FINAL BILL REPORT
ESHB 1296

C 135 L 17
Synopsis as Enacted

Brief Description: Consolidating and simplifying the annual report and annual survey used for economic development tax incentives.

Sponsors: House Committee on Finance (originally sponsored by Representatives Nealey, Springer, Harris, Vick, MacEwen, Stokesbary, Orcutt, Haler and Condotta).

House Committee on Finance
Senate Committee on Agriculture, Water, Trade & Economic Development
Senate Committee on Ways & Means

Background:

Tax Preferences.
A tax preference confers reduced tax liability upon a designated class of taxpayer. Tax preferences include tax exclusions, deductions, exemptions, preferential tax rates, deferrals, and credits. Currently, Washington has over 650 tax preferences.

Annual Surveys and Reports.
Over the last 10 years, the Legislature has required taxpayers to file the Annual Survey (Survey) or the Annual Report (Report) in order to qualify for a variety of new economic development-related tax preferences, or in some cases, when extending existing economic development-related preferences. There are currently 32 economic development-related tax preferences that require one of these supplemental filings. While the Report and the Survey are similar in that both documents require the annual reporting of employment and wage information, there are a couple of differences. Most notably, the Survey requires the taxpayer to report the tax savings associated with a tax preference, and the taxpayer's savings amounts are subject to public disclosure; however, the Report does not require firm-specific tax savings to be reported.

In the 2013 Legislative Session, the Legislature directed the Department of Revenue (DOR), in consultation with the Joint Legislative Audit and Review Committee (JLARC), to recommend improvements for the Survey and the Report. The DOR made six recommendations to ensure more meaningful data is provided, reduce the administrative burden on taxpayers, and improve transparency, including combining the report and survey into a single tax preference accountability document, eliminating reporting of information

---

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

that does not inform the JLARC on the effectiveness of the tax preference in achieving its public purpose, and making disclosure of taxpayer information consistent.

Public Disclosure of Tax Information.
Generally, firm-specific tax information is confidential unless a specific exception is provided in the law. Examples of existing exceptions include disclosure of tax information as part of a judicial proceeding and the sharing of tax information, under certain conditions, to legislators on fiscal, economic-development, or industry-related committees. As noted above, firm-specific taxpayer savings reported on the Survey are an exception to this general rule as well, and may be disclosed.

Department of Revenue Tax Exemption Report.
The DOR must produce and submit to the Legislature a tax exemption report every four years. The report includes a listing of the estimated revenue loss from the exemption and the beneficiary of the exemption. The report also includes the estimated revenue loss for other tax preferences including, preferential rates, deductions, and credits.

Summary:

The separation of annual surveys and annual reports is eliminated, with the consolidation of the requirements in the current annual report statute. The report will be called the "tax performance report." Beginning in calendar year 2018, every person claiming a tax preference that required an annual report or annual survey will file the tax performance report.

As the result of the consolidation of the reports, all persons claiming a tax preference will provide the same information about the amount of the preference claimed, employment, and wages. All the information is subject to public disclosure upon request, except any additional information requested by DOR to determine eligibility for the tax preference.

In addition, the expiration dates for the data center preference are updated to include the automatic 10-year expiration dates to provide taxpayers taking advantage of this tax preference clearer notice of the expiration date. The DOR notified the Code Reviser as required by law that this preference will be expiring in 10 years.

The report due date for the tax deferral in rural counties preference is moved up one year and is now due December 1, 2018.

Votes on Final Passage:

House	96	0
Senate	48	1

Effective: January 1, 2018
Contingent (Sections 9, 13, 17, 22, 24, 30, 32, and 45)