

# Food Manufacturing Tax Preferences Evaluation

Prepared for the Joint Legislative Audit  
and Review Committee (JLARC)

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# Executive Summary

The State of Washington Joint Legislative Audit and Review Committee (“JLARC”) commissioned EY’s Quantitative Economics and Statistics practice to analyze the state and local tax climate for three food manufacturing industries in Washington State and four competitor states. This report presents the findings of the analysis.

## Overview of approach

This study presents estimates of the tax burdens faced by representative small and large food manufacturing firms investing in new facilities in Washington and the benchmark states. The representative firm profiles were developed from public data sources and reflect a composite of companies that are currently operating in the food manufacturing sectors. Characteristics of the representative small and large firm in each industry are shown in Table ES-1 below.

Table ES-1. Small and large firm profiles used in tax burden analysis

	Hypothetical Small firm	Hypothetical Large firm
<b>Fruit and Vegetable Manufacturing</b>		
NAICS industry	3114	3114
Number of employees	45	250
Average employee wages	\$34,569	\$43,831
Capital investments	\$13,805,048	\$45,258,096
Total Receipts*	\$13,562,842	\$84,169,300
Total Expenses*	\$12,751,749	\$79,486,214
Net Income*	\$545,126	\$4,675,604
<b>Dairy Product Manufacturing</b>		
NAICS industry	3115	3115
Number of employees	20	235
Average employee wages	\$38,306	\$51,660
Capital investments	\$2,250,323	\$47,153,534
Total Receipts*	\$3,839,806	\$89,996,499
Total Expenses*	\$3,675,898	\$85,161,917
Net Income*	\$88,609	\$4,864,655
<b>Seafood Manufacturing</b>		
NAICS industry	3117	3117
Number of employees	15	165
Average employee wages	\$34,514	\$45,383
Capital investments	\$1,929,201	\$22,130,311
Total Receipts*	\$3,974,586	\$50,654,692
Total Expenses*	\$3,719,766	\$48,806,860
Net Income*	\$254,818	\$1,855,379

\*Totals for year 1

Source: EY analysis using the IRS Corporate Sourcebook data for the given NAICS codes, as well as Use of Commodities data from the BEA, and County Business Patterns and Economic Census data from the US Census Bureau

Table ES-2 provides an overview of pre-incentive statutory tax rates across Washington and the benchmark states. Local tax rates are specific to the county chosen as representative in which a new food manufacturing facility would locate in each state. Washington’s gross receipts (Business & Occupation) manufacturing tax rate is lower than Oregon’s Corporate Activity Tax (CAT) rate, but the

tax base is broader in Washington than in Oregon. Oregon has no sales and use tax, while Washington has the highest rate across all states. For property tax purposes, Washington's tax rate is about average among peers while the Alaska location does not have a property tax. Power County in Idaho has the highest effective property tax rate at 1.5%.

Table ES-2. Summary of statutory tax rates for Washington and benchmark states

Total state and local tax rates for locations in:	State corporate income, margin, or gross receipts tax rate	Combined state and local sales tax rate	Effective tax rate on property**
Alaska			
Aleutian East Borough	0%-9.4% on net income	2.0%	0.0%
California			
Humboldt County	8.8% on net income	7.9%	1.1%
Kings County	8.8% on net income	7.4%	1.1%
Merced County	8.8% on net income	7.9%	1.1%
Idaho			
Gooding County	6.9% on net income	6.0%	1.0%
Power County	6.9% on net income	6.0%	1.5%
Oregon			
Clatsop County	6.6%-7.6% CIT + 0.57% gross receipts	0.0%	0.9%
Morrow County	6.6%-7.6% CIT + 0.57% gross receipts	0.0%	0.7%
Tillamook County	6.6%-7.6% CIT + 0.57% gross receipts	0.0%	0.8%
Washington			
Franklin County	0.484%* on gross receipts	8.2%	0.8%
Grays Harbor County	0.484%* on gross receipts	8.9%	1.1%
Whatcom County	0.484%* on gross receipts	8.6%	0.9%

\*Tax rate shown is the manufacturing rate pre-incentives/preferences for Washington's Business & Occupation (B&O) tax.

\*\*Effective property tax rate is the product of the millage rate and the assessment ratio but does not reflect differences in valuation approaches or personal property depreciation schedules.

Source: EY analysis using various sources for rates including TRTA Checkpoint for sales tax rates, and state and county tax websites for other tax rates.

The tax system characteristics for each state were applied to the financial profiles to estimate the state and local tax burden for the representative firms. These tax burdens were then translated into effective tax rates (ETRs), which are calculated as the percentage change in the rate of return due to taxes (i.e. the difference between the pre- and post-tax rates of return divided by the pre-tax rate of return). For example, state and local taxes that reduce the rate of return from 20% to 18% would translate into a 10% effective tax rate (2 percentage point reduction on a 20% rate of return).

After calculating the total state and local ETRs for the small and large food manufacturing firms under the current tax systems in each state, the analysis incorporates statutory and negotiated (discretionary) incentives. Statutory incentive benefits are estimated using statutorily defined incentive program features applied to the profile of the investment and operations of each representative firm. In contrast, the amount of benefit provided by negotiated incentives is determined at the discretion of economic development officials and cannot be estimated precisely. Therefore, discretionary incentive amounts included in this analysis are based on past deals in each state but will vary from the actual result realized by any particular company making an investment.

States incentivize investment using a combination of different programs, some of which are targeted specifically to the three food manufacturing industries. Table ES-3 provides an overview of these

incentives. Statutory incentives include tax credits that can be claimed against the primary business entity taxes in each state. Often these incentives are tied to new employment, qualified capital investments, or both. Negotiated incentives include local property tax abatements, exemptions from sales and use taxes during construction of the manufacturing facility, income tax credits, and cash grants.

Table ES-3. Summary of incentives by state included in the analysis

Incentive Type	AK	CA	ID	OR	WA
Property tax			✓	✓	
Sales and use tax		✓	✓		
Income tax		✓	✓		
Gross receipts tax					✓
Grant	✓		✓		
Incentives	Alaska Community Development Block Grant	CA Competes tax credit; CAEAFTA SUT exclusion program	ID Opportunity Fund; Tax Reimbursement Incentive; Investment Tax Credit; Real property improvement credit; SUT rebate on new construction, Real and personal property tax exemption	Long Term Rural Enterprise Zone; Strategic Investment Program	Reduced B&O rates and B&O tax exemption for Certain manufacturers; Rural County and CEZ New Jobs Tax Credit

Source: State tax websites and tax incentives codes

- Alaska allows for municipalities to apply for grants on behalf of new businesses to fund public infrastructure that would benefit the business such as the construction of sewers, and roads.
- California incentives include a sales and use tax exemption on machinery and equipment and an income tax credit based on job creation.
- Idaho provides the greatest number of incentives, which include a deal closing grant as well as several income tax incentives based on jobs and property investments. The state also has a sales and use tax rebate on construction material and property tax abatements.
- Oregon provides property tax abatements through two incentives.
- Washington incentives include exempted B&O tax rates, reduced B&O tax rates, and B&O tax credits based on job creation.

## Summary of findings

Key findings from the analysis are described below. These findings include tax burdens before and after incentives. Please see Figures ES-1, ES-2, and ES-3 on the next page.

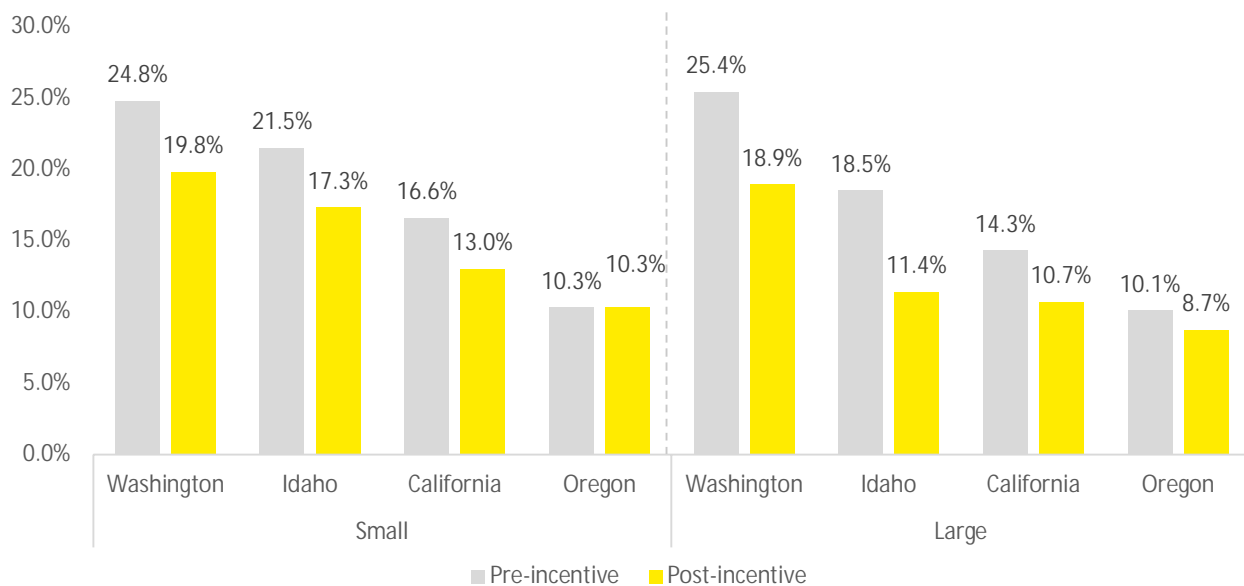
Overall findings:

- Washington's pre-incentive and post incentive total state and local effective tax rates are the highest for all industry/firm sizes. This result is driven by Washington's high sales and use tax, which also explains Oregon having the lowest pre-incentive effective tax rate in all scenarios as the state does not have a sales and use tax. The following three figures depict the pre and post incentive state and local effective tax rates separated by industry and business size.

