricultural methods qualify for the exemption.

Purpose: To recognize that production of Christmas trees is similar to other agricultural production.

Category/Year Enacted: Agriculture. 1987

Primary Beneficiaries: Christmas tree farmers.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000):

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	$ 195	$ 195	$ 205	$ 226
Local taxes - not considered.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes.

LIVESTOCK FEED (SALES AND USE TAX)

Current statutes: RCW 82.08.0296; 82.12.0296

Department of Revenue 2012 Tax Exemption Report (p. 165):

Description: Feed consumed by livestock at public livestock markets is exempt from sales/use tax.

Purpose: Feed sold to farmers is already exempt from sales/use tax. This provision extends the exemption to feed consumed by cattle while awaiting sale at a livestock market.

Category/Year Enacted: Agriculture. 1986

Primary Beneficiaries: Operators of public livestock markets.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000):

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	$ 93	$ 93	$ 93	$ 93
Local taxes	$ 23	$ 23	$ 23	$ 23

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes.

CUSTOM FARMING (B&O TAX)

Current statute: RCW 82.04.625

Department of Revenue 2012 Tax Exemption Report (p. 63):

Description: Exemption from B&O tax is provided for custom farming services and farm management services, in situations where the person providing the services is related to the owner or lessor of the land.

Purpose: To provide tax relief to persons that provide custom farm services for their relatives.

Category/Year Enacted: Agriculture. 2007

Primary Beneficiaries: Persons that provide custom farm services for their relatives.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000):

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	$ 70	$ 70	$ 70	$ 70
Local taxes - not considered.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes.

AQUACULTURE FEED (SALES AND USE TAX)

Current statutes: RCW 82.08.0294; 82.12.0294

Department of Revenue 2012 Tax Exemption Report (p. 164):

Description: Persons who raise fish for sale are exempt from retail sales/use tax on purchases of feed.

Purpose: To provide equivalent treatment with farmers whose purchases of feed for their livestock are exempt from sales/use tax. This recognizes that aquaculture and agriculture are similar activities.

Category/Year Enacted: Agriculture. 1985

Primary Beneficiaries: Commercial fish farmers.

Possible Program Inconsistency: This exemption helps to encourage an economic activity that can contribute to water pollution and thus may be inconsistent with certain water pollution control programs.

Taxpayer Savings ($000):

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	$ 50	$ 50	$ 50	$ 50
Local taxes	$ 19	$ 19	$ 19	$ 19

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes.

POLLINATION AGENTS (SALES AND USE TAX)

Current statute: RCW 82.04.050(11)

Department of Revenue 2012 Tax Exemption Report (p. 159):

Description: Bees which are purchased by farmers for pollination purposes are excluded from the definition of retail sale, if they are used in the commercial production of any agricultural commodity. (Most pollination is performed by honey bees which are rented, not sold, to farmers by bee keepers. Leaf-cutter bees are the principal pollination agent that are purchased.)

Purpose: To aid the agricultural industry and make the tax treatment uniform for all types of pollination.

Category/Year Enacted: Agriculture. 1993

Primary Beneficiaries: Farmers that purchase leaf-cutter bees for pollination purposes.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000):

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	$ 15	$ 15	$ 15	$ 15
Local taxes	$ 4	$ 4	$ 4	$ 4

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes.

NONPROFIT DEMONSTRATION FARMS (PROPERTY TAX)

Current statute: RCW 84.36.570

Department of Revenue 2008 Tax Exemption Report (p. 28):

Description: Exemption from property tax is provided for real and personal property owned by a nonprofit organization and used by a research and education program of a state university as a demonstration farm. The nonprofit organization must be exempt from federal income tax. The farm must include research and extension facilities, a public agricultural museum and an educational tour site. The property may be used in the production and sale of agricultural products, if the income is used to further the purposes of the organization and the land does not exceed 50 acres.

Purpose: To enable continued operation of a demonstration cranberry farm by the Washington State University in Pacific County.

Category/Year Enacted: Nonprofit - other. 1999

Primary Beneficiaries: A single demonstration farm operation.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000):

	CY 2008	CY 2009	CY 2010	CY 2011
State levy	$ 1	$ 1	$ 1	$ 1
Local levies	$ 4	$ 4	$ 4	$ 4

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

No - other taxpayers would experience reduced taxes for the state levy and most local levies.

HAULING FARM PRODUCTS FOR RELATIVES (PUBLIC UTILITY TAX)

Current statute: RCW 82.16.300

Department of Revenue 2012 Tax Exemption Report (p. 138):

Description: Exemption from public utility tax is provided for income associated with hauling agricultural products in situations in which the hauler is related to the farmer who produced the crop or animal.

Purpose: To provide tax relief for persons who haul farm products for their relatives.

