



TO: Chairs and ranking members of Senate and House committees

The Honorable Senator June Robinson	The Honorable Representative April Berg
The Honorable Senator Chris Gildon	The Honorable Representative Ed Orcutt
The Honorable Senator Marko Liias	The Honorable Representative Jake Fey
The Honorable Senator Curtis King	The Honorable Representative Andrew Barkis
The Honorable Senator Jessica Bateman	The Honorable Representative Strom Peterson
The Honorable Senator Keith Goehner	The Honorable Representative Sam Low
The Honorable Senator Sharon Shewmake	The Honorable Representative Beth Doglio
The Honorable Senator Matt Boehnke	The Honorable Representative Mary Dye
The Honorable Senator Mike Chapman	The Honorable Representative Cindy Ryu
The Honorable Senator Shelly Short	The Honorable Representative Stephanie Barnard
	The Honorable Representative Kristine Reeves
	The Honorable Representative Tom Dent

FROM: Andi Nofziger-Meadows, Chair
Citizen Commission for Performance Measurement of Tax Preferences

CC: JLARC members
Eric Thomas, Legislative Auditor

DATE: November 4, 2025

RE: Citizen Commission comments on JLARC's 2025 tax preference reviews

The Citizen Commission for Performance Measurement of Tax Preferences (commission) reviewed JLARC's 2025 tax preference reviews. These reviews provide valuable information as the Legislature considers whether individual preferences are meeting policy objectives. The focus of one or more tax preferences falls within your committee's purview.

The commission endorses all 17 Legislative Auditor recommendations and offers comments on seven. Our comments are informed by JLARC staff work, public testimony, and our professional knowledge of Washington's tax structure.

Summaries of each review, the recommendations, and the commission comments are listed below. You can read the full reports online at leg.wa.gov/jlarc/audits.

As chair of the commission, I would be pleased to discuss our comments with you and any interested legislators. Please contact me (andi.nofziger-meadows@leg.wa.gov) or Pete van Moorsel, JLARC staff (pete.vanmoorsel@leg.wa.gov; 360-786-5185) to schedule.

About the commission

The Citizen Commission consists of five voting members and two nonvoting members. Voting members are appointed by each of the four caucuses and the Governor's office and represent a broad range of ideologies and professional backgrounds.

Commission Members

Andi Nofziger-Meadows, Chair
Dr. Grant Forsyth, Vice Chair
Scott M. Edwards
Dr. Sharon Kioko
James Orr

Non-Voting Members

Representative Gerry Pollet
Chair, Joint Legislative Audit & Review Committee
Pat McCarthy, State Auditor

Legislative Auditor

Eric Thomas

They are:

- Scott M. Edwards, tax attorney.
- Dr. Sharon Kioko, University of Washington public policy professor.
- James Orr, retired K-12 teacher.
- Dr. Grant Forsyth, chief economist at Avista.
- Andi Nofziger-Meadows, president of the Edmonds Education Association.

The chair of JLARC and the state auditor are the nonvoting members:

- Representative Gerry Pollet, JLARC chair.
- Pat McCarthy, State Auditor.

The preferences reviewed in 2025 vary in type, beneficiaries, and size

The preferences affect property, sales, hazardous substance, public utility, use, and business and occupation taxes.

The preferences help different taxpayers. They include, for example, nonprofit builders and senior centers, energy companies, travel agents, individuals, and pesticide distributors.

The amount saved by beneficiaries varies too. For example, one preference offers a \$2,500 sales tax exemption to disabled veterans for adapted housing, and another has never been claimed. Four preferences to promote natural gas as a transportation fuel helped businesses save \$5 to \$19 million.

Four reports have recommendations that would require legislative action to continue preferences and improve accountability

The Legislative Auditor recommends that the Legislature continue the preferences in four reports. The Legislature can improve transparency and evaluation by addressing the preferences' reporting requirements, design, or metrics.

Natural Gas for Transportation

This report reviews three preferences intended to support the use of natural gas as a transportation fuel. If the Legislature continues the preference, it should consider requiring beneficiaries to report the amount of gas produced and sold.

Recommendation #1: Continue the PUT and natural gas use tax exemptions to ensure uniform taxation of natural gas as a transportation fuel regardless of the seller.

Commission comment: Although there weren't enough vessels converted to meet the emission targets, it is a valuable preference for incentivizing movement towards those objectives.

Recommendation #2: Continue the sales tax exemption for liquefied natural gas in interstate commerce. In determining the level of benefit, the Legislature should consider recommendations from DOR's work group on taxation of marine use of liquefied natural gas.

Commission comment: The tax preference should be continued. We can't recommend implementation without knowing the contents of the report, but consideration of the Legislative-ordered report should be part of the process. (SE)

Recommendation #3: Modify the PUT exemption to require beneficiaries to report the amounts of compressed natural gas and liquefied natural gas produced and sold. This information would facilitate future reviews.

Read the report: https://leg.wa.gov/jlarc/taxReports/2025/naturalgas/p_i/default.html

Nonprofit Low-Income Housing Development

This preference offers a seven-year property tax exemption to nonprofit developers. If the Legislature continues the preference, it should consider revising the performance metric to better reflect its intent and requiring annual renewals.