Fruit and vegetable manufacturing tax burden findings:

- Washington’s ETR is higher than peer states post incentives for the small and large fruit and vegetable manufacturing firms. The post-incentive ETR for Washington models a scenario in which the B&O exemption is in effect until July 1, 2025, after which the impact of a reduced rate of 0.138% is modeled until 2052. The pre-incentive ETR in comparison reflects a 0.484% rate throughout the entire period. In section 4, we also illustrate the impact of an extension of the B&O tax rate exemption through as an alternative scenario which results in an ETR of 18.2% for the large firm and 18.7% for the small firm.
- In Oregon, the small firm fruit and vegetable manufacturing ETR does not change with incentives because it does not meet investment amounts for the property tax incentives (strategic investment program and there are no enterprise zones in the modeled county).
- Idaho has the largest number of incentives and the largest decline in total ETR for the large manufacturing firm. However, Idaho’s higher tax burdens pre-incentives mean that the ETR post-incentives is still higher than the ETRs in California and Oregon, but more in-line with the other two states.

Figure ES-1. Pre-incentive and post-incentive state and local effective tax rates for fruit and vegetable food manufacturing



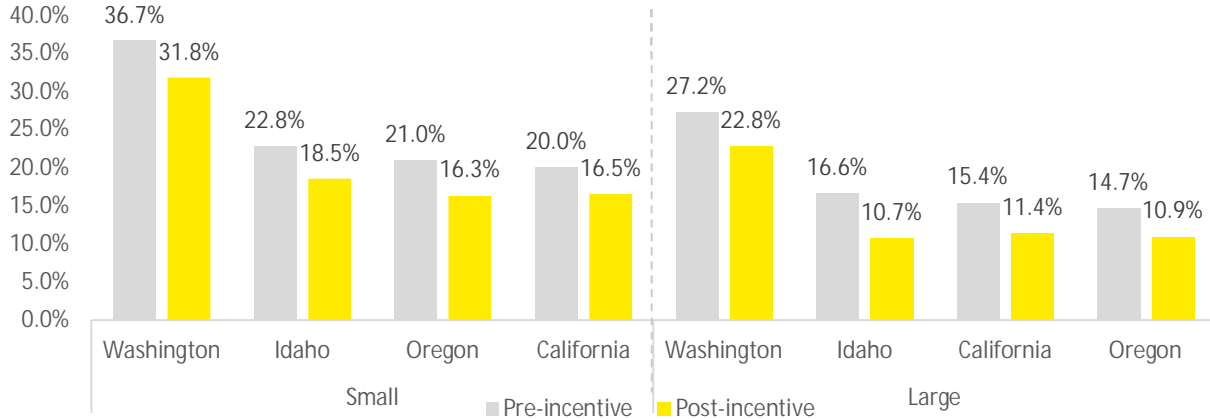
Note: The Washington post incentive ETR reflects the B&O tax rate exemption until July 2025, and a reduced rate of 0.138% thereafter until 2052; Source: EY analysis

Dairy product manufacturing findings:

- Idaho has the lowest ETR post-incentives for the large dairy product manufacturing firm due to several incentives that include refundable income tax credits, property tax abatements, and sales and use tax exemptions and refunds.
- For Washington, the post-incentive dairy product manufacturing ETR reflects a B&O tax rate exemption between 2022 and 2025, a reduced rate of 0.138% until 2036 and a 0.484% rate until 2052. This scenario reflects Washington’s current law regarding B&O taxes for dairy manufacturers. In section 4, we illustrate two additional scenarios. The first models a B&O tax

rate exemption between 2022 to 2052, while the second shows the impact for the B&O tax rate exemption between 2022 and 2025, and a 0.138% rate thereafter until 2052.

Figure ES-2. Pre-incentive and post-incentive state and local effective tax rates for dairy product manufacturing

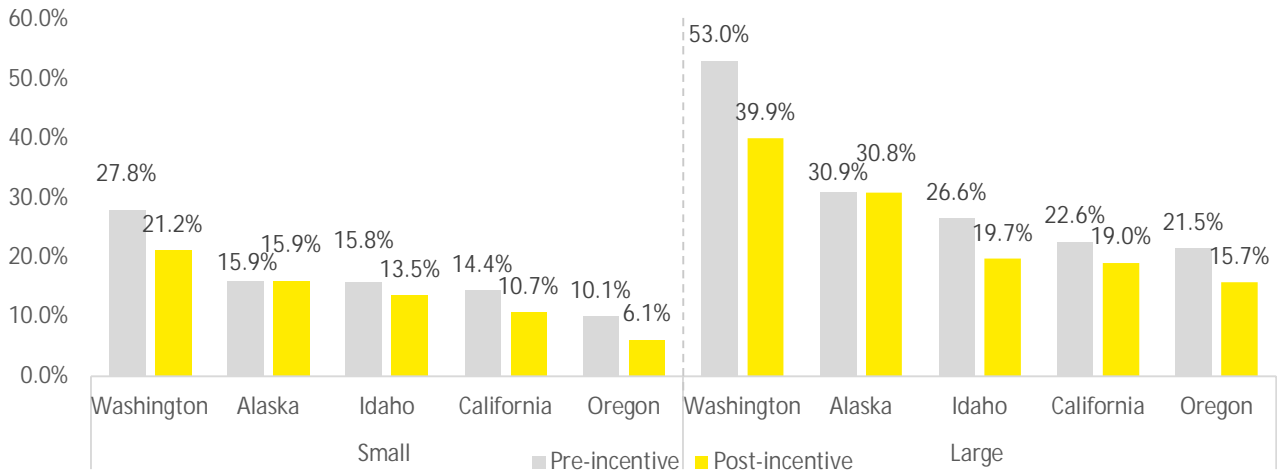


Note: The Washington post-incentive ETR reflects the B&O tax rate exemption between 2022 and 2025, a reduced rate of 0.138% until 2036, and a rate of 0.484% until 2052; Source: EY analysis

Seafood manufacturing findings:

- Across all states, the large firm ETR is approximately double the small firm ETR due to the relatively low profit margin of large seafood firms. The share of state and local taxes has a higher relative impact due to the low net income of these firms.
- Despite favorable property and sales tax, Alaska has the second highest ETR due to the 2% sales tax on the purchases of raw fish.
- In Washington, incentives reduce the ETR for the large seafood firm significantly by 13.1 percentage points. For small firms the decrease is 6.6 percentage points. Washington’s pre-incentive rate is 0.484%, whereas the post-incentive rate reflects the B&O tax rate exemption until 2025, and a reduced rate of 0.138% until 2052.

Figure ES-3. Pre-incentive state & local effective tax rates for seafood manufacturing



Note: The Washington post incentive ETR reflects the B&O tax rate exemption until July 2025, and a reduced rate of 0.138% thereafter until 2052; Source: EY analysis

## 1. Approach

### 1.1 Effective tax rate analysis

This evaluation uses a discounted cash flow model, relevant tax system parameters, and industry-specific financial profiles of hypothetical facilities to estimate the state and local taxes that would be paid over a 30-year life of small and large food manufacturing facilities. The tax burdens imposed by the state and local tax systems in each state are then translated into ETRs, which are expressed as the percentage change in the rate of return due to taxes (i.e. the difference between the pre- and post-tax rates of return divided by the pre-tax rate of return). For example, a reduction in the rate of return from 20% to 18% due to taxes, a two-percentage-point decrease, translates to a 10% effective tax rate.

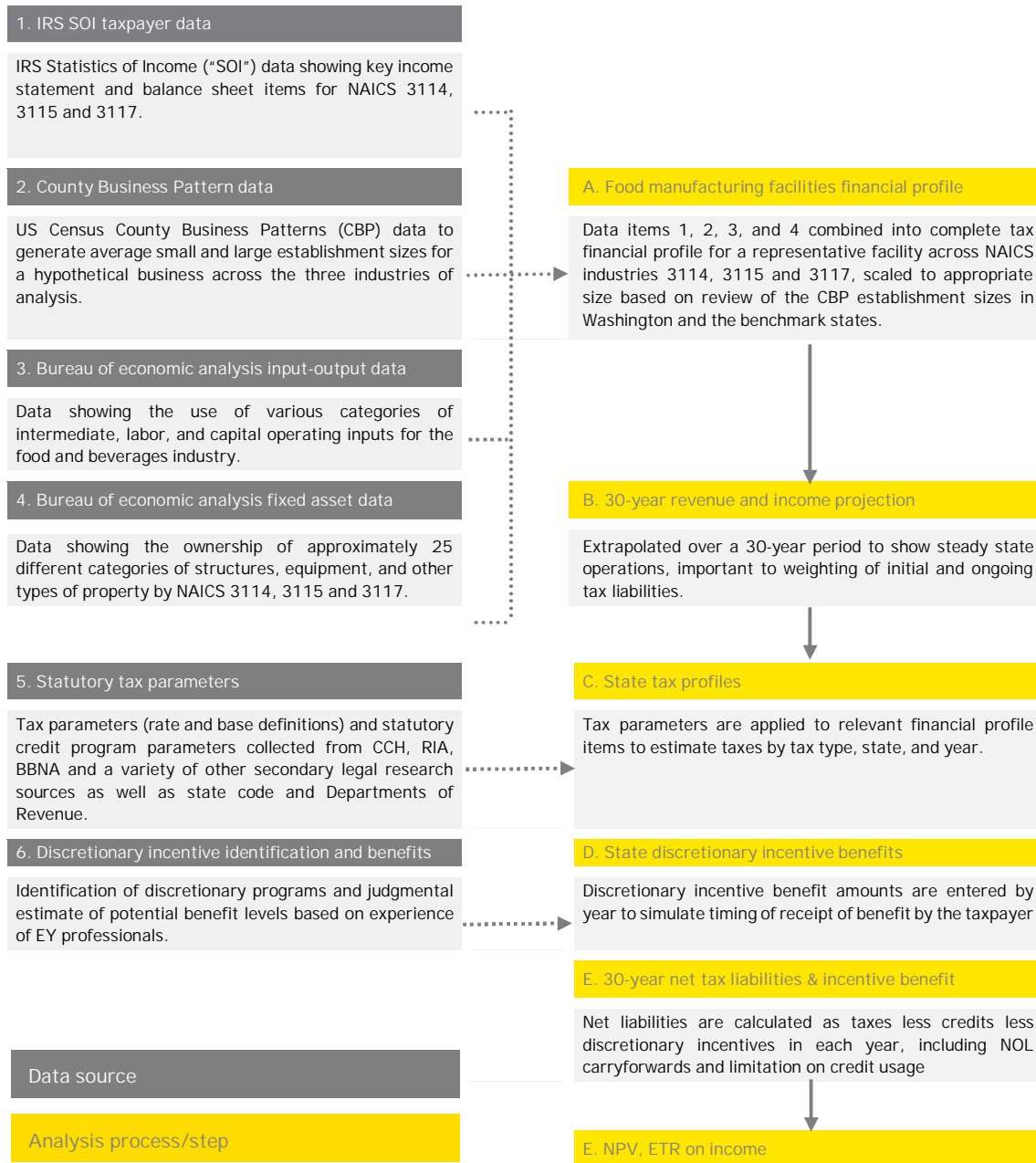
The differential in the effective tax rate with and without incentives is presented to show the impact of state and local incentives. The goal of this approach is to simulate the level of tax liability and benefits from tax credits and other incentives that would be available to a representative taxpayer who complies fully with the tax law and avails itself of the relevant benefits. The impacts of statutory and discretionary incentives are analyzed together in this analysis due to the low number of overall incentives that apply in Washington and the benchmark states. In total, two different results are presented in this study:

- ETRs pre-incentives present results before any statutory and negotiated tax incentives available to a manufacturing facility have been added to the cash-flow analysis. The pre-incentive ETR illustrates differences in the state tax systems.
- ETRs post-incentives capture the impact of statutory and discretionary tax credits and other negotiated incentives on tax payments and net cash flow.

The Appendix provides additional detail on the calculation of the effective tax rates. Figure 1 presents an overview of the modeling approach, data, and calculation steps.



Figure 1. Overview of approach



## 1.2 Industry definition and states

### States included in evaluation

The analysis evaluates the tax climate in five states: Washington, California, Idaho, Oregon, and Alaska.<sup>1</sup> A county in each state was selected for the hypothetical investment by industry. Counties were selected based on industry employment and concentration of industry employment (i.e. location quotient).

### Definition of industry

Three industries are included in this analysis:

- Fruit and vegetable preserving and specialty food manufacturing (NAICS 3114)
- Dairy product manufacturing (NAICS 3115)
- Seafood product preparation and packaging (NAICS 3117)

### Fruit and vegetable preserving and specialty food manufacturing

NAICS industry 3114 includes establishments that are primarily engaged in freezing foods as well as preservation processes, such as the pickling, canning, and dehydrating of foods. The average establishment size of a business in this industry is approximately 110 employees in Washington State and 80 employees including the benchmark states. The US Census Bureau reports the following number of establishments by employee size across NAICS 3114 in Washington and the benchmark states. California has the most fruit and vegetable preserving employment at 26,176 and the highest average wage at \$51,135. Washington state has 9,530 employees and an average industry wage of \$49,179.

Table 1. Fruit and vegetable preserving establishments by size and state, 2019

Number of establishments by size	Washington	California	Idaho	Oregon
All establishments <sup>2</sup>	77	367	41	98
Establishments with less than 5 employees	13	113	7	28
Establishments with 5 to 9 employees	6	31	0	19
Establishments with 10 to 19 employees	6	54	3	8
Establishments with 20 to 49 employees	11	71	0	13
Establishments with 50 to 99 employees	8	29	6	10
Establishments with 100 to 249 employees	19	42	11	9
Establishments with 250 to 499 employees	12	18	5	5
Establishments with 500 to 999 employees	0	7	5	5
Establishments with 1,000 employees or more	0	0	0	0
Total Employment	9,530	26,176	7,352	8,859
Average wage	\$49,179	\$51,135	\$43,086	\$44,977

Source: EY analysis of US Census County Business Patterns data

<sup>1</sup> Only taxes for seafood product preparation and packaging (NAICS 3117) are modeled in Alaska.

<sup>2</sup> All establishment totals for CBP data may not add up due to suppressed values.

## Dairy product manufacturing

NAICS industry 3115 includes establishments that manufacture dairy products from raw milk, processed milk, and dairy substitutes. The average establishment size of a business in this industry is 40 employees in Washington State and 70 employees including the benchmark states. The US Census Bureau reports the following number of establishments by employee size across NAICS 3115 in Washington and the benchmark states. Washington state has 1,658 employees and an average industry wage of \$61,811

Table 2. Dairy product manufacturing establishments by size and state, 2019

Number of establishments by size	Washington	California	Idaho	Oregon
All establishments	40	228	26	38
Establishments with less than 5 employees	9	57	3	8
Establishments with 5 to 9 employees	8	27	0	3
Establishments with 10 to 19 employees	6	31	3	5
Establishments with 20 to 49 employees	3	36	0	7
Establishments with 50 to 99 employees	8	22	4	7
Establishments with 100 to 249 employees	6	40	7	7
Establishments with 250 to 499 employees	0	10	0	0
Establishments with 500 to 999 employees	0	0	3	0
Establishments with 1,000 employees or more	0	3	0	0
Total Employment	1,658	17,488	4,038	2,627
Average wage	\$61,811	\$64,881	\$50,740	\$61,963

Source: EY analysis of US Census County Business Patterns data

## Seafood product preparation and packaging

NAICS industry 3117 includes establishments that are primarily engaged in manufacturing and canning of seafood products. The average establishment size of a business in this industry is about 57 employees in Washington State and 58 employees including the benchmark states. The US Census Bureau reports the following number of establishments by employee size across NAICS 3117 in Washington and the benchmark states. Washington's average wage of \$72,142 is the highest among peers while total employment of 5,405 is the second highest after Alaska.

Table 3. Seafood product preparation and packaging establishments by size and state, 2019

Number of establishments by size	Washington	Alaska	California	Idaho	Oregon
All establishments	79	98	39	4	25
Establishments with less than 5 employees	11	32	6	0	5
Establishments with 5 to 9 employees	5	19	12	0	6
Establishments with 10 to 19 employees	5	16	0	0	0
Establishments with 20 to 49 employees	22	12	8	0	7
Establishments with 50 to 99 employees	19	3	4	0	0
Establishments with 100 to 249 employees	15	6	7	0	4
Establishments with 250 to 499 employees	0	5	0	0	0
Establishments with 500 to 999 employees	0	4	0	0	0
Establishments with 1,000 employees or more	0	0	0	0	0
Total Employment	5,405	7,560	1,691	127	1,110
Average wage	\$72,142	\$52,178	\$37,280	\$33,606	\$43,979

Source: EY analysis of US Census County Business Patterns data

### 1.3 Representative facility financial profiles

The analysis relies on representative financial profiles for each of the three industries. Within each profile the financial features of two hypothetical firms (one small and one large) are modeled to understand the tax implications for businesses of different size in each state. The profiles are derived using IRS Statistics of Income (SOI), US Bureau of Economic Analysis (BEA), and the US Economic Census data and reflect the industry average investment, employment, and operating metrics.

Using Census data on average establishment size by industry across Washington and the peer states, the financial profiles of each representative firm were scaled to the appropriate size relative to the average employment represented in the SOI data. The following table shows the average employment sizes that were modeled for the representative small and large financial profiles across the three industries.

Table 4. Proposed small and large employment size of a representative facility by industry

Industry	Small Firm	Large firm
Fruit and vegetable preserving and specialty food manufacturing (3114)	45	250
Dairy product manufacturing (3115)	20	235
Seafood product preparation and packaging (3117)	15	165

*Source: EY analysis US Census County Business Patterns and client data*

Each profile reflects the full operating life cycle of a firm. It is assumed that the firm is seeking to invest in a new facility, with initial capital investment requiring one year run-up prior to operations. The firm then operates for the remaining thirty years at full capacity and sells any remaining undepreciated assets at close. Additional assumptions regarding the geographic location of factors of production (payroll and property) as well as the destination and cost of performance associated with sales were made, informed by additional market research. The firm will generate industry average gross revenue and profit margins, which will be subject to each state's unique tax structure.

## Representative facility financial profiles for the fruit and vegetable preserving firm

The following table represents a representative financial profile for NAICS industry 3114, the fruit and vegetable preserving and specialty food manufacturing industry.

