

SENATE BILL REPORT

SHB 1737

As Reported By Senate Committee On:
Ways & Means, March 27, 2003

Title: An act relating to repealing outdated and unused tax preferences.

Brief Description: Repealing outdated and unused tax preferences.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, Morris, Conway and Simpson).

Brief History:

Committee Activity: Ways & Means: 3/26/03, 3/27/03 [DPA].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.

Signed by Senators Rossi, Chair; Hewitt, Vice Chair; Zarelli, Vice Chair; Brown, Doumit, Fairley, Fraser, Hale, Honeyford, Johnson, Parlette, Regala, Roach, Sheahan and Winsley.

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report shows several tax preferences for which no taxpayers have claimed relief in recent years and that appear to be outdated or unnecessary.

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of Amended Bill: Tax preferences for which no taxpayers have claimed relief in recent years, and that appear to be outdated or unnecessary, are repealed. The repealed tax preferences, year of enactment, and current status are as follows.

- Leased agricultural fair lands property tax exemption, 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.
- Sales tax exemption for materials used in ferrosilicon production, 1986. One proposed facility, not currently in operation.

- 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 tax exemption 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 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 of apparel used solely for display, 1967. Current practice is to use inventory for display. Use of the property continues to be exempt from the use tax.
- Sales tax exemption 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.
- Property tax exemption for 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.
- 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.
- Property tax exemption for goods in transit (freeport exemption), 1961. This exemption duplicates a later-enacted exemption for all inventory.

Amended Bill Compared to Substitute Bill: The amended bill eliminates the repeal of the leasehold excise tax exemption for gasohol facilities, adds a repeal of the complementary use tax exemption for the sale/leaseback of food processing equipment, and corrects the title for RCW sections that appear in the bill but do not appear in the title.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on July 1, 2005.

Testimony For: No one is claiming or using these exemptions. No one came forward to testify that it would affect them. There is no fiscal impact on anyone.

Testimony Against: None.

Testified: PRO: Representative McIntire, prime sponsor.