

# Corporate Headquarters Investment Projects

JLARC Staff 2018 Tax Preference Performance Review

Sales and Use Tax

Estimated 2019-21 beneficiary savings: \$0

## Sales and use tax deferral for corporate headquarters in a Community Empowerment Zone

**Community Empowerment Zones (CEZs):**

**6** designated areas

DUWAMISH  
SPOKANE  
BREMERTON  
WHITE CENTER  
TACOMA  
YAKIMA

Areas are characterized by:

- Limited employment.
- Few educational services.
- Poor infrastructure.
- Lack of affordable housing.
- Low wages.

Sales and use tax is deferred if a business:

- Operates corporate headquarters in CEZ.
- Invests at least \$30 million in qualifying construction expenses.
- Provides at least 300 permanent full-time jobs after construction.

Deferred taxes will be waived if the business stays eligible for 8 years.

## Inferred objectives:

### Encourage investment

**Objective not currently met:** No businesses have applied since preference was enacted in 2009. New applications cannot be submitted after 2020.



### Compete with neighboring states

**Objective met:** The preference makes Washington more competitive with Oregon for attracting corporate headquarters. Idaho repealed a similar preference in 2008 after this bill passed.

## Research suggests other factors influence location of headquarters

- Ability to attract and retain workforce talent.
- Corporate brand/culture.
- Good airport and transportation infrastructure.
- Research and higher ed. facilities nearby.
- Amenities that appeal to employees.

## Legislative Auditor's recommendation

### Allow to expire and consider other strategies

The Legislature should allow the preference to expire if no business has applied for the incentive by December 31, 2020. The Legislature may want to consider other strategies beyond tax incentives if it wants to attract businesses to CEZs.

The complete report is on the JLARC web site.

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