

FINAL BILL REPORT

SHB 1299

C 443 L 05

Synopsis as Enacted

Brief Description: Repealing outdated and unused tax preferences.

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

House Committee on Finance

Senate Committee on Ways & Means

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. Some of these tax preferences appear to be outdated or unnecessary.

Summary:

Tax preferences for which no taxpayers have claimed relief in recent years, and that appear to be outdated or unnecessary, are repealed. The repealed tax preferences, year of enactment, and current status are as follows: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

- 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 used because health insurers were shifted from the B&O tax to the insurance premiums tax in 1994.
- Sales tax exemptions for apparel used solely for display, 1967. Retailers now use inventory for display. Use of inventory for display is exempt from the use tax under another statute.
- 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.

Votes on Final Passage:

House	96	0	
Senate	44	0	(Senate amended)
House	95	0	(House concurred)

Effective: July 1, 2006