Category/Year Enacted: Agriculture. 2007

Primary Beneficiaries: Persons who haul farm products for their relatives.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000): The situations where this exemption would be applicable is believed to be quite rare. While the impact cannot be quantified, it is likely minimal.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes.

HOP COMMISSION SERVICES (B&O TAX)

Current statute: RCW 82.04.338

Department of Revenue 2012 Tax Exemption Report (p. 68):

Description: Income derived from business activities performed for a hop commodity commission or hop commodity board is exempt from B&O tax, as long as the entity performing the service is a nonprofit organization for federal income tax purposes.

Purpose: To support the activities of such organizations and the commission/board for whom they provide services.

Category/Year Enacted: Agriculture. 1998

Primary Beneficiaries: It is believed that a single nonprofit entity does work for the Hop Commission.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000): Due to confidentiality requirements, the impact of this exemption cannot be publicly stated because it is believed to affect fewer than three taxpayers.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes.

Aluminum Smelter Property Taxes (B&O Tax)

Current statute: RCW 82.04.4481

JLARC 2009 Expedited Tax Preference Performance Reviews (p. 81):

Description: Provides a business and occupation tax credit equal to the amount of property taxes paid on property owned by a direct service industrial customer. The credit may only be taken for property taxes paid after July 1, 2004, and through calendar year 2016. The preference was originally scheduled to expire January 1, 2012, but the Legislature extended the expiration date to January 1, 2017.

Purpose: The Legislature stated that the public policy objective for this preference was to preserve "family wage" jobs in rural areas, and to sustain the industry through 2012 when higher energy prices were expected to subside.

Year Enacted: 2004

2009 Legislative Auditor Recommendation: Continue and modify expiration date because the public policy goal of preserving family wage jobs is being maintained, and because the high energy prices that brought about the tax preference are higher and more volatile than when the incentives were originally enacted.

2009 Citizen Commission Comment: Endorses with comment. The Commission endorses the recommendation to extend the expiration date, and further recommends that the Legislature should consider establishing a final expiration date. In addition, the Legislature should explore other alternative means of achieving family wage jobs in rural communities.

Estimated Beneficiary Savings: $4,089,000 in the 2009-11 Biennium.

ALUMINUM MANUFACTURING (B&O TAX)

Current statute: RCW 82.04.2909

JLARC 2009 Expedited Tax Preference Performance Reviews (p. 81):

Description: Provides a business and occupation tax preferential rate to manufacturers, wholesalers of aluminum that are also manufacturers, and processors for hire of aluminum. The preference was originally scheduled to expire January 1, 2012, but the Legislature extended the expiration date to January 1, 2017.

Purpose: The Legislature stated that the public policy objective for this preference was to preserve "family wage" jobs in rural areas, and to sustain the industry through 2012 when higher energy prices were expected to subside.

Year Enacted: 2004

2009 Legislative Auditor Recommendation: Continue and modify expiration date because the public policy goal of preserving family wage jobs is being maintained, and because the high energy prices that brought about the tax preference are higher and more volatile than when the incentives were originally enacted.

2009 Citizen Commission Comment: Endorses with comment. The Commission endorses the recommendation to extend the expiration date, and further recommends that the Legislature should consider establishing a final expiration date. In addition, the Legislature should explore other alternative means of achieving family wage jobs in rural communities.

Estimated Beneficiary Savings: $2,149,000 in the 2009-11 Biennium.

ALUMINUM SMELTER USE OF NATURAL GAS (USE TAX)

Current statute: RCW 82.12.022(5)

JLARC 2009 Expedited Tax Preference Performance Reviews (p. 81):

Description: Provides a use tax exemption for purchases of natural or manufactured gas delivered through a pipeline. The preference was originally scheduled to expire January 1, 2012, but the Legislature extended the expiration date to January 1, 2017.

Purpose: The Legislature stated that the public policy objective for this preference was to preserve "family wage" jobs in rural areas, and to sustain the industry through 2012 when higher energy prices were expected to subside.

Year Enacted: 2004

2009 Legislative Auditor Recommendation: Continue and modify expiration date because the public policy goal of preserving family wage jobs is being maintained, and because the high energy prices that brought about the tax preference are higher and more volatile than when the incentives were originally enacted.

2009 Citizen Commission Comment: Endorses with comment. The Commission endorses the recommendation to extend the expiration date, and further recommends that the Legislature should consider establishing a final expiration date. In addition, the Legislature should explore other alternative means of achieving family wage jobs in rural communities.

Estimated Beneficiary Savings: $861,000 in the 2009-11 Biennium.

