

Customized Training

2020 JLARC TAX PREFERENCE REVIEW

Estimated 2021-23 beneficiary savings: \$125,500

B&O Tax

Businesses receive B&O tax credit for 50% of employee training costs if they contract through Customized Training Program (CTP)



Preference scheduled to expire July 1, 2021.

Businesses partner with colleges. State Board for Community and Technical Colleges (SBCTC) administers program.

TO INITIATE TRAINING:

- Business partners with public or private community or technical college for employee training.
- Business applies to SBCTC for funding.
- If approved, SBCTC pays college for training from revolving loan fund.

AFTER TRAINING IS COMPLETE:

- Business has 18 months to repay SBCTC for full training costs.
- Business receives a B&O tax credit for 50% of each repayment made.
- SBCTC deposits the repayments into the revolving loan account to fund future training.

B&O credit not achieving Legislature's stated intent to attract and retain new and expanding businesses

61 businesses used the credit between June 2006 and November 2019

- **81%** of users had been in Washington for **11+ years**.
- **69%** of users had **more than 50 employees**. The law states businesses with less than 50 employees are preferred.
- The **value** of the preference is equal to **0.008% of the businesses' gross income** and not likely to influence location decisions.

Other options exist to invest in state-supported training at little to no additional cost to businesses

Washington's Job Skills Training Program (JSP) provides grants to businesses through a competitive application process. Grants cover the full cost of employee training. When compared to the CTP, the JSP is better funded, serves more businesses, and trains more employees.

LEGISLATIVE AUDITOR'S RECOMMENDATION

Allow to expire as scheduled on July 1, 2021

The credit is not meeting the stated objective of attracting and retaining new businesses in Washington. The Legislature may want to consider repealing the associated Customized Training program under Title 28B.67 RCW.

If the Legislature wants to maintain funding for customized training for policy purposes, it could redirect funds from the Customized Training revolving loan account to existing training programs.