

Manufacturers' Deferral

2021 JLARC TAX PREFERENCE REVIEW

Estimated 2023-25 beneficiary savings: \$240,000 - \$380,000

Sales and Use Tax

ABOUT THE DEFERRAL

Up to two manufacturers per year can defer paying taxes on up to \$10 million when they build or expand facilities or purchase equipment. They must repay deferred taxes over a ten-year period.



Program closes to new participants 1/1/2026.

Four businesses met job goals through temporary construction work, not permanent manufacturing jobs

The Legislature set a goal for each deferral project to generate at least 20 full-time jobs.

- Each business met the job goal through temporary construction work.
- None of the businesses created 20 permanent full-time manufacturing jobs.
- Construction spending also generated an estimated 122 temporary, non-construction jobs.

Businesses likely would have built facilities without the deferral

All four businesses noted they **would have built without the deferral**, but the deferral program allowed them to:

- Build earlier.
- Complete more than initially expected.
- Plan and build for future growth.

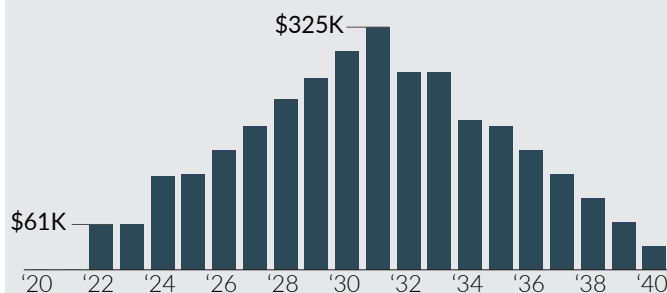
NO IMPACTS YET ON JOB TRAINING PROGRAMS

The state portion (6.5%) of deferred tax repayments will fund job training and apprenticeship programs.

First repayments are due **12/31/2021**.

The State Board for Community and Technical Colleges is developing plans on how to use this funding.

TRAINING FUNDS ESTIMATED TO REACH \$325K IN 2031



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One year after construction, 1 business reported manufacturing job losses and 2 reported job gains

LEGISLATIVE AUDITOR'S RECOMMENDATION

Extend and modify.

The Legislature should extend the **January 1, 2026 expiration date** because each business has met the legislative goal of creating 20 jobs and repayments of deferred taxes are expected to fund future training.

If the Legislature wants to encourage businesses to create and retain more manufacturing jobs, and to provide more training and apprenticeship opportunities sooner, **it should consider modifying the program:**

- Focus more on creating full-time manufacturing jobs, rather than temporary construction work.
- Directly appropriate money for manufacturing training and apprenticeships to the SBCTC.

The complete report is on the JLARC web site: www.leg.wa.gov/jlarc

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