ALUMINUM SMELTER PURCHASES (SALES AND USE TAX)

Current statutes: RCW 82.08.805; 82.12.805

JLARC 2009 Expedited Tax Preference Performance Reviews (p. 81):

Description: Provides a sales and use tax credit for purchases of tangible personal property, construction material, and labor and services performed on buildings and property at an aluminum smelter. The credit only applies to the state sales or use tax portion (6.5 percent) and to purchases made before January 1, 2017. The preference was originally scheduled to expire January 1, 2012, but the Legislature extended the expiration date to January 1, 2017.

Purpose: The Legislature stated that the public policy objective for this preference was to preserve "family wage" jobs in rural areas, and to sustain the industry through 2012 when higher energy prices were expected to subside.

Year Enacted: 2009

2009 Legislative Auditor Recommendation: Continue and modify expiration date because the public policy goal of preserving family wage jobs is being maintained, and because the high energy prices that brought about the tax preference are higher and more volatile than when the incentives were originally enacted.

2009 Citizen Commission Comment: Endorses with comment. The Commission endorses the recommendation to extend the expiration date, and further recommends that the Legislature should consider establishing a final expiration date. In addition, the Legislature should explore other alternative means of achieving family wage jobs in rural communities.

Estimated Beneficiary Savings: $157,000 in the 2009-11 Biennium.

ALUMINUM SMELTER ELECTRICITY OR NATURAL GAS PURCHASES (B&O TAX)

Current statute: RCW 82.04.4482

Department of Revenue 2012 Tax Exemption Report (p. 120):

Description: Firms that are subject to B&O tax on sales of electricity, natural gas or manufactured gas are exempt from the tax on sales made to an aluminum smelter. As long as the contract price for the power stipulates that the tax savings will be passed on to the smelter via reduced prices, then the seller may take the exemption in the form of a tax credit. Most sellers of power are subject to the public utility tax, not the B&O. The B&O tax incentive applies principally to purchases of brokered natural gas.

Purpose: The aluminum industry is electricity intensive and was greatly affected by the dramatic increase in electricity prices which began in 2000. The intent is to preserve and restore family wage jobs by providing tax relief to the state's aluminum industry.

Category/Year Enacted: Business incentive. 2004

Primary Beneficiaries: The aluminum industry.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000): There are fewer than three firms that benefit from this B&O tax credit; therefore the revenue impact cannot be stated publicly.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes.

ALUMINUM PRODUCTION ANODES AND CATHODES (SALES AND USE TAX)

Current statutes: RCW 82.08.02568; 82.12.02568

Department of Revenue 2012 Tax Exemption Report (p. 175):

Description: Exemption from retail sales/use tax for various ingredients used in producing anodes and cathodes that are used in manufacturing aluminum. These include carbon, petroleum coke, coal tar, pitch and similar substances.

Purpose: To support the aluminum industry.

Category/Year Enacted: Business incentive. 1996

Primary Beneficiaries: Aluminum manufacturers.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000): It is believed that there are fewer than three firms that utilize this exemption; therefore, the revenue impact cannot be disclosed publicly.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes.

ALUMINUM SMELTER PURCHASES (PUBLIC UTILITY TAX)

Current statute: RCW 82.16.0498

Department of Revenue 2012 Tax Exemption Report (p. 129):

Description: Income derived from the sale of electricity, natural gas or manufactured gas to an aluminum smelter is exempt from public utility tax. The contract for the sale of the power must specify that the price charged will be reduced by the amount of the tax savings for the utility company. The exemption is taken in the form of a credit against the utility's public utility tax liability.

Purpose: To support the aluminum industry.

Category/Year Enacted: Business incentive. 2004

Primary Beneficiaries: The aluminum industry.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000): Fewer than three firms take advantage of this credit and therefore the amount cannot be disclosed publicly.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes.

MOTOR VEHICLES, TRAVEL TRAILERS, AND CAMPERS (PROPERTY TAX)

Current statute: RCW 84.36.595

Department of Revenue 2008 Tax Exemption Report (p. 46):

Description: Motor vehicles, travel trailers and campers are exempt from property tax.

Purpose: Prior to 1951 vehicles were subject to property taxation, but became exempt when they were subject to the motor vehicle excise tax which was in lieu of property tax. When the state motor vehicle excise tax was repealed in 2000, vehicles were technically again subject to property tax. Thus, this exemption was enacted to assure that property tax does not apply to vehicles.

Category/Year Enacted: Tax base. 2000

Primary Beneficiaries: Individuals and businesses who own vehicles.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000):

	CY 2008	CY 2009	CY 2010	CY 2011
State levy	$125,567	$134,994	$142,790	$148,285
Local levies	$501,140	$546,802	$586,940	$618,845

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

No - other taxpayers would experience reduced taxes for the state levy and most local levies.

INTEREST ON REAL ESTATE LOANS (B&O TAX)

Current statute: RCW 82.04.4292

JLARC 2011 Tax Preference Performance Reviews (p. 89):

Description: Provides a business and occupation tax deduction to banks and other financial businesses for interest derived from investments or loans primarily secured by first mortgages or trust deeds on non-transient residential properties in Washington.

