

January 12, 2004

TO: The Honorable Joseph Zarelli, Chair
 Senate Ways and Means Committee

 The Honorable Jim McIntire, Chair
 House Finance Committee

FROM: William Rice, Acting Director

SUBJECT: 2004 TAX EXEMPTION REPORT

This report is being submitted to you and your committee members pursuant to RCW 43.06.400. This edition is the tenth in a series of exemption studies, starting with the initial report in 1984.

The current study covers 503 tax preference items for major Washington state and local tax sources. The estimated savings for taxpayers resulting from these exemptions total \$64.7 billion for the 2003-05 biennium. The format provides a description of the statutory provisions, the purpose of the exemption, a categorical assignment, the year of original enactment, an indication of the primary beneficiaries, whether the exemption presents a possible inconsistency with another state program, and the fiscal impacts in terms of savings for taxpayers for each year of the current and the 2005-07 biennium.

The estimated taxpayer savings are not necessarily synonymous with the amount of potential revenue that might be realized if the statute were to be repealed. For the current study we've devoted more effort to identifying those exemptions which represent potential revenue collections. In the aggregate this amounts to \$13.6 billion for the current biennium.

The study was prepared by analysts of the Research Division, under the direction of Mary Welsh and Don Taylor. Please contact the Research Division at (360) 570-6070 if you have any questions about the study. We are making the report available to all legislators, the staff of your committees, the Governor's Office, and other interested parties. We hope you will find the information to be useful. As always, we are glad to answer any questions you or your committees may have relating to tax exemptions or any other tax matter.

cc: The Honorable Gary Locke, Governor