Table 5. Representative facility financial profile for NAICS 3114, fruit and vegetable preserving manufacturing

Metric	Source	Hypothetical Small Firm	Hypothetical Large Firm
Employment	Economic Census	45	250
Average compensation	EY Calculation, Econ. Census	\$34,569	\$43,831
Receipts per employee	EY Calculation, Econ. Census	\$301,396	\$336,677
<b>Investment Amounts</b>			
Furniture & Fixtures	EY Calculation, BEA and IRS data	\$80,768	\$260,660
Office Equipment, Computers	EY Calculation, BEA and IRS data	\$104,313	\$336,644
Motor Vehicles	EY Calculation, BEA and IRS data	\$136,335	\$439,988
Machinery & Equipment	EY Calculation, BEA and IRS data	\$7,020,556	\$22,657,124
Industrial Structures	EY Calculation, BEA and IRS data	\$5,939,780	\$19,169,184
Commercial Structures	EY Calculation, BEA and IRS data	\$412,704	\$1,331,901
Land	EY Calculation, BEA and IRS data	\$110,592	\$1,062,595
<b>Total initial investment</b>	<b>EY Calculation</b>	<b>\$13,805,048</b>	<b>\$45,258,096</b>
<b>Income and receipts</b>			
Business receipts	IRS Corporate Source Book	\$13,407,090	\$83,486,252
Interest	IRS Corporate Source Book	\$9,366	\$14,005
Interest on govt. obligations, total	IRS Corporate Source Book	\$0	\$7,448
Dividends, domestic corporations	IRS Corporate Source Book	\$0	\$2,589
Dividends, foreign corporations	IRS Corporate Source Book	\$0	\$133
Other receipts	EY Calculation	\$146,386	\$658,873
<b>Total Receipts</b>	<b>EY Calculation</b>	<b>\$13,562,842</b>	<b>\$84,169,300</b>
<b>Deductions</b>			
Cost of goods	IRS Corporate Source Book	\$10,255,528	\$62,436,106
Labor in CGS	EY Calculation	\$3,394,602	\$9,202,210
Materials & other inputs	EY Calculation	\$6,860,926	\$53,233,896
Compensation of officers	IRS Corporate Source Book	\$266,166	\$884,447
Salaries and wages	IRS Corporate Source Book	\$265,354	\$3,102,678
Interest paid	IRS Corporate Source Book	\$210,644	\$700,846
Amortization	IRS Corporate Source Book	\$14,448	\$211,350
Domestic prod. activities deduction	IRS Corporate Source Book	\$0	\$135,449
Other deductions	EY Calculation	\$1,739,609	\$12,015,338
<b>Total Expenses</b>	<b>EY Calculation</b>	<b>\$12,751,749</b>	<b>\$79,486,214</b>
<b>Net Income</b>	<b>IRS Corporate Source Book</b>	<b>\$545,126</b>	<b>\$4,675,604</b>
Profit margin	EY Calculation	4.0%	5.6%
Business Receipts / Total Receipts	EY Calculation	98.9%	99.2%

## Representative facility financial profiles for a dairy product manufacturing firm

The following table represents a representative financial profile for NAICS industry 3115, the dairy product manufacturing industry.

Table 6. Representative facility financial profile for NAICS 3115, dairy products

Metric	Source	Hypothetical Small Firm	Hypothetical Large Firm
Employment	Economic Census	20	235
Average compensation	EY Calculation, Econ. Census	\$38,306	\$51,660
Receipts per employee	EY Calculation, Econ. Census	\$191,990	\$382,964
<b>Investment Amounts</b>			
Furniture & Fixtures	EY Calculation, BEA and IRS data	\$13,227	\$273,756
Office Equipment, Computers	EY Calculation, BEA and IRS data	\$17,083	\$353,558
Motor Vehicles	EY Calculation, BEA and IRS data	\$22,328	\$462,094
Machinery & Equipment	EY Calculation, BEA and IRS data	\$1,149,759	\$23,795,495
Industrial Structures	EY Calculation, BEA and IRS data	\$972,760	\$20,132,309
Commercial Structures	EY Calculation, BEA and IRS data	\$67,589	\$1,398,821
Land	EY Calculation, BEA and IRS data	\$7,578	\$737,501
<b>Total initial investment</b>	<b>EY Calculation</b>	<b>\$2,250,323</b>	<b>\$47,153,534</b>
<b>Income and receipts</b>			
Business receipts	IRS Corporate Source Book	\$3,638,723	\$86,003,994
Interest	IRS Corporate Source Book	\$3,867	\$25,252
Interest on govt. obligations, total	IRS Corporate Source Book	\$0	\$636
Dividends, domestic corporations	IRS Corporate Source Book	\$0	\$1,203
Dividends, foreign corporations	IRS Corporate Source Book	\$0	\$28,188
Other receipts	EY Calculation	\$197,216	\$3,937,226
<b>Total Receipts</b>	<b>EY Calculation</b>	<b>\$3,839,806</b>	<b>\$89,996,499</b>
<b>Deductions</b>			
Cost of goods	IRS Corporate Source Book	\$2,683,233	\$67,209,866
Labor in CGS	EY Calculation	\$152,304	\$2,075,531
Materials & other inputs	EY Calculation	\$2,530,930	\$65,134,335
Compensation of officers	IRS Corporate Source Book	\$36,218	\$354,347
Salaries and wages	IRS Corporate Source Book	\$428,546	\$3,684,395
Interest paid	IRS Corporate Source Book	\$18,189	\$1,190,102
Amortization	IRS Corporate Source Book	\$69	\$454,329
Domestic prod. activities deduction	IRS Corporate Source Book	\$2,196	\$65,972
Other deductions	EY Calculation	\$507,447	\$12,202,906
<b>Total Expenses</b>	<b>EY Calculation</b>	<b>\$3,675,898</b>	<b>\$85,161,917</b>
<b>Net Income</b>	<b>IRS Corporate Source Book</b>	<b>\$88,609</b>	<b>\$4,864,655</b>
Profit margin	EY Calculation	2.3%	5.4%
Business Receipts / Total Receipts	EY Calculation	94.8%	95.6%

## Representative facility financial profiles for a seafood product preparation firm

The following table presents a representative financial profile for NAICS industry 3117, the seafood product preparation and packaging industry.

Table 7. Representative facility financial profile for NAICS 3117, seafood products

Metric	Source	Hypothetical Small Firm	Hypothetical Large Firm
Employment	Economic Census	15	165
Average compensation	EY Calculation, Econ. Census	\$34,514	\$45,383
Receipts per employee	EY Calculation, Econ. Census	\$264,972	\$306,998
<b>Investment Amounts</b>			
Furniture & Fixtures	EY Calculation, BEA and IRS data	\$11,257	\$128,724
Office Equipment, Computers	EY Calculation, BEA and IRS data	\$14,539	\$166,248
Motor Vehicles	EY Calculation, BEA and IRS data	\$19,002	\$217,283
Machinery & Equipment	EY Calculation, BEA and IRS data	\$978,486	\$11,188,952
Industrial Structures	EY Calculation, BEA and IRS data	\$827,853	\$9,466,474
Commercial Structures	EY Calculation, BEA and IRS data	\$57,520	\$657,744
Land	EY Calculation, BEA and IRS data	\$20,544	\$304,886
<b>Total initial investment</b>	<b>EY Calculation</b>	<b>\$1,929,201</b>	<b>\$22,130,311</b>
<b>Income and receipts</b>			
Business receipts	IRS Corporate Source Book	\$3,959,861	\$50,250,046
Interest	IRS Corporate Source Book	\$1,317	\$9,881
Interest on govt. obligations, total	IRS Corporate Source Book	\$0	\$297
Dividends, domestic corporations	IRS Corporate Source Book	\$145	\$7,551
Dividends, foreign corporations	IRS Corporate Source Book	\$0	\$4,297
Other receipts	EY Calculation	\$13,263	\$382,620
<b>Total Receipts</b>	<b>EY Calculation</b>	<b>\$3,974,586</b>	<b>\$50,654,692</b>
<b>Deductions</b>			
Cost of goods	IRS Corporate Source Book	\$2,968,247	\$40,353,864
Labor in CGS	EY Calculation	\$602,798	\$1,573,200
Materials & other inputs	EY Calculation	\$2,365,449	\$38,780,664
Compensation of officers	IRS Corporate Source Book	\$149,629	\$238,944
Salaries and wages	IRS Corporate Source Book	\$144,277	\$2,411,269
Interest paid	IRS Corporate Source Book	\$3,312	\$291,961
Amortization	IRS Corporate Source Book	\$7,768	\$115,999
Domestic prod. activities deduction	IRS Corporate Source Book	\$1,046	\$64,970
Other deductions	EY Calculation	\$445,487	\$5,329,853
<b>Total Expenses</b>	<b>EY Calculation</b>	<b>\$3,719,766</b>	<b>\$48,806,860</b>
<b>Net Income</b>	<b>IRS Corporate Source Book</b>	<b>\$254,818</b>	<b>\$1,855,379</b>
Profit margin	EY Calculation	6.4%	3.7%
Business Receipts / Total Receipts	EY Calculation	99.6%	99.2%

In addition to the financial profile parameters described in this section, the model includes assumptions about the distribution of nationwide sales of the representative facility and seller which are important in the apportionment of income for states imposing a corporate net income tax. Additional assumptions are made regarding the nexus of the seller in each state where it has destination sales.

## 1.4 Selection of counties for local taxes

The following table shows the counties that were chosen as locations in which a representative facility in each industry would choose to locate in each state. The table shows the county with the highest location quotient (LQ) with at least 8% of the state's employment in that industry. Note that including an employment threshold removes outliers with high industry concentration but low absolute levels of industry employment.

For the fruit and vegetable manufacturing industry, the Washington county with the most industry employment and the highest LQ is Franklin County. Whatcom County and Grays Harbor County respectively meet the threshold criteria for the dairy product manufacturing and the seafood manufacturing industries in Washington. In the benchmark states, elected counties tend to vary by industry with the only exception being Gooding County for both dairy product manufacturing and seafood manufacturing in Idaho.

Table 8. Elected counties for food manufacturing industries by state

State	3114 – Fruit and vegetable manufacturing	3115 – Dairy product manufacturing	3117 – Seafood manufacturing
Alaska	--	--	Aleutian East Borough
California	Merced	Kings	Humboldt
Idaho	Power	Gooding	Gooding
Oregon	Morrow	Tillamook	Clatsop
Washington	Franklin	Whatcom	Grays Harbor

*Source: EY analysis of employment data from JobsEQ, which summarizes data from US Bureau of Labor Statistics*



## 2. State and local tax parameters

The tax systems in each of the five states were analyzed and incorporated into the model to develop estimates of the state and local tax burdens faced by the three industries. The model includes estimates of the tax burdens resulting from corporate income tax, sales tax, property tax, gross receipts taxes such as Washington’s B&O tax and unemployment taxes.

