

# Tax preference transparency

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"Tax preference" means an exemption, exclusion, deduction, credit, deferral, or preferential rate, for a state tax administered by the Department of Revenue.

## Automatic expiration

If a new tax preference does not have an expiration date in the legislation, it will automatically expire 10 years after the effective date. The tax preference will expire on January 1 of the next calendar year after the 10 years have passed. For example, if a new tax preference takes effect on July 1, 2024, it will expire on January 1, 2035.

## Public disclosure

Legislation allows certain tax preference amounts reported to be disclosed 24 months after they are reported or claimed.

The disclosure requirements do not apply to:

- Property tax exemptions.
- Tax preferences required by constitutional law.
- Tax preferences where the amount claimed by the taxpayer is less than \$10,000 per year.
- Taxpayers who are annual filers.
- Taxpayers with a good cause waiver.

**Note:** For taxpayers who don't have to electronically file any documents with the department, disclosure requirements do not apply to tax preferences not reported on the combined excise tax return.

## Good cause waiver

Taxpayers taking certain tax preferences may apply for a good cause waiver. If granted, tax preference amounts will not be publicly disclosed. Taxpayers must explain in detail how their business will suffer economic harm if their tax preference amounts are publicly disclosed.

Economic harm may include decreased income, lost profits, or diminished business value. It may also include a reduction in a business's goodwill or a competitive disadvantage if the information is released.

If approved, the waiver will be granted permanently from the time it was issued.

A good cause waiver is available for these tax preferences:

- Paymaster services business and occupation (B&O) tax deduction.
- Cooperative finance organizations B&O tax deduction.
- Investment data for investment firms sales and use tax exemptions.
- Large private airplane sales and use tax exemptions.
- Blood banks B&O tax exemption.

## **How to apply for a good cause waiver**

To apply for a good cause waiver, complete a waiver request form. Include a detailed explanation describing how disclosure will cause economic harm.

### **References:**

RCW 82.04.324 - Exemptions—Qualifying blood, tissue, or blood and tissue banks

RCW 82.04.43393 - Deductions—Paymaster services

RCW 82.08.207 - Investment data for investment firms

RCW 82.08.215 - Exemptions—Large private airplanes

RCW 82.12.207 - Investment data for investment firms

RCW 82.12.215 - Exemptions—Large private airplanes

RCW 82.32.330 - Disclosure of return or tax information

RCW 82.32.805 - Tax preferences—Expiration dates

RCW 82.32.808 - Tax preferences—Performance statement requirement