Purpose: The Legislature did not state a public policy objective for this preference. JLARC staff infer that the policy objective may have been to encourage Washingtonians to buy homes by making loans more available and less expensive.

Year Enacted: 1970

2011 Legislative Auditor Recommendation: Review and clarify because it is unclear whether the original public policy objective applies, given changes in the lending industry and the rise in the secondary mortgage market.

2011 Citizen Commission Comment: Endorses with comment. The Commission endorses the recommendation that the Legislature should review and clarify the public policy objective of the preference and should consider whether the preference is essential to maintaining competitive residential lending capability for state-domiciled residential real estate lenders. Rationale: The Legislature did not specify a public purpose for this preference. JLARC staff inferred from the record that the implied public policy purpose was to encourage Washingtonians to buy homes by making loans more available and less expensive. However, if the deduction were to be removed, the holder of the residential mortgage loan would bear the full burden rather than the borrower, unless the elimination of the deduction applied only to loans originated or purchased after the effective date of the repeal of the deduction. On a prospective basis the portfolio lender could attempt to recoup the cost of the B&O tax by charging a higher interest rate to the borrower; however, the mortgage market is national in scope, which virtually makes it impossible to charge interest-rate differentials on a geographic basis. As is often the case when the B&O gross receipts tax is involved in a preference, another unstated public policy purpose may be to assure competitive balance with similarity situated business firms in other states subject to other types of tax regimes. The Commission received testimony that removal of the deduction would place a burden on state-domiciled residential mortgage lenders that retain the loans they originate in their portfolios.

Estimated Beneficiary Savings: $172,600,000 in the 2011-13 Biennium.

NONPROFIT LOW-INCOME RENTALS (PROPERTY TAX)

Current statute: RCW 84.36.560

Department of Revenue 2008 Tax Exemption Report (p. 27):

Description: Real and personal property owned or leased by a nonprofit organization to provide rental housing for very low-income families or used to provide space for the placement of a mobile home for a very low-income household within a mobile home park is exempt from property tax. Low-income is defined as less than 50 percent of the median income for the county, adjusted for the applicable size of the household.

Purpose: To encourage the construction and use of housing facilities or mobile home parks for households with very low incomes.

Category/Year Enacted: Nonprofit - health or social welfare. 1999

Primary Beneficiaries: Owners of about 570 rental facilities, comprising approximately 14,250 units.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000):

	CY 2008	CY 2009	CY 2010	CY 2011
State levy	$ 3,315	$ 3,481	$ 3,673	$ 3,793
Local levies	$ 12,833	$ 13,686	$ 14,678	$ 15,413

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

No - other taxpayers would experience reduced taxes for the state levy and most local levies.

WAREHOUSE EXPANSION (SALES AND USE TAX)

Current statutes: RCW 82.08.820; 82.12.820

Department of Revenue 2012 Tax Exemption Report (p. 180):

Description: Certain warehouses and grain elevators are eligible for an exemption in the form of a remittance of the state retail sales/use tax paid on purchases of machinery and on materials and labor for construction of these facilities. Warehouses must be more than 200,000 square feet in size. The exemption equals 100 percent of the state retail sales/use tax paid on construction and 50 percent of the state tax paid on equipment, including materials handling and racking equipment. For grain elevators the exemption is either 50 or 100 percent of the state tax paid, depending upon the capacity of the facility. The remittance does not include local sales/use taxes.

Purpose: To encourage construction of warehouses in Washington and to increase the competitiveness of the warehouse and distribution industry in this state.

Category/Year Enacted: Business incentive. 1997

Primary Beneficiaries: Warehouse firms, distribution centers, grain elevators, port districts.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000):

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	$ 4,048	$ 4,048	$ 4,048	$ 4,048
Local taxes	$ 0	$ 0	$ 0	$ 0

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes.

MOTION PICTURE PROGRAM CONTRIBUTIONS (B&O TAX)

Current statute: RCW 82.04.4489

Department of Revenue 2008 Tax Exemption Report (p. 151):

Description: B&O tax credits are allowed for firms that make contributions to the Washington motion picture competitiveness program. The maximum credit that may be earned annually is 100 percent of the contributions for calendar year 2008 and 90 percent for subsequent years with a cap of $1.0 million for each contributor. The maximum credit for all firms is $3.5 million.

Purpose: To support the motion picture industry and to encourage production of motion pictures, television programs and commercials in this state.

Category/Year Enacted: Business incentive. 2006.

Primary Beneficiaries: The motion picture industry.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000):

	FY 2008	FY 2009	FY 2010	FY 2011
State tax	$ 3,500	$ 3,500	$ 3,500	$ 3,500
Local taxes - not considered.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes.

