

HOUSE BILL REPORT

HB 1299

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Title: An act relating to repealing outdated and unused tax preferences.

Brief Description: Repealing outdated and unused tax preferences.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, Simpson, Morrell, McCoy, Roberts, Moeller, Wood and Chase.

Brief History:

Committee Activity:

Finance: 1/26/05, 2/4/05 [DPS].

Brief Summary of Substitute Bill

- Repeals outdated and unused tax exemptions, deductions, credits, and deferrals.

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives McIntire, Chair; Hunter, Vice Chair; Orcutt, Ranking Minority Member; Roach, Assistant Ranking Minority Member; Ahern, Conway, Ericksen, Hasegawa 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 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report shows several tax preferences for which no taxpayers have claimed relief in recent years and that appear to be outdated or unnecessary.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 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Tax preferences for which no taxpayers have claimed relief in recent years, and that appear to be outdated or unnecessary, are repealed. The repealed tax preferences, year of enactment, and current status are as follows.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 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 and use tax exemptions 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 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 exemptions 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.

Substitute Bill Compared to Original Bill:

The substitute bill deletes the repeal of the exemption for foreclosed property of the State Housing Finance Commission, and deletes the repeal of the exemption for aircraft parts manufactured outside Washington. The substitute bill also changes the effective date of the bill to July 1, 2006.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect July 1, 2006.

Testimony For: None.

(With concerns) (original bill) The State Housing Finance Commission tries to operate in such a way that it does not need to use the exemption covering foreclosed property. However, there may be some circumstances where the exemption is needed. Please do not repeal this exemption.

Testimony Against: None.

Persons Testifying: (With concerns) Kim Herman, Washington State Housing Finance.

Persons Signed In To Testify But Not Testifying: None.