

# Rural County and CEZ New Jobs

2023 JLARC TAX PREFERENCE REVIEW

Estimated 2025-27 beneficiary savings: \$582,000

B&O Tax

Applicable statutes: RCW 82.62.030, 82.62.045

Expiration date: None

## B&O tax credit for businesses that create and retain jobs

- Legislature wanted to promote or attract businesses and create family wage jobs in distressed or rural areas.

## Businesses created 1,000+ jobs in rural counties during last six years

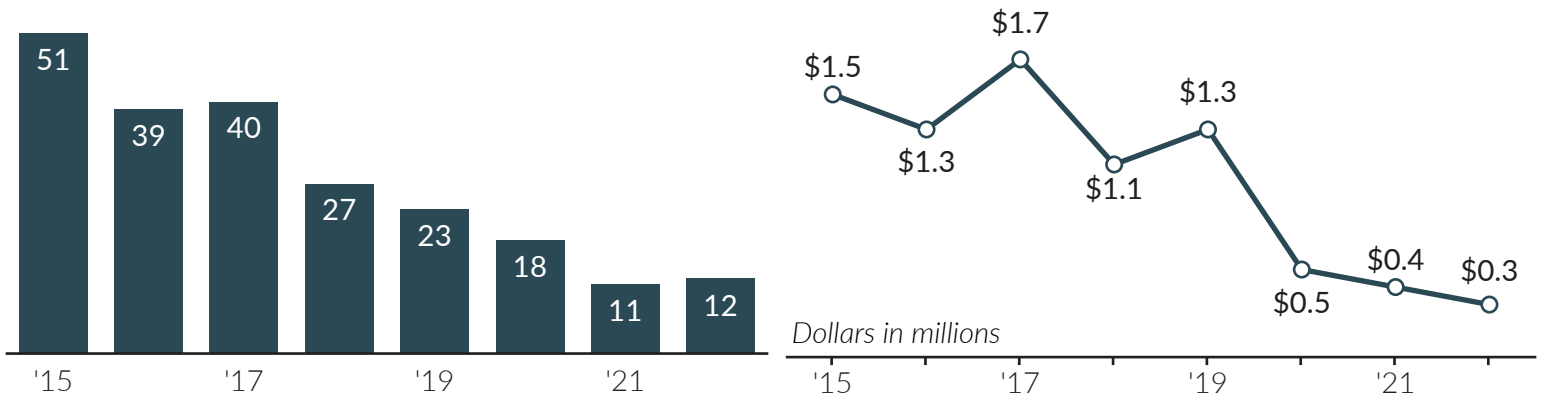
- In fiscal years 2015-2020, 36 businesses created 1,041 jobs in 18 rural counties.
- 25 of the businesses were expanding, 11 were new. Most were manufacturers.
- Economic model suggests if the preference led businesses to create 19 of the jobs, the state would break even.

Over half of jobs created paid \$40,000 or less.

## Credit use and amount of savings continue to decline

76% decline in number of businesses using credits

81% decline in value of credits used (FY15-22)



## Wage threshold to receive higher credits is \$40,000. It has not changed since 1997 and is now below state and rural county averages.

Businesses receive a \$4,000 credit for jobs paying over \$40,000 and \$2,000 for jobs paying \$40,000 or less.

In 1997, the threshold exceeded the rural county average wage (\$23,300) and the statewide average wage (\$30,800).

In 2021, threshold is below rural county average wage (\$49,900) and statewide average wage (\$82,500).

## LEGISLATIVE AUDITOR'S RECOMMENDATION

### Continue and modify

The preference was used by 36 businesses over six years to create over 1,000 jobs. However, credit use continues to decline and the wage threshold has not been changed since 1997.