- Corporate income tax. The model reflects key corporate tax system features such as conformity with the US Internal Revenue Code for certain major items, the definition and weighting of apportionment factors used to apportion income to the state, the presence of throwback and throwout provisions, and the tax rate.
- Gross receipts tax. The model includes the Washington B&O tax and the Oregon Corporate Activity Tax at the applicable rates.
- Sales and use tax. Relevant tax base features are incorporated into the model reflecting the taxability of various purchases of raw materials, manufacturing consumables, purchased services, utilities, and other relevant inputs which often have varying tax treatment by state.
- Property tax. The assessment ratio and statutory rate for relevant real and personal property were researched for the selected counties. The types of property included in the analysis are industrial real property, commercial real property, production machinery used in direct contact with the product, other equipment in the plant, non-production equipment, and inventory.
- Unemployment tax. Unemployment tax rates including the taxable wage base to calculate tax liabilities were researched for Washington and the benchmark states.

### 2.1 Business taxes

The model estimates tax liabilities for corporate net income and gross receipts taxes. Franchise taxes are not included in this analysis since none of the states in the analysis have franchise taxes. Table 9 below presents a high-level summary of the corporate net income taxes and gross receipts taxes included in the model.

Table 9. Corporate Income and gross receipts taxes in Washington and benchmark states

State	Tax type	Manufacturing corporate income apportionment factors	State requires throwback?	Tax rate
Alaska	Income	3 factors	Yes	9.40%
California	Income	Single sales factor	Yes	8.84%
Idaho	Income	3 factors (Double-weighted sales)	Yes	6.93%
Oregon	Income	Single sales factor	Yes	7.60%
Oregon	Corporate Activity Tax (gross receipts)	n/a	n/a	0.57%
Washington	Business and occupation tax (gross receipts)	n/a	n/a	0.48%

Source: Apportionment factors compiled by the Federation of Tax Administrators, Tax rates retrieved from CCH Intelliconnect

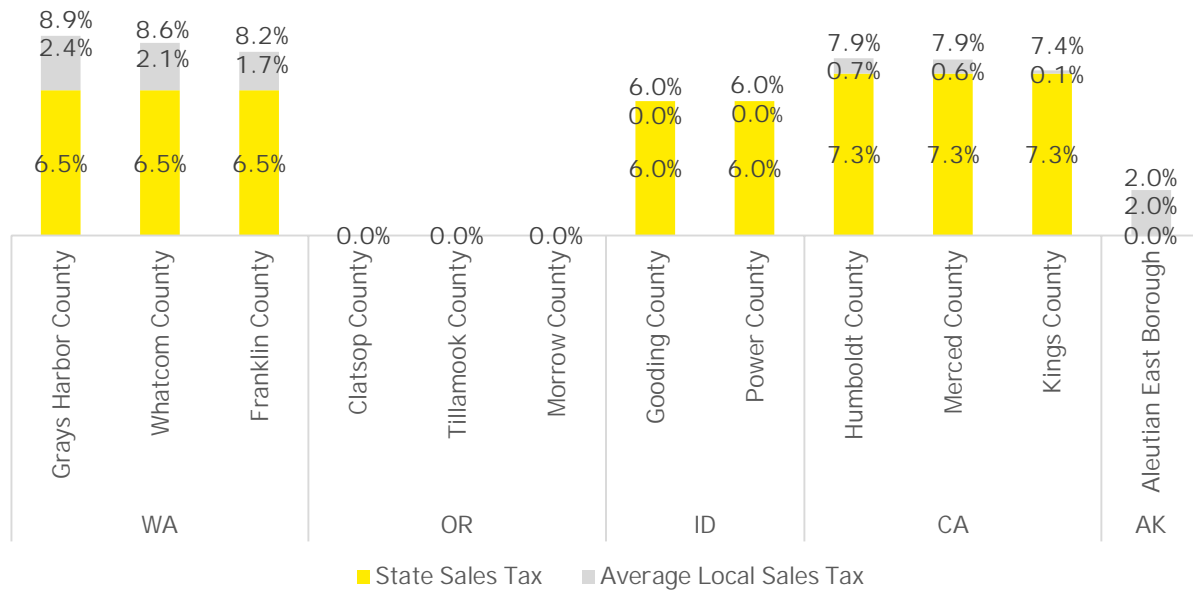
## 2.2 Sales and use taxes

A key consideration for a business is the application of the sales and use tax upon operating inputs. Generally, states exempt a wide variety of capital investment, intermediate inputs, and businesses services from the sales and use tax although the specific treatment can widely vary. The following categories are included in the tax modeling for each state:

- Business services
- Computer equipment
- Data and telecommunications services
- Manufacturing equipment
- Machinery repairs
- Materials consumed in the manufacturing process
- Utilities (gas, electric, water) used in the manufacturing process

Figure 2 illustrates the state, average local, and combined sales tax rate in the counties of the hypothetical facilities. Since local sales tax rates may vary by city within a county, the model uses a county average sales tax rate. Washington and California's sales and use tax vary depending on the county, while Oregon does not have a sales and use tax. Idaho has a state sales tax of 6.0% and Alaska has a 2% local sales tax that is applicable to the food manufacturer's purchases of raw fish.

Figure 2. State and local sales tax rates by county used in analysis



Note: Local sales tax rate is the average sales tax rate in each county. Aleutian East Borough County has a 2% sales tax on raw fish but no other sales tax. Rates may appear not to sum due to rounding.

Source: TRTA Checkpoint

Business inputs are taxed differently across each of the states in the analysis. Table 10 presents the differences in sales and use (SUT) taxation by business input after incorporation of applicable exemptions such as the SUT exemption for purchases of manufacturing machinery and equipment. Alaska, for example, is the only state that taxes direct use materials (under its local sales tax), while Washington taxes some business services and telecommunications.

Table 10. Sales and use taxation by business input (% taxable after SUT exemptions)

	Manufacturing M&E	Raw materials	Non- manufacturing supplies	Utilities	Business Services	Data/ tele- communications	Repairs
Alaska	0%	100%	0%	0%	0%	0%	0%
California	46%	0%	100%	0%	0%	0%	0%
Idaho	0%	0%	100%	0%	0%	100%	0%
Oregon	0%	0%	0%	0%	0%	0%	0%
Washington	0%	0%	0%	0%	25%*	100%	0%

Note: \* Reflects the share of business services subject to the sales tax

Source: TRTA Checkpoint on taxability of goods and services

## 2.3 Property taxes

Property taxes are set by local jurisdictions in each state. To account for this, EY uses the assessment ratio and statutory rates of each county where the hypothetical firm is located. The specific property types included in the analysis are:

- Commercial Structures
- Furniture & Fixtures
- Industrial Structures
- Land
- Machinery & Equipment
- Motor Vehicles
- Office Equipment and computers

Table 11 shows the effective property tax rates by selected county (see Table 8 for the list) across the three industries. The assessment ratio for each location is 100%. Aleutian East Borough in Alaska does not have a property tax.

Table 11. Effective property tax rate by state and industry

	3114 – Fruit and vegetable manufacturing	3115 – Dairy product manufacturing	3117 – Seafood manufacturing
Alaska	/	/	No tax
California	1.09%	1.09%	1.10%
Idaho	1.52%	0.98%	0.98%
Oregon	0.66%	0.83%	0.94%
Washington	0.85%	0.89%	1.09%

Source: County tax websites and property tax guides

Personal property is divided into tangible and intangible personal property. Tangible personal property (i.e., business equipment, appliances) is taxable in all of the five states under analysis, while intangible property (i.e. copyrights, patents) is generally not taxed. Preferential tax treatment for machinery and equipment is generally not provided in any of the benchmark states and inventories are only partially taxed in Alaska depending on the municipality. Personal property is depreciated using location-specific depreciation schedules for each property category.

Table 12. Treatment of personal property

	Taxability of tangible personal property	Taxability of intangible personal property	Preferential treatment of personal property- Machinery & equipment	Taxation of inventories
Alaska	Yes	No	No	No*
California	Yes	No	No	No
Idaho	Yes	No	No	No
Oregon	Yes	No	No	No
Washington	Yes	Partial**	No	No

\*In Alaska, municipalities and boroughs either tax, partially exempt, or fully exempt business inventory. No property taxation in Aleutian Bay Borough

\*\*In Washington, intangible personal property is exempt from property taxation. However, some characteristics or attributes of property, even though intangible, may be considered in establishing the taxable value of tangible property.

## 2.4 Unemployment taxes

State unemployment tax rates and the taxable wage base of employees is shown in Table 13 below. The rates shown are for new employers in each state and range from 1.0% to 3.4%. The state with the highest maximum tax per employee is Oregon at \$1,010 and Washington is second highest at \$527.

Table 13. State unemployment taxes by state

State	Unemployment tax rate	Taxable wage base	Maximum tax per employee
Alaska	1.1%	\$41,500	\$457
California	3.4%	\$7,000	\$238
Idaho	1.0%	\$41,600	\$416
Oregon	2.4%	\$42,100	\$1,010
Washington	1.0%	\$52,700	\$527

Source: US Department of Labor, *Unemployment Tax Measures Report*, 2020 rates.

### 3. Pre-incentive tax burdens by state

#### 3.1 Fruit and vegetable manufacturing

Total state and local effective tax rates for small and large fruit and vegetable manufacturing firms are shown below. Washington has an overall ETR of 24.8% for the small fruit and vegetable manufacturing firm, which is higher than the benchmark state average of 16.1% and makes the state rank as the fourth highest ETR among small firms. Washington has the highest ETR of large fruit and vegetable manufacturing firms at 25.4%, which is 78% higher than the benchmark average of 14.3%.

