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**Finance Committee**

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**HB 1737**

**Brief Description:** Repealing outdated and unused tax preferences.

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

**Brief Summary of Bill**

- Repeals outdated and unused tax exemptions, deductions, credits, and deferrals.

**Hearing Date:** 2/13/03

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report shows several tax preferences for which no taxpayers have claimed relief in recent years and that appear to be outdated or unnecessary.

**Summary of 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Tax preferences for which no taxpayers have claimed relief in recent years, and that appear to be outdated or unnecessary, are repealed. The repealed tax preferences, year of enacted, and current status are as follows.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. The repayment provisions are repealed effective July 1, 2015, after the currently outstanding deferrals will be repaid.
- 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.
- Horse racing track deferral, 1995. Eligibility expired in 1998. One taxpayer obtained deferral and will repay by 2015.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The section repealing a tax deferral for a horse racing track is effective July 1, 2015. The remainder of the bill is effective July 1, 2005.