

# HOUSE BILL REPORT

## HB 1737

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### As Reported by House Committee On:

Finance

**Title:** An act relating to repealing outdated and unused tax preferences.

**Brief Description:** Repealing outdated and unused tax preferences.

**Sponsors:** Representatives McIntire, Morris, Conway and Simpson.

### Brief History:

#### Committee Activity:

Finance: 2/13/03, 2/28/03 [DPS].

#### Brief Summary of Substitute Bill

- Repeals outdated and unused tax exemptions, deductions, credits, and deferrals.

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### HOUSE COMMITTEE ON FINANCE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Gombosky, Chair; McIntire, Vice Chair; Cairnes, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Ahern, Conway, Morris, Roach and Santos.

**Staff:** Bob Longman (786-7139).

### Background:

Tax exemptions, exclusions, deductions, credits, deferrals, and preferential rates are known as tax preferences. The Department of Revenue (Department) publishes a report on tax preferences every four years. The report covers more than 400 tax preferences and describes each preference, the year of enactment, the purpose of the preference (or the Department's best guess), an indication of primary beneficiaries, and estimated fiscal impact.

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report shows several tax preferences for which no taxpayers have claimed relief in recent years and that appear to be outdated or unnecessary.

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Tax preferences for which no taxpayers have claimed relief in recent years, and that appear to be outdated or unnecessary, are repealed. The repealed tax preferences, year of enactment, and current status are as follows.

- Leased agricultural fair lands, 1973. This exemption is not being used. These lands are exempt under another statute.
- Steam generated electricity plant, 1957. This affected only the now retired Hanford N-Reactor.
- Ferrosilicon production, 1986. One proposed facility, not currently in operation.
- Nuclear fuel assembly manufacturing, 1971. No one has reported under this classification in recent years.
- Motor vehicle fuel used in aircraft testing, 1963. Motor vehicle fuel is not used for aircraft testing in Washington.
- Cogeneration facilities, 1979. New applications were terminated by legislation in 1984. No firms are currently eligible.
- New manufacturers' sales tax deferral, 1985. No new sales tax deferrals have been granted since this program was terminated in 1995.
- International services provided by insurance companies, 1998. No insurance company has used this credit.
- Health insurance pools B&O deduction, 1987. This deduction is no longer utilized, as health insurers were shifted from B&O tax to insurance premiums tax in 1994.
- Apparel used solely for display, 1967. Current practice is to use inventory for display.
- Processing equipment, sale/leasebacks, 1986. Only one firm benefited from this exemption and it ceased operation in 1991.
- Gasohol facilities leaseholds, 1980. No firms eligible. A related property tax exemption expired in 1992.
- Waiver of Y2K delinquency penalties, 1999. The problems associated with Year 2000 computer problems were minimal and have been resolved by now.

- Goods in transit (freeport exemption), 1961. This exemption duplicates a later-enacted exemption for all inventory.
- Naval aircraft training equipment, 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.
- Housing Finance Commission foreclosure properties, 1983. In the past, the Commission owned some foreclosed properties under usual circumstances. Contracts are now structured to avoid the Commission taking title to foreclosed properties.

**Substitute Bill Compared to Original Bill:**

The substitute removes repealers for the horse racing track sales tax deferral. The substitute adds two more repealers of exemptions that are unused, relating to naval aircraft training equipment and Housing Finance Commission foreclosure properties. The substitute removes additional code language related to repealed exemptions.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Substitute Bill:** The bill takes effect July 1, 2005.

**Testimony For:** This is an attempt to clean up some deadwood in the exemption statutes. These exemptions are not being used, but legislation is necessary to remove them from the books.

**Testimony Against:** None.

**Testified:** Representative McIntire, prime sponsor; and Julie Sexton, Department of Revenue.