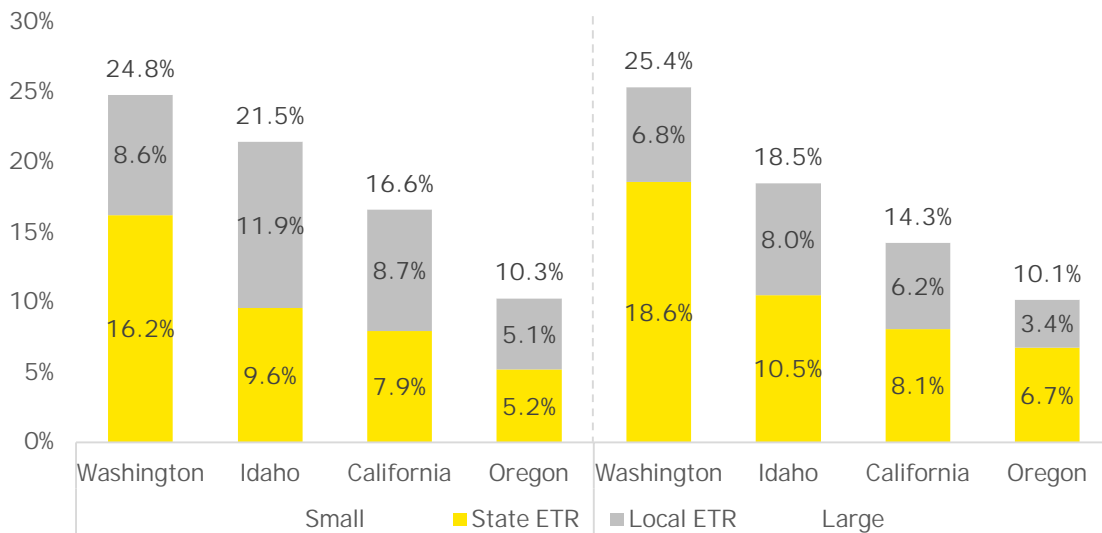
Table 14. Pre- incentives total state and local ETR for small and large fruit and vegetable manufacturers

State	Small	Rank	Large	Rank
Oregon	10.3%	1	10.1%	1
California	16.6%	2	14.3%	2
Idaho	21.5%	3	18.5%	3
Washington	24.8%	4	25.4%	4
<i>Average, excluding WA</i>	<i>16.1%</i>		<i>14.3%</i>	

Source: EY analysis

Figure 3 shows the total state and local ETRs for the small and large vegetable manufacturing firms. Washington’s total ETR for a small firm and large firm are the highest among peer states by 3.3 and 6.9 percentage points respectively. Washington’s high state ETR is driven by the state sales tax and the B&O tax. Washington’s sales taxation of operating inputs is similar to other states, but Washington taxes most construction, repair, and maintenance services. For large vegetable manufacturing firms, Washington’s large state ETR makes the combined ETR highest among peer states. Oregon remains lowest for both small and large firms since the state does not have a sales tax.

Figure 3. Total state and local ETR for small and large fruit and vegetable manufacturers



Source: EY analysis

## Results by tax type:

Results by tax type are shown for the small fruit and vegetable manufacturing firm in Table 15. Washington's state and local sales tax ETR is well above that in peer states, which is lowered by Oregon's lack of sales taxes. Washington's business entity tax (B&O) is also higher than the peer average when considering the full manufacturing rate of 0.484%. Oregon ranks best for sales tax and property tax purposes, while California ranks number one for lowest business taxes.

Table 15. Pre-incentive ETRs by tax type for small fruit and vegetable food manufacturers

State	State sales tax - small firm	Rank	State corporate/business entity tax - small firm	Rank	Local sales tax - small firm	Rank	Property tax - Small firm	Rank
California	6.1%	3	0.9%	1	0.7%	3	8.0%	3
Idaho	6.0%	2	2.1%	3	0.0%	1	11.9%	4
Oregon	0.0%	1	1.7%	2	0.0%	1	5.1%	1
Washington	8.7%	4	6.1%	4	2.3%	4	6.3%	2
<b>Small - Average, excluding WA</b>	<b>4.0%</b>		<b>1.5%</b>		<b>0.2%</b>		<b>8.3%</b>	

Note: Individual ETRs in this table do not sum to total ETRs since not all taxes are included.

Source: EY analysis

Pre-incentive results by tax type for the large fruit and vegetable manufacturing firm are shown in Table 16. The results are similar for the large firm as for the small firm where Washington's sales taxes and business taxes are higher than the benchmark average and property taxes are below the benchmark average. California again has a low corporate/business entity ETR due to its single sales factor apportionment and 20-year carry forward of net operating losses. Idaho, in comparison, ranks above the average for business taxes due to the state's 3 factor apportionment of corporate income that is double weighted on sales.

Table 16. Pre-incentive ETRs by tax type for large fruit and vegetable food manufacturers

State	State sales tax - Large firm	Rank	State corporate/business entity tax - Large firm	Rank	Local sales tax - Large firm	Rank	Property tax - Large firm	Rank
California	6.2%	2	0.9%	1	0.7%	3	5.5%	3
Idaho	6.5%	3	2.1%	2	0.0%	1	8.0%	4
Oregon	0.0%	1	2.3%	3	0.0%	1	3.4%	1
Washington	9.4%	4	7.2%	4	2.5%	4	4.2%	2
<b>Large - Average, excluding WA</b>	<b>4.2%</b>		<b>1.8%</b>		<b>0.2%</b>		<b>5.6%</b>	

Note: Individual ETRs in this table do not sum to total ETRs since not all taxes are included.

Source: EY analysis

## 3.2 Dairy product manufacturing

Total state and local effective tax rates for small and large dairy product manufacturing firms are shown below. For both small and large dairy product manufacturing, Washington has the highest overall ETR. While Washington is competitive in property taxes for both the small and large firm sizes, above average business taxes (B&O) and sales taxes push the ETR above the benchmark states.

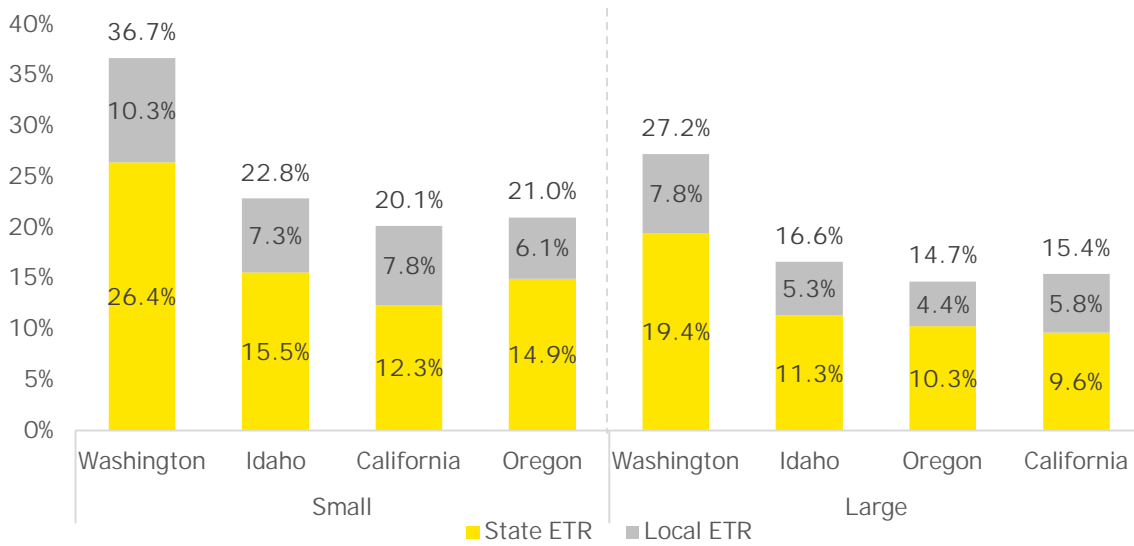
Table 17. Pre-all incentives total overall ETR for small and large dairy product manufacturing

State	Small	Rank	Large	Rank
California	20.1%	1	15.4%	2
Oregon	21.0%	2	14.7%	1
Idaho	22.8%	3	16.6%	3
Washington	36.7%	4	27.2%	4
Average, excluding WA	21.3%		15.6%	

Source: EY analysis

Figure 4 shows the total state and local ETRs for the small and large dairy product manufacturing firms. Washington's local ETR for a small firm is the highest among peer states by 2.5 percentage points, and the state ETR is the highest by 10.9 percentage points. Washington's high state ETR is driven by the state sales tax and the B&O tax. For large dairy product manufacturing firms, Washington's state and local ETR's are still the highest, but are closer to the benchmark states than the small firm. Washington's local ETR for large dairy product manufacturing firms is the highest by 2 percentage points and the state ETR is the highest by 8.1 percentage points.

Figure 4. Total state and local ETR for small and large dairy product manufacturing



Source: EY analysis

#### Results by tax type:

Results by tax type are shown for the small dairy product manufacturing firm in Table 18. Washington's property tax ETR is ranked 2<sup>nd</sup> among peer states and is below the peer average. Oregon ranks best for sales tax and property tax purposes, while California ranks at number one for business taxes.

Table 18. Pre-incentive ETRs by tax type for small dairy product manufacturing

State	State sales tax - small firm	Rank	State corporate/business entity tax - small firm	Rank	Local sales tax - small firm	Rank	Property tax - Small firm	Rank
California	7.6%	2	2.2%	1	0.2%	3	7.6%	4
Idaho	8.6%	3	2.6%	2	0.0%	1	7.3%	3
Oregon	0.0%	1	4.7%	3	0.0%	1	6.1%	1
Washington	12.5%	4	9.6%	4	4.1%	4	6.2%	2
<i>Small - Average, excluding WA</i>	<i>5.4%</i>		<i>3.2%</i>		<i>0.1%</i>		<i>7.0%</i>	

Note: Individual ETRs in this table do not sum to total ETRs since not all taxes are included.

Source: EY analysis

Pre-incentive results by tax type for the large dairy manufacturing firm are shown in Table 19. Washington's sales taxes are higher than the benchmark average, but property taxes are below the benchmark average. California again has a low corporate/business entity ETR due to a long carry forward of net operating losses.