Recommendation #1: The Legislature should determine whether to continue the preference.

Commission comment: The need for additional low-income housing is clear, and the Legislature should continue the preference. Because of the disconnect between the way low-income housing is developed and the current reporting methods and metrics, substantial revisions to reporting timelines and metrics are needed. The Legislature should consider reporting burden when setting these timelines and metrics.

Recommendation #2: If the Legislature chooses to continue the preference, it should consider modifying it.

Commission comment: The preference should be measured with metrics that align with intent of the preference. The benefits of more frequent reporting requirements need to be weighed against the burden that reporting can have on developers and non-profits when determining if a more frequent reporting requirement should be implemented.

Read the report: https://leg.wa.gov/jlarc/taxReports/2025/npdev/p_i/default.html

Disabled Veteran Adapted Housing

The preference gives a sales tax exemption to veterans who use a federal grant for adaptive housing projects. However, few veterans use it. If the Legislature continues it, it should change the preference to more effectively provide financial relief to eligible disabled veterans.

Recommendation #1: The Legislature should extend the preference's January 1, 2028, expiration date.

Recommendation #2: The Legislature should modify the tax preference to more effectively provide financial relief to eligible disabled veterans.

Commission comment: The Legislature should work with the WDVA to increase the visibility of this program so more veterans could benefit from this program. The Legislature should also modify the preference to more effectively provide relief to eligible disabled veterans, considering the option of increasing the per-project cap of \$2,500 to cover a greater portion of state sales tax paid on adaptive housing projects.

Read the report: https://leg.wa.gov/jlarc/taxReports/2025/vethousing/p_i/default.html

Agricultural Crop Protection Products

This hazardous substance tax preference is for businesses that store pesticides that are later sold out of state. If the Legislature continues the preference, it should consider revising the performance metric or recategorizing the preference.

Recommendation #1: The Legislature should extend the preference's January 1, 2028 expiration date.

Recommendation #2: The Legislature should either consider new metrics to evaluate the preference or recategorize the preference as one intended to provide tax relief.

Read the report: https://leg.wa.gov/jlarc/taxReports/2025/crop/p_i/default.html

Two reports have recommendations that would require legislative action to continue preferences

The Legislative Auditor recommends that the Legislature continue the preferences in two reports without additional changes.

Multipurpose Senior Citizen Centers

The preference provides a property tax exemption for nonprofit multipurpose senior centers. As such, it meets the inferred objective of treating nonprofit multipurpose senior centers like government-owned senior centers.

Recommendation #1: The Legislature should continue the tax preference.

Read the report: https://leg.wa.gov/jlarc/taxReports/2025/srcenters/p_i/default.html

Trade Convention Attendance

The preference exempts out-of-state businesses that attend only one Washington trade convention per year and do not make sales or take orders at the convention. As such, it meets the inferred objective of providing consistent tax treatment with other states.

Recommendation #1: The Legislature should continue the tax preference.

Read the report: https://leg.wa.gov/jlarc/taxReports/2025/tradeconv/p_i/default.html

Two reports do not require legislative action, but the Legislature may want to review some aspects of the preferences

Travel Agents and Tour Operators

The amount of these B&O tax preferences is based on business earnings. Savings for large beneficiaries are increasing, while the number of businesses and savings for small beneficiaries are decreasing. The preferences do not expire. However, the Legislature may want to add an objective and performance metrics to clarify the purpose of the preference.

Recommendation #1: The Legislature should continue the 0.275% preferential tax rate for small beneficiaries.

Recommendation #2: The Legislature should add an objective and performance metrics for the 0.275% preferential tax rate for small beneficiaries.

Commission comment: Objectives and performance metrics are important for tax preferences, but metrics should be designed so the beneficiaries of this preference are not burdened by the reporting requirements.

Recommendation #3: The Legislature should review the 0.9% preferential tax rate for higher earners. If it continues the preference, it should add an objective and performance metrics.

Read the report: https://leg.wa.gov/jlarc/taxReports/2025/travelagents/p_i/default.html

Agricultural Fertilizer and Seed Wholesaling

The preference meets the legislative goal of providing tax relief for certain agricultural fertilizer and seed wholesalers. Fewer than three beneficiaries claim the preference. It does not have an expiration date. The Legislature should clarify whether the preference needs a tax preference performance statement.

Recommendation #1: The Legislature should allow the preference to continue.

Recommendation #2: The Legislature should clarify whether the preference is exempt from the requirements for an automatic expiration date and a tax preference performance statement.

Commission comment: The Legislature should clarify whether it intends for JLARC to evaluate this tax preference.

Read the report: https://leg.wa.gov/jlarc/taxReports/2025/fertilizer/p_i/default.html

One report recommends that the Legislature allow three preferences to expire. No action is needed.

Energy Sales to Silicon Smelters

Three preferences aimed to promote the development of a silicon smelting facility. The business built the smelting facility in Tennessee instead of Washington. No business has claimed the preferences, and they expire July 1, 2027.

Recommendation #1: The Legislature should allow the three preferences to expire on July 1, 2027.

Read the report: https://leg.wa.gov/jlarc/taxReports/2025/energy/p_i/default.html