

SENATE BILL REPORT

SHB 1299

As Reported By Senate Committee On:
Ways & Means, March 23, 2005

Title: An act relating to repealing outdated and unused tax preferences.

Brief Description: Repealing outdated and unused tax preferences.

Sponsors: House Committee on Finance (originally sponsored by Representatives McIntire, Simpson, Morrell, McCoy, Roberts, Moeller, Wood and Chase).

Brief History: Passed House: 3/10/05, 96-0.

Committee Activity: Ways & Means: 3/22/05, 3/23/05 [DPA].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.

Signed by Senators Fraser, Vice Chair; Zarelli, Ranking Minority Member; Brandland, Hewitt, Kohl-Welles, Parlette, Pflug, Pridemore, Rasmussen, Regala, Roach, Rockefeller, Schoesler and Thibaudeau.

Staff: Terry Wilson (786-7433)

Background: Tax exemptions, exclusions, deductions, credits, deferrals, and preferential rates are known as tax preferences. The Department of Revenue publishes a report on tax preferences every four years. The report covers more than 500 tax preferences and describes each preference, the year of enactment, the purpose of the preference, an indication of primary beneficiaries, and estimated fiscal impact.

The report shows several tax preferences for which no taxpayers have claimed relief in recent years and that appear to be outdated or unnecessary.

Summary of Amended Bill: Tax preferences for which no taxpayers have claimed relief in recent years, and that appear to be outdated or unnecessary, are repealed. The repealed tax preferences, year of enactment, and current status are as follows.

- Property tax exemption for agricultural fair lands leased from a county, 1973. This exemption is not being used. These lands are exempt under another statute.
- Steam generated electricity plant public utility district privilege tax exemption, 1957. This affected only the now retired Hanford N-Reactor.
- Preferential business and occupation (B&O) tax rate for nuclear fuel assembly manufacturing and sale, 1971. No one has reported under this classification in recent years.
- Sales and use tax exemptions for motor vehicle fuel used in aircraft testing, 1963. Motor vehicle fuel is not used for aircraft testing in Washington.

- B&O tax credit for cogeneration facilities, 1979. New applications were terminated by legislation in 1984. No firms are currently eligible.
- New manufacturers' sales and use tax deferral, 1985. No new sales tax deferrals have been granted since this program was terminated in 1995.
- Insurance premiums tax credit for international services job creation provided by insurance companies, 1998. No insurance company has used this credit.
- Health insurance pools B&O tax deduction, 1987. This deduction is no longer utilized, as health insurers were shifted from B&O tax to insurance premiums tax in 1994.
- Sales tax exemption for apparel used solely for display, 1967. Current practice is to use inventory for display. Use of inventory for display is exempt from the use tax.
- Sales and use tax exemptions for sale/leaseback of food processing equipment, 1986. Only one firm used this exemption and it ceased operation in 1991.
- Naval aircraft training equipment use tax exemption, 1995. The exemption applies to equipment transfers under a federal statute, and all such transfers have now taken place. Thus, no future utilization of this exemption is possible.
- Waiver of delinquency penalties for failure to pay property taxes because of Y2K, 1999. The problems associated with Year 2000 computer problems were minimal and have been resolved by now.

Amended Bill Compared to Substitute Bill: The repeal of the sales and use tax exemptions for materials used in ferrosilicon production is removed in the striking amendment.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill takes effect on July 1, 2006.

Testimony For: This is an attempt to clean up tax exemptions a bit. The list was reduced because of some testimony in the House. The repeal of the exemption for materials used in ferrosilicon production should be removed because it may be used in the future. This should be done on a regular basis as proposed in HB 1069.

Testimony Against: None.

Who Testified: PRO: Jim McIntire, prime sponsor; Julie Sexton, Department of Revenue; Sandi Swarthout, ALCOA.