Table 19. Pre-incentive ETRs by tax type for large dairy product manufacturing

State	State sales tax - Large firm	Rank	State corporate/business entity tax - Large firm	Rank	Local sales tax - Large firm	Rank	Property tax - Large firm	Rank
California	6.4%	2	2.3%	1	0.1%	3	5.6%	4
Idaho	6.8%	3	2.7%	2	0.0%	1	5.3%	3
Oregon	0.0%	1	6.1%	3	0.0%	1	4.4%	1
Washington	9.9%	4	7.4%	4	3.3%	4	4.6%	2
<i>Large - Average, excluding WA</i>	<i>4.4%</i>		<i>3.7%</i>		<i>0.0%</i>		<i>5.1%</i>	

Note: Individual ETRs in this table do not sum to total ETRs since not all taxes are included.

Source: EY analysis

### 3.3 Seafood product manufacturing

Total state and local effective tax rates for small and large seafood product manufacturing are shown below. Alaska is added to the states evaluated for seafood product manufacturing. Washington has the highest ETRs among all the compared states for both the small and large sized companies. The ETRs for seafood are generally higher than the other industries due to the lower profit margins in the seafood industry, especially for larger firms.



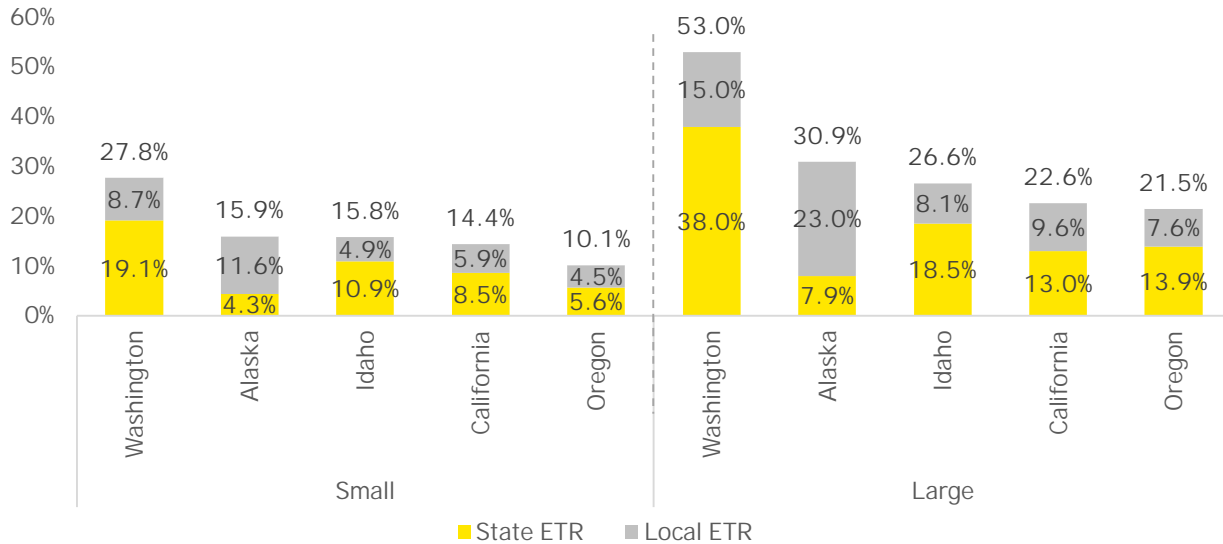
Table 20. Pre-all incentives total overall ETR for small and large seafood product manufacturing

State	Small	Rank	Large	Rank
Oregon	10.1%	1	21.5%	1
California	14.4%	2	22.6%	2
Idaho	15.8%	3	26.6%	3
Alaska	15.9%	4	30.9%	4
Washington	27.8%	5	53.0%	5
<i>Average, excluding WA</i>	14.1%		25.4%	

Source: EY analysis

Figure 5 shows the total state and local ETRs for the small and large seafood product manufacturing firms. Washington's local ETR for a small firm is the second highest among peer states, however the state ETR is the highest by 8.2 percentage points. Washington's high state ETR is driven by the state sales tax and the B&O tax. For large seafood manufacturing firms, Washington's local ETR is second highest, and is far below Alaska's, but Washington's high state ETR and Alaska's low state ETR means that Washington's combined ETR is still the highest. Oregon remains lowest for both small and large firms since the state does not have a sales tax.

Figure 5. Total state and local ETR for small and large seafood manufacturing



Source: EY analysis

#### Results by tax type:

Results by tax type are shown for the small seafood product manufacturing firm in Table 21. Washington's state sales tax ETR is the highest, but Washington's local sales tax ETR is only second highest due to Alaska's sales tax. Washington's B&O tax is the highest business tax among peer states and is significantly higher than the peer average. Oregon ranks best for sales tax and business taxes and would rank number one in property taxes if not for Alaska, which does not collect property taxes.

Table 21. Pre-incentive ETRs by tax type for small seafood manufacturing

State	State sales tax - small firm	Rank	State corporate/business entity tax - small firm	Rank	Local sales tax - small firm	Rank	Property tax - Small firm	Rank
Alaska	0.0%	1	2.1%	3	11.6%	5	0.0%	1
California	6.2%	3	0.9%	2	0.8%	3	5.2%	5
Idaho	6.7%	4	2.2%	4	0.0%	1	4.9%	3
Oregon	0.0%	1	0.7%	1	0.0%	1	4.5%	2
Washington	9.6%	5	7.5%	5	3.6%	4	5.1%	4
<b>Small Average, excluding WA</b>	<b>3.2%</b>		<b>1.5%</b>		<b>3.1%</b>		<b>3.6%</b>	

Note: Individual ETRs in this table do not sum to total ETRs since not all taxes are included.

Source: EY analysis

Pre-incentive results by tax type for the large seafood manufacturing firm are shown in Table 22. All of Washington's pre-incentive ETRs are above the benchmark average. Alaska's local sales tax creates a significant tax burden when measured through an ETR, and Washington would be below the average peer rate if Idaho and Oregon were excluded because they do not collect local sales taxes.

Table 22. Pre-incentive ETRs by tax type for large seafood product manufacturing

State	State sales tax - Large firm	Rank	State corporate/business entity tax - Large firm	Rank	Local sales tax - Large firm	Rank	Property tax - Large firm	Rank
Alaska	0.0%	1	3.3%	3	23.0%	5	0.0%	1
California	9.8%	3	0.8%	1	1.1%	3	8.5%	5
Idaho	12.2%	4	1.9%	2	0.0%	1	8.1%	3
Oregon	0.0%	1	3.7%	4	0.0%	1	7.6%	2
Washington	17.6%	5	15.2%	5	6.6%	4	8.5%	4
<b>Large Average, excluding WA</b>	<b>5.5%</b>		<b>2.5%</b>		<b>6.0%</b>		<b>6.1%</b>	

Note: Individual ETRs in this table do not sum to total ETRs since not all taxes are included.

Source: EY analysis

## 4. Post-incentive tax burdens by state

### 4.1 Tax incentives

Statutory incentives were researched for each state. The analysis includes the following categories of credits and incentives (C&I):

- Preferential tax rates (including Business and Occupation tax rates)
- Job creation tax credits
- Investment credits
- Property tax abatements
- Special sales tax exemptions
- Special apportionment formula weighting

Each of the incentive types listed above are evaluated to determine the level of benefit (in terms of reduction in the effective tax rate) that is provided through each form of incentive.

Job and investment-based credits. Many states provide an income tax or other major business entity tax credits for jobs created or new investment made into the state. States vary in the number of jobs that need to be created to qualify for the credit, the length of the credit, and the credit amount per job. Some states provide credits as a set amount per job, such as Idaho providing a tax credit of up to 30% of income tax and sales tax if more than 20 new jobs are created in rural areas (50 in urban) that pay equal to or greater than the average county wage. Credits for investment are calculated as percentage of certain types of qualified fixed capital investments. The definition of qualifying investment varies by state where in Idaho, the qualifying investment only includes personal property while Oregon considers all real and personal property as qualified investment.

Preferential tax rates. Washington State provides several specific tax incentives to food manufacturers. The three food processing industries in this study are exempted from paying the Washington B&O tax through June 30, 2025. These food manufacturers then receive a preferential B&O tax rate of 0.138% compared to the standard 0.484% for manufacturers. The preferential rate for dairy product manufacturing reverts to the base manufacturing rate of 0.484% on January 1, 2036 while the other two industries to do have an expiration of the preferential rate.

Sales and use tax incentives. Idaho provides a 25% rebate on all sales taxes on new construction for companies that invest more than \$500,000 in new facilities and create at least 10 new jobs that pay more than \$40,000 annually. California offers multiple sales and use tax incentives on construction materials and machinery and equipment.

EY made the following assumptions regarding the statutory tax credits and incentives for each state:

- ▶ EY excluded credits and incentives requiring investment in a specific geographic location within a state (e.g. enterprise zones and select county tiers).
- ▶ EY excluded credits and incentives tied to renewable energy consumption.
- ▶ EY excluded credits and incentives for headquarters investment, as it is assumed that the firm is investing in an additional manufacturing facility.
- ▶ EY only included state-level credits and incentive statutory programs and excluded city or local programs.

- ▶ For tax credit programs with explicit sunset dates within the 30-year operation period, EY assumed that the tax credits will expire even if they are likely to be renewed.
- ▶ EY excluded credits and incentives for hiring a specific subset of employees (e.g. homeless or veteran employees), but included general employment credits and incentives.
- ▶ EY excluded credits and incentives tied to specific employment training requirements

In addition to these assumptions, EY only includes statutory C&I programs which have explicitly defined rates tied to business operations. C&I programs that are flexible are included in the model but are provided as negotiated C&I programs. Negotiated C&I programs may include incentives that mitigate local property taxes and these are the only C&I programs included that are not statewide.

