

## Citizen Commission for Performance Measurement of Tax Preferences

### Draft Consolidated Commissioner Comments on 2021 Preferences

#### Chair's Note:

Green means I perceive little or no deviation in commissioner recommendations. Yellow means I perceive one to two commissioners have expressed a moderate deviation from the majority, but the differences are not insurmountable to reaching a one voice opinion. Red means I perceive that one to two commissioners have expressed a significant deviation from the majority, and reaching a one voice opinion will be impossible without significant compromises. The table below is a summary of the Green, Yellow, and Red preferences:

Color	Preferences
Green	Manufactures' Deferral; Targeted Urban Area Exemption
Yellow	Health Benefit Exchange; Printing and Publishing Newspapers; Medical Cannabis; Credit for Renewable Energy; Nonprofit Outpatient Dialysis Facilities
Red	

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Name	Possible Comment	Rationale for comment
<p>1. <a href="#">Health Benefit Exchange</a> (Business and Occupation Tax)</p> <p><b>Legislative Auditor Recommendation: Extend the expiration date or make the preference permanent (structural purpose)</b></p> <p>The Legislature should:</p> <p>Extend the July 2023 expiration date or make the preference permanent. The preference appears to address a structural tax issue. The Exchange is a public-private partnership and the state funding it receives would be subject to B&amp;O tax without this preference.</p> <p>Add a performance statement that specifies the public policy objective for the preference.</p> <p>The Citizen Commission for the Performance Measurement of Tax Preferences should consider whether the preference is critical to the tax structure. If so, it will be excluded from future tax preference reviews.</p>		
<b>Chair's Reconciliation</b>	Endorse Legislative Auditor recommendation with additional comment.	This preference should be excluded from future reviews. It serves a structural purpose related to the state's broader healthcare policy. (GF, ANM)
<b>Ron Bueing</b>	Endorse Legislative Auditor recommendation without comment.	
<b>Grant Forsyth</b>	Endorse Legislative Auditor recommendation with additional comment.	Preference should be made permanent. It is not a tax preference in the traditional sense and is part of a broader approach to healthcare policy.
<b>Sharon Kioko</b>	Endorse Legislative Auditor recommendation without comment.	
<b>Diane Lourdes Dick</b>	Endorse Legislative Auditor recommendation without comment.	
<b>Andi Nofziger-Meadows</b>	Endorse Legislative Auditor recommendation with additional comment.	It appears this tax preference serves a structural purpose and as such should be excluded from future reviews.

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<p>2. <u>Manufacturers' Deferral</u> (Sales and Use Tax)</p> <p><b>Legislative Auditor Recommendation: Extend and modify</b></p> <p>The Legislature should extend the January 1, 2026, expiration date because each business has met the legislative goal of creating 20 jobs. Although no businesses have repaid deferred taxes yet, the repayments are expected to fund training in the future.</p> <p>If the Legislature wants the deferral program to encourage businesses to create and retain more manufacturing jobs in the state, and provide more training and apprenticeship opportunities earlier, it should consider:</p> <p>Modifying the deferral program to focus more on creating full-time manufacturing jobs, rather than temporary construction work.</p> <p>Directly appropriating money for training and apprenticeships in the manufacturing sector to the State Board for Community and Technical Colleges.</p>		
<b>Chair's Reconciliation Proposal</b>	Endorse Legislative Auditor recommendation without comment.	
Ron Bueing	Endorse Legislative Auditor recommendation without comment.	
Grant Forsyth	Endorse Legislative Auditor recommendation without comment.	
Sharon Kioko	Endorse Legislative Auditor recommendation without comment.	
Diane Lourdes Dick	Endorse Legislative Auditor recommendation without comment.	
Andi Nofziger-Meadows	Endorse Legislative Auditor recommendation without comment.	