SALMON HABITAT TIMBER (TIMBER TAX)

Current statute: RCW 84.33.0775

Department of Revenue 2012 Tax Exemption Report (p. 34):

Description: A tax credit is provided against the state portion of the timber excise tax for timber harvested on land that is subject to enhanced aquatic resource requirements, such as riparian zones, steep or unstable slopes, etc. The credit effectively lowers the overall 5.0 percent state tax to 4.2 percent.

Purpose: To help offset the costs to timber owners associated with setting aside larger timber buffers and other forest management practices intended to protect the environment, including salmon habitat.

Category/Year Enacted: Other business. 1999

Primary Beneficiaries: Timber owners (and the salmon).

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000):

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	$ 2,555	$ 2,555	$ 2,555	$ 2,555
Local taxes	$ 0	$ 0	$ 0	$ 0

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes.

PUBLIC FACILITIES DISTRICTS (LEASEHOLD EXCISE TAX)

Current statute: RCW 82.29A.130(16)

Department of Revenue 2012 Tax Exemption Report (p. 25):

Description: Leasehold tax does not apply to interests in property owned by public facilities districts. Facilities covered by the exemption include sports facilities, entertainment venues, conference and convention centers and special events facilities.

Purpose: To encourage construction and utilization of these public facilities.

Category/Year Enacted: Business incentive. 1999

Primary Beneficiaries: Public facility districts and persons who lease these facilities.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000):

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	$ 1,123	$ 1,161	$ 1,201	$ 1,243
Local taxes	$ 985	$ 1,019	$ 1,054	$ 1,090

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes.

ACCOMMODATION SALES OF AUTOMOBILES (B&O TAX)

Current statute: RCW 82.04.422(2)

Department of Revenue 2012 Tax Exemption Report (p. 57):

Description: Exemption from wholesaling B&O tax is provided for dealers of motor vehicles for new vehicles sold at wholesale to other dealers who, in turn, make sales of the same make of vehicle.

Purpose: To recognize that these sales are for the convenience of dealers to enable them to meet customer demand and do not represent profit for the seller.

Category/Year Enacted: Tax base. 2001, revised in 2004.

Primary Beneficiaries: Dealers of new motor vehicles.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000):

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	$ 1,254	$ 1,444	$ 1,662	$ 1,913
Local taxes - not considered.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes.

PERSONAL PROPERTY UP TO $15,000 (PROPERTY TAX)

Current statute: RCW 84.36.110(2)

Department of Revenue 2008 Tax Exemption Report (p. 43):

Description: In addition to the complete exemption of household goods and personal effects, the first $15,000 of taxable personal property for heads of families is exempt from property tax. Since households typically have no other personal property tax liability, this exemption effectively reduces the personal property tax liability of non-corporate businesses, which are subject to personal property tax on business equipment and supplies.

Purpose: The exemption was originally intended to exempt household goods and furnishings up to a value of $300. When the statute was expanded to completely exempt household goods, furnishings and personal effects, the $300 exemption effectively applied only to heads of families who have taxable personal property used in a business activity (essentially sole proprietors).

Category/Year Enacted: Individuals. 1890; increased from $300 to $3,000 in 1988 and to $15,000 in 2006

Primary Beneficiaries: Approximately15,200 firms apply for the exemption.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000):

	CY 2008	CY 2009	CY 2010	CY 2011
State levy	$ 314	$ 317	$ 315	$ 308
Local levies	$ 1,116	$ 1,144	$ 1,153	$ 1,144

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

No - other taxpayers would experience reduced taxes for the state levy and most local levies.

TRUST ACCOUNTS (B&O TAX)

Current statute: RCW 82.04.392

Department of Revenue 2012 Tax Exemption Report (p. 55):

Description: B&O tax exemption is provided for amounts received by mortgage brokers from trust accounts for third-party costs. The trust account must be operated in accordance with RCW 19.146.050 and any rules adopted by the Department of Financial Institutions.

Purpose: To treat these items like a tax-exempt pass-through, rather than as income to the institutions.

Category/Year Enacted: Other business. 1997

Primary Beneficiaries: Mortgage brokers receiving payments through trust accounts.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000):

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	$ 561	$ 686	$ 643	$ 712
Local taxes - not considered.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes.

USED PARK-MODEL TRAILERS (SALES AND USE TAX)

Current statutes: RCW 82.08.032; 82.12.032

Department of Revenue 2012 Tax Exemption Report (p. 227):

Description: Exemption from sales/use tax is allowed for the sale, rental or lease (more than 30 days) of used park-model trailers. These units are travel trailers of no more than 400 square feet in area which have lost their identity as a mobile unit by being permanently sited, placed on a foundation and connected to utilities.

Purpose: To provide tax treatment for used park-model trailers comparable to the treatment of residential real estate. The initial purchase of a park-model trailer, like the construction of a residential home built for an owner by a contractor, is subject to retail sales tax. Subsequent sales of park-model trailers are subject to real estate excise tax rather than retail sales tax, just as they are for other homes.

Category/Year Enacted: Individuals. 2001

Primary Beneficiaries: Purchasers/renters of park-model trailers.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000)*:

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	$ 235	$ 235	$ 235	$ 235
Local taxes	$ 79	$ 79	$ 79	$ 79

*Impact is net of state and local real estate excise taxes.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes, but unlike normal residential property, these units would be subject to both sales/use tax and real estate excise tax.

NONPROFIT EDUCATIONAL FOUNDATIONS (PROPERTY TAX)

Current statute: RCW 84.36.050(2)

Department of Revenue 2008 Tax Exemption Report (p. 23):

Description: Real or personal property owned by a nonprofit foundation established for the exclusive support of an institution of higher education (either public or private) is exempt from property tax. If the property is leased to and used by the institution for college programs, it must be principally designed to further the educational functions of the institution. The exemption is only available for property actively used by currently enrolled students.

Purpose: To support the educational programs of public and private institutions of higher education which are conducted by educational foundations.

Category/Year Enacted: Nonprofit - other. 2001

Primary Beneficiaries: Approximately eight institutions of higher learning with such foundations.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000):

	CY 2008	CY 2009	CY 2010	CY 2011
State levy	$ 37	$ 39	$ 40	$ 41
Local levies	$ 148	$ 158	$ 166	$ 170

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

No - other taxpayers would experience reduced taxes for the state levy and most local levies.

SMALL TIMBER HARVESTERS (B&O TAX)

Current statute: RCW 82.04.333

Department of Revenue 2012 Tax Exemption Report (p. 79):

Description: Previously, small timber harvesters (sales of less than $100,000 annually) were exempt from extracting B&O tax. In 2007, the statute was amended so that the exemption becomes a deduction for all small timber harvests as defined under the timber tax statute (Chapter 84.33 RCW). In addition to sales of less than $100,000 annually, the small harvester definition includes firms that harvest fewer than two million board feet annually.

Purpose: To assist one-time or infrequent timber harvesters.

Category/Year Enacted: Other business. 2007

Primary Beneficiaries: Small timber harvesters.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000):

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	$ 200	$ 200	$ 200	$ 200
Local taxes - not considered.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes.

CONIFER SEEDINGS SOLD OUT-OF-STATE (SALES AND USE TAX)

Current statutes: RCW 82.08.850; 82.12.850

Department of Revenue 2012 Tax Exemption Report (p. 189):

Description: Exemption from retail sales/use tax is provided for customer-owned conifer seeds that are placed in freezer storage operated by the seller and for customer-owned conifer seedlings that are subsequently used for growing timber outside of Washington or in Indian country within Washington.

Purpose: To eliminate the tax disadvantage for Washington conifer seed producers compared with out-of-state producers.

Category/Year Enacted: Agriculture. 2001

Primary Beneficiaries: A very small number of Washington firms.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000):

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	$ 10	$ 10	$ 10	$ 10
Local taxes	$ 4	$ 4	$ 4	$ 4

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes.

MOTORCYCLES USED FOR RIDER TRAINING (SALES AND USE TAX)

Current statutes: RCW 82.08.870; 82.12.845

Department of Revenue 2012 Tax Exemption Report (p. 200):

Description: Retail sales/use tax does not apply to sales of motorcycles purchased for use in a ridertraining program, or to motorcycles that are loaned to the Department of Licensing (DOL) for use in a rider-training program, or to persons contracting with DOL to provide such training.

Purpose: To support motorcycle rider-training programs.

Category/Year Enacted: Government. 2001

Primary Beneficiaries: The Department of Licensing and their contractors who provide motorcycle training.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000):

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	$ 9	$ 9	$ 9	$ 9
Local taxes	$ 3	$ 3	$ 3	$ 3

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes.

MINIMUM TO FILE TAX RETURN (B&O TAX)

Current statute: RCW 82.32.045(4)(a)(i)

Department of Revenue 2012 Tax Exemption Report (p. 66):

Description: Firms whose gross income is less than $28,000 annually ($46,667 for service firms) are not required to file excise tax returns. The provision does not apply to businesses that collect and remit retail sales tax.

Purpose: To reduce administrative costs for taxpayers and the Department of Revenue.

Category/Year Enacted: Other business. 1996.

Primary Beneficiaries: Small businesses.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000): This statute has no revenue impact because in its absence, beneficiaries would have to file returns but still would have no B&O tax liability due to the small business credit.

> If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
>
> No, as long as the small business tax credit remained in place.