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<p><b>3. <a href="#">Reduced B&amp;O Rate for Printing and Publishing Newspapers</a> (Business and Occupation Tax)</b></p> <p><b>Legislative Auditor's Recommendation: Review</b></p> <p>The Legislature should review this preference to determine if the relief to newspaper printers and publishers is sufficient and if additional assistance is needed to help these businesses stabilize financially. If the Legislature is interested in helping the newspaper industry more broadly, it should consider additional approaches.</p>		
<p><b>Chair's Reconciliation Proposal</b></p>	<p>Endorse Legislative Auditor recommendation with additional comment.</p>	<p>The Legislature should consider additional approaches to supporting local newspapers. Testimony suggests (1) the current preference may be too small relative to the challenges facing local papers, and (2) local papers still support democratic and community vitality with the dissemination of local news absent from newer, national digital providers. Additionally, local papers offer an alternative for residents with barriers accessing newer digital formats. (DLD, ANM)</p>
<p><b>Ron Bueing</b></p>	<p>Endorse Legislative Auditor recommendation without comment.</p>	
<p><b>Grant Forsyth</b></p>	<p>Endorse Legislative Auditor recommendation without comment.</p>	
<p><b>Sharon Kioko</b></p>	<p>Endorse Legislative Auditor recommendation without comment.</p>	
<p><b>Diane Lourdes Dick</b></p>	<p>Endorse Legislative Auditor recommendation with additional comment.</p>	<p>Public testimony drives home the point that local newspapers play an essential role in a democracy. Just as we support education and other essential services, we should support local newspapers that help to educate the public on pressing matters. The legislature should continue to provide public financial support to newspaper printers and publishers, whether in the form of modified and expanded tax preferences or direct funding programs.</p>
<p><b>Andi Nofziger-Meadows</b></p>	<p>Endorse Legislative Auditor recommendation with additional comment.</p>	<p>The Legislature should consider additional approaches to supporting the news industry. Access to news and information through a free press is necessary in a healthy democracy. When</p>

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		communities lose access to local newspapers, it means a loss of community information and a loss of opposing or multiple perspectives on issues, especially in areas where residents have structural or economic challenges in accessing digital content.
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<b>4. <u>Medical Cannabis Tax Preferences</u> (Business and Occupation Tax, Sales and Use Tax)</b> <b>Legislative Auditor's Recommendation: Continue</b> The Legislature should continue the preferences because they provide tax relief to medical cannabis patients. The Department of Revenue and the Department of Health should update guidance to reflect 2019 statutory changes.		
<b>Chair's Reconciliation Proposal</b>	Endorse Legislative Auditor recommendation with additional comment.	Testimony suggests the state should consider reviewing the definitions and guidelines associated with medical cannabis. The legislature may want to evaluate approaches used in other states, such as Colorado, and consider whether and to what extent Washington's laws can be altered to better meet patient needs. The legislature may find that additional interventions may be needed to address the issues raised in testimony. These issues largely revolve around quality and price differentials between the regulated and unregulated market. (GF, DLD)
<b>Ron Bueing</b>	Endorse Legislative Auditor recommendation without comment.	
<b>Grant Forsyth</b>	Endorse Legislative Auditor recommendation with additional comment.	Testimony regarding the treatment of medical cannabis in Washington suggests that the state needs to have stronger guidelines on what kind of cannabis can qualify as medical cannabis. In particular, the state should consider stronger testing procedures (e.g., purity, chemical content) that more clearly separate cannabis products between recreational and medical use. Other states, such as Colorado, may provide some guidance on best practices for medical cannabis.

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<b>Sharon Kioko</b>	Endorse Legislative Auditor recommendation without comment.	
<b>Diane Lourdes Dick</b>	Endorse Legislative Auditor recommendation with additional comment.	Public testimony makes a compelling case that the legislature should explore whether and how to use tax preferences and other interventions to address certain issues that are unique to the cannabis market, such as quality concerns and price differentials in the regulated versus unregulated market. The legislature should evaluate approaches used in other states, such as Colorado, and consider whether and to what extent we can reform Washington laws to better meet the needs of patients.
<b>Andi Nofziger-Meadows</b>	Endorse Legislative Auditor recommendation without comment.	