NATURAL GAS PURCHASED BY DSI CUSTOMERS (USE TAX)

Current statute: RCW 82.12.024

Department of Revenue 2012 Tax Exemption Report (p. 241):

Description: This statute allows a deferral of brokered natural gas tax for a direct service industry (DSI) firm that constructs a new power plant. DSIs are firms that purchase power directly from the Bonneville Power Administration. The amount of deferred brokered natural gas use tax need not be repaid, if the firm continues production and their employment does not drop below base period levels.

Purpose: To encourage DSI firms to continue manufacturing in Washington after existing power contracts with BPA expire by building their own natural gas powered electric generating facilities.

Category/Year Enacted: Business incentive. 2001

Primary Beneficiaries: None to date.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000): No firm has yet to apply for the deferral.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes.

NATURAL GAS PURCHASES BY DSI INDUSTRY (B&O TAX)

Current statute: RCW 82.04.447

Department of Revenue 2012 Tax Exemption Report (p. 118):

Description: A credit against B&O tax is allowed for a direct service industry (DSI) firm that purchases electric power directly from the Bonneville Power Administration. The tax credit is equal to the amount of public utility tax paid on any natural gas purchased by the DSI to power a turbine in order to produce their own electric power. The tax credit lasts for 60 months and the firm must maintain its existing level of employment to take the credit.

Purpose: To encourage DSIs to continue manufacturing in Washington by constructing their own natural gas powered turbines after their BPA power contracts expire.

Category/Year Enacted: Business incentive. 2001

Primary Beneficiaries: To date, no firm has taken this tax credit.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000): None.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes, assuming some firms were actually taking the credit.

ELECTRICITY PURCHASED BY DSI INDUSTRY (PUBLIC UTILITY TAX)

Current statute: RCW 82.16.0495

Department of Revenue 2012 Tax Exemption Report (p. 128):

Description: A credit against public utility tax is provided for income from sales of electricity to direct service industries (DSIs), if the electric utility constructs a new power plant to supply the needs of the DSI firm. DSIs are firms that purchase electric power directly from the Bonneville Power Administration. The tax credit lasts for a 60 month period, and the benefit of the credit must be passed on to the DSI customer, as long as the DSI maintains existing employment levels for at least five years. Also, a 10 year contract to supply power to the DSI is required.

Purpose: To encourage DSI firms to continue manufacturing in Washington after their power supply contracts with BPA expire by switching to power from newly constructed power facilities.

Category/Year Enacted: Business incentive. 2001

Primary Beneficiaries: No firms are currently taking tax credit.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000): None currently.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes.

REGIONAL TRANSIT AUTHORITY SALE-LEASEBACKS (B&O TAX)

Current statute: RCW 82.04.4201

Department of Revenue 2008 Tax Exemption Report (p. 76):

Description: State B&O tax does not apply to lease payments or options to purchase at the conclusion of a lease in conjunction with a sale/leaseback arrangement involving a regional transportation authority (RTA) pursuant to RCW 81.112.300.

Purpose: The sale/leaseback arrangement (technically a lease/leaseback) is a financing mechanism to facilitate the acquisition of personal property by the RTA.

Category/Year Enacted: Government. 2000

Primary Beneficiaries: Sound Transit and investors involved in a sale/leaseback arrangement.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000): This financing mechanism was utilized to acquire a limited amount of personal property by Sound Transit. However, the Internal Revenue Service has changed its policy and no longer allows an investor to write-off depreciation for federal taxes for such transactions. Thus, this mechanism is not currently being utilized. Income from any previous sale/leasebacks is believed to accrue to an out-of-state investor and would not be subject to Washington B&O tax. In any case, there is an insufficient number of investors involved in these transactions, so the tax on the lease payments cannot be disclosed for confidentiality reasons.

REGIONAL TRANSIT AUTHORITY SALE-LEASEBACKS (LEASEHOLD EXCISE TAX)

Current statute: RCW 82.29A.134

Department of Revenue 2008 Tax Exemption Report (p. 63):

Description: Leasehold interests in property owned by a Regional Transit Authority (R.T.A.) are exempt from leasehold tax, if they are in connection with a sale/leaseback arrangement pursuant to RCW 81.112.300.

Purpose: The sale/leaseback arrangement (technically a lease/leaseback) is a financing mechanism to facilitate the acquisition of personal property by the RTA.

Category/Year Enacted: Government. 2000

Primary Beneficiaries: Sound Transit and the investor who acquires equipment by this method.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000): It is understood that Sound Transit has entered into one or two sale/leaseback agreements early on, but that future agreements are unlikely due to a change in policy by the Internal Revenue Service which no longer allows the investor to write-off depreciation of the equipment. In any event, it is assumed that there is no net impact on leasehold tax resulting from this exemption, since there would be no leasehold tax liability for Sound Transit if it had retained actual ownership of the personal property covered by the agreement.