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<p>5. <a href="#">Targeted Urban Area Exemption</a> (Local Property Tax)</p> <p><b>Legislative Auditor Recommendation: Review and consider whether to extend</b></p> <p>The Legislature acted in response to the Legislative Auditor's January 2021 recommendation by amending the preference population criteria and extending the expiration date to December 31, 2030.</p> <p>In light of this legislative action, the Legislative Auditor updated the recommendation in May 2021 to recommend that the Citizen Commission should schedule the preference for review in 2028, to determine if the revised preference has achieved the goals of encouraging new development on undeveloped or underutilized land in targeted urban areas and increasing family living wage jobs.</p>		
<b>Chair's Reconciliation Proposal</b>	Endorse Legislative Auditor recommendation without comment.	
Ron Bueing	Endorse Legislative Auditor recommendation without comment.	
Grant Forsyth	Endorse Legislative Auditor recommendation without comment.	
Sharon Kioko	Endorse Legislative Auditor recommendation without comment.	
Diane Lourdes Dick	Endorse Legislative Auditor recommendation without comment.	
Andi Nofziger-Meadows	Endorse Legislative Auditor recommendation without comment.	

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<p>6. <a href="#">Credit for Renewable Energy Program Payments</a> (Public Utility Tax)</p> <p><b>Legislative Auditor's Recommendation: Allow to expire</b></p> <p>The Legislature should allow the credit to expire because the objectives are mostly met and installations have continued after the program reached its funding limit. If the Legislature wants to broaden low-income participation in the production and use of solar energy, it should consider other options.</p>		
<p><b>Chair's Reconciliation Proposal</b></p>	<p>Endorse Legislative Auditor recommendation with additional comment.</p>	<p>Low-income participation in solar programs is problematic because (1) Low-income households lack money to pay the upfront costs of installing solar; and (2) many low-income households are renters and, therefore, the decision to install solar is not theirs to make. As part of their review, the legislature will want to read the commentary provided by the Washington Department of Commerce, which highlights the connection between household resiliency and distributed energy resources. (GF, DLD)</p>
<p><b>Ron Bueing</b></p>	<p>Endorse Legislative Auditor recommendation without comment.</p>	
<p><b>Grant Forsyth</b></p>	<p>Endorse Legislative Auditor recommendation with additional comment.</p>	<p>Low-income participation in solar programs is difficult for several reasons: (1) Low-income households lack money to pay the upfront costs of installing solar; (2) many low-income households are renters and, therefore, the decision to install solar is not theirs to make.</p>
<p><b>Sharon Kioko</b></p>	<p>Endorse Legislative Auditor recommendation without comment.</p>	
<p><b>Diane Lourdes Dick</b></p>	<p>Endorse Legislative Auditor recommendation with additional comment.</p>	<p>As the legislature explores other options to broaden low-income participation in the production and use of solar energy, it should consider the thoughtful commentary provided by the Washington Department of Commerce. Specifically, the department recommends that the legislature consider policy options that focus more directly on the resilience benefit of distributed energy resources.</p>
<p><b>Andi Nofziger-Meadows</b></p>	<p>Endorse Legislative Auditor recommendation without comment.</p>	



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<p>7. <a href="#">Nonprofit Outpatient Dialysis Facilities</a> (Property Tax)</p> <p><b>Legislative Auditor's Recommendation: Clarify intent</b></p> <p>The Legislature should clarify the objectives of the preference by including a performance statement. The preference was enacted before the Legislature required a performance statement for new tax preferences. There is no explicit public policy statement for the tax preference in statute.</p> <p>If the Legislature believes the tax preference is intended to support certain outcomes, the Legislature should clarify its expectations by adding a performance statement that clearly states the public policy objectives and metrics to determine if the objectives have been met.</p>		
<b>Chair's Reconciliation Proposal</b>	Endorse Legislative Auditor recommendation without comment.	
Ron Bueing	Endorse Legislative Auditor recommendation without comment.	
Grant Forsyth	Endorse Legislative Auditor recommendation without comment.	
Sharon Kioko	Endorse Legislative Auditor recommendation without comment.	
Diane Lourdes Dick	Endorse Legislative Auditor recommendation without comment.	
Andi Nofziger-Meadows	Endorse Legislative Auditor recommendation with additional comment.	I fully support the legislature clarifying the objectives by adding a performance statement with metrics to measure if the desired outcomes have been achieved. While the intent of the preference is unclear, the beneficiaries of the preference perform similar or better than facilities that do not benefit from this preference. Thus, the Legislature should continue the preference and clarify its intent so the preference can undergo a focused examination the next time it is up for review.