REGIONAL TRANSIT AUTHORITY SALE-LEASEBACKS (PROPERTY TAX)

Current statute: RCW 84.36.605

Department of Revenue 2008 Tax Exemption Report (p. 10):

Description: Real and personal property subject to a sale/leaseback agreement by a regional transportation authority (RTA) pursuant to RCW 81.112.300 is exempt from property taxation.

Purpose: The sale/leaseback arrangement (technically a lease/leaseback) is a financing mechanism to facilitate the acquisition of personal property by the RTA.

Category/Year Enacted: Government. 2000

Primary Beneficiaries: Sound Transit and the investor who acquires equipment by this method.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000): It is understood that Sound Transit entered into one or two sale/leaseback agreements in earlier years, but that future agreements are unlikely due to a change in policy by the IRS which no longer allows the investor to write-off depreciation of the equipment. In any event, it is assumed that there is no net impact on property taxes resulting from this exemption, since there would be no property tax liability for Sound Transit if it had retained actual ownership of the personal property covered by the agreement.

Regional Transit Authority Sale-Leasebacks (Sales and Use Tax)

Current statutes: RCW 82.08.834; 82.12.834

Department of Revenue 2008 Tax Exemption Report (p. 235):

Description: Retail sales/use tax does not apply to lease payments or options to purchase at the conclusion of a lease in conjunction with a sale/leaseback arrangement involving a regional transportation authority (RTA) pursuant to RCW 81.112.300. To qualify, the original acquisition of the tangible personal property must have been subject to retail sales or use tax.

Purpose: The sale/leaseback arrangement (technically, a lease/leaseback) is a financing mechanism to facilitate the acquisition of equipment by the RTA.

Category/Year Enacted: Government. 2000

Primary Beneficiaries: Sound Transit and investors involved in a sale/leaseback arrangement.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000): It was anticipated that this procedure might be used to acquire the rolling stock for the high capacity transit system. However, the Internal Revenue Service has changed its policy and no longer allows an investor to write-off depreciation for federal taxes for such transactions. Thus, this mechanism is not currently being used to acquire equipment by Sound Transit.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

No.

VITRIFICATION EQUIPMENT (PROPERTY TAX)

Current statute: RCW 84.36.590

Department of Revenue 2008 Tax Exemption Report (p. 45):

Description: Personal property located on land owned by the U.S. government at the Hanford reservation is exempt from property tax if it is used exclusively in the performance of a privatization contract to pre-treat, treat, vitrify or immobilize tank waste. The personal property must be used by the person who has a privatization contract to perform tank waste clean-up operations at the Hanford Reservation.

Purpose: To support the nuclear waste clean-up activities at Hanford.

Category/Year Enacted: Business incentive. 2000

Primary Beneficiaries: None.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000): None. One vitrification plant is being constructed at Hanford, but it is not anticipated to be operational until 2019. The plant and equipment will be owned by the US Department of Energy and will be operated by a private contractor. Any equipment used in this effort that is owned directly by the federal government would be exempt under RCW 84.36.010, not this statute.

RESIDENTIAL AND RECREATIONAL DEVELOPMENTS (LEASEHOLD EXCISE TAX)

Current statute: RCW 82.29A.136

Department of Revenue 2012 Tax Exemption Report (p. 28):

Description: Leasehold interests comprised of three thousand or more residential and recreational lots which are or may be subleased for residential or recreational purposes are exempt from leasehold excise tax and subject instead to property taxes.

Purpose: To treat these lots in a similar manner to other housing and recreational properties. Lessees avoid a processing fee and the properties are governed by the various limits on property tax levies.

Category/Year Enacted: Tax base. 2001

Primary Beneficiaries: Lessees of lots at Lake Cushman which are owned by the City of Tacoma.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000):

	FY 2012	FY 2013	FY 2014	FY 2015
State tax	$ 119	$ 136	$ 152	$ 167
Local taxes	$ (452)	$ (380)	$ (315)	$ (257)

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes, but only for the leasehold tax; property taxes would decrease. The lessees are paying more in property tax than they would under leasehold tax.

GROCERY CO-OPS (LITTER TAX)

Current statute: RCW 82.19.050(3)

Department of Revenue 2012 Tax Exemption Report (p. 147):

Description: Products sold by a qualified grocery cooperative to its members are not subject to litter tax.

Purpose: To reflect the fact that title to the goods remains with the cooperative and an actual sale does not take place.

Category/Year Enacted: Business incentive. 2001

Primary Beneficiaries: It is believed that a single cooperative benefits from this exemption.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000): Due to confidentiality requirements, the impact of this exemption cannot be publicly stated because it is believed to affect fewer than three taxpayers.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?

Yes.