Discretionary/Negotiated incentives. Discretionary/negotiated incentives are incorporated into the analysis for the representative investment profile based on the experience of EY professionals who have been involved in the negotiation of incentives packages for similarly sized projects that are equally attractive to states. As such, there is no formal source for the level of benefits, and it would not be verifiable public information.

EY has reviewed data provided by JLARC staff to develop the following insights about the usage of Washington's credit and incentive programs for the food manufacturing industries. Similarly, EY researched discretionary and statutory credits and incentives available in the remaining benchmark states. The list of incentives described in Table 23 represents the universe of credits and incentives that are considered for this analysis.

Table 23. Washington food manufacturing credits and incentives

State	Jurisdiction	Program name	Classification	Applicable taxes	Program description
Washington	State	Exemptions and Deductions and Reduced B&O Rates for Certain Manufacturers	Statutory	B&O Tax	<p>Dairy product manufacturing - Exemption of gross receipts- Expires June 30, 2025</p> <p>Dairy Product Sales for Transport Out-of-State and Dairy Product Sales for Use as an Ingredient or Component - Exemption (B&amp;O Tax). Dairy Products Used as Ingredient/Component expires July 1, 2023. Remainder expires June 30, 2025.</p> <p>Dairy Product Manufacturing and Sales for Transport Out-of-State - Preferential Rate (B&amp;O Tax). Effective July 1, 2025, expires and reverts to base rate (0.484%) January 1, 2036</p> <p>Seafood Product Manufacturing and Certain Sellers - Exemption (B&amp;O Tax). Expires June 30, 2025.</p> <p>Seafood Product Manufacturing and Certain Sellers - Preferential Rate (B&amp;O Tax) of 0.138% effective July 1, 2025.</p> <p>Fruit and Vegetable Manufacturing - Exemption (B&amp;O Tax). Expires June 30, 2025.</p> <p>Fruit and Vegetable Manufacturing - Preferential Rate (B&amp;O Tax) of 0.138%. Effective July 1, 2025.</p>
	State	Rural County and CEZ New Jobs Tax Credit	Statutory	B&O Tax	<p>B&amp;O tax credits are available to businesses locating to certain rural areas of the state. Businesses must employ more than 51% of their total workforce from within the EZ or the county in which the EZ is located to qualify. The credit is specific to the B&amp;O tax and is equal to \$2,000 per job with annual wages of less than \$40,000 or \$4,000 per job for wages more than \$40,000 for new manufacturing or R&amp;D facilities or those that increase headcount by more than 15%. Must locate to an approved rural county or CEZ. Franklin County and Grays Harbor County appear to qualify for this incentive.</p>

Table 24. Credits and incentives in the benchmark states

State	Jurisdiction	Program name	Classification	Applicable taxes	Program description
Alaska	Local	Alaska Community Development Block Grant	Discretionary	Grant	Municipalities apply for this grant on behalf of business to fund public infrastructure to benefit the business (e.g. connecting sewer to new buildings).
	State	California Competes Tax Credit	Discretionary.	Corporate income tax	Five-year income tax credit with 6-year carry-forward designed to attract and grow high paying jobs in strategic industries. Phased application process involves quantitative and qualitative review by a state-appointed committee. Value of credit is based on project metrics (particularly job and wages) and other projects in the application pool. Modeled as a \$7,500 credit per job for small businesses and \$15,000 per job for large businesses.
	State	CAEAFTA Sales and Use Tax Exclusion Program	Sales Tax Exclusion	Sales and Use Tax	State and local sales tax exemption offered to advanced manufacturers on construction materials and machinery/equipment purchases. Application involves quantitative and qualitative review by a state-appointed committee. This incentive is modeled as a 100% exemption of local sales and use tax on machinery and equipment purchases and construction materials and an exemption on the remainder of the state sales and use tax not covered by the M&E SUT exemption available to all manufacturers plus an exemption on state sales and use taxes on construction materials.
Idaho	State	Idaho Opportunity Fund	Discretionary	Grant	Deal closing funds to be used for public infrastructure improvements to new or existing facilities. Model includes \$300,000 grant for small businesses and \$500,000 for large.
	State	Tax Reimbursement incentive	Discretionary	Corporate income tax and sales and use tax	Up to 30% refundable tax credit on income, payroll and sales taxes for up to 15 years. To be eligible, companies must create 20 new jobs in rural areas or 50 in urban centers that pay equal or greater than the average county wage. Large size firms are modeled with 30% tax credit and small firms are modeled with 20%.
	State	Investment Tax Credit	Statutory	Income tax	3.75% enhanced investment tax credit on all new, depreciable, tangible, personal property (e.g., machinery and equipment, FFE, and office equipment) placed in Idaho during project period. Credit generated cannot be more than \$750,000 per year. Limited to a 62.5% income tax liability offset per tax year with a 14-year credit carry forward. To be eligible, companies must invest

State	Jurisdiction	Program name	Classification	Applicable taxes	Program description
					\$500,000 in new facilities and at least 10 new jobs paying \$40,000 annually plus benefits, with additional jobs paying an average of \$15.50 per hour.
	State	Real property improvement credit	Statutory	Income tax	2.5% tax credit on investments in new plant and buildings and structural components of buildings placed in service during the project period. Credit generated cannot be more than \$125,000 per year with a 14-year credit carry forward. To be eligible, companies must invest \$500,000 in new facilities and at least 10 new jobs paying \$40,000 annually plus benefits, with additional jobs paying an average of \$15.50 per hour.
	State	Sales and use tax rebate on new construction	Statutory	Sales and use tax	25% rebate of all sales taxes that the taxpayer or contractors actually paid in regard to new plant and building facilities, properties constructed within the project period. Rebate applies to sales tax paid on construction materials for real property. To be eligible, companies must invest \$500,000 in new facilities and at least 10 new jobs paying \$40,000 annually plus benefits, with additional jobs paying an average of \$15.50 per hour.
	Local	Real and personal property tax exemption	Discretionary	Property tax	County Board of Equalization may offer to exempt all or part of the value of the property from property tax. The exemption is limited to 5 years. For the purposes of the model, an exemption of 100% for large plants and 50% for small was modeled.
Oregon	State	Long Term Rural Enterprise Zone	Discretionary	Property tax	Eligible businesses within rural enterprise zones can receive a total exemption from property taxes normally assessed on new facilities and equipment for 15 years. Cannot be combined with the SIP. Tillamook county and Clatsop county contain rural enterprise zones and were modeled using this incentive.
	Local	Strategic Investment Program	Discretionary	Property tax	Allows for a partial property tax abatement on property in excess of \$25 million (Increased by 3% per incentive year) for up to 15 years. The company must pay a service fee equal to 25% of the abated taxes, up to a yearly maximum of \$500,000 for rural regions or \$2,000,000 for urban regions. Exemptions are offered at the discretion of the local government. The SIP was modeled for large fruit and vegetable processing companies in Morrow county because it does not contain an enterprise zone.

## 4.2 Effect of incentives on fruit and vegetable manufacturing firm’s tax burden

As shown in Table 25, incentives had the largest effect on the ETR in Washington and Idaho for both small and large fruit and vegetable manufacturing firms, although Oregon’s lack of sales tax allows it to maintain the lowest ETR for both pre- and post-incentives. For Washington’s ETR two different scenarios are modeled. Washington’s percentage point decrease in ETR is between 5.0 and 6.5 percentage points assuming a tax rate exemption until 2025 and a reduced rate of 0.138% thereafter, whereas the decrease in ETR is between 6.1 and 7.2 percentage points when assuming a B&O tax rate exemption between 2025 and 2052.

Table 25. Pre- and post-statutory incentives total state and local ETR for small and large fruit and vegetable manufacturing firms

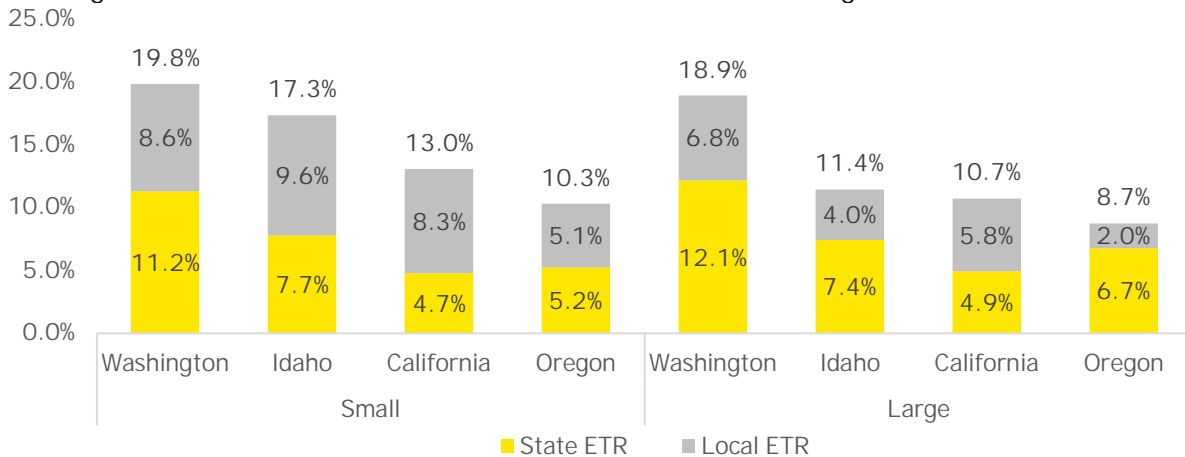
State	Small firm				Large firm			
	Pre-incentive ETR	Post-incentive ETR	PP change	Rank of Incentive Impact	Pre-incentive ETR	Post-incentive ETR	PP change	Rank of Incentive Impact
California	16.6%	13.0%	-3.6%	4	14.3%	10.7%	-3.6%	4
Idaho	21.5%	17.3%	-4.2%	3	18.5%	11.4%	-7.1%	2
Oregon	10.3%	10.3%	0.0%	5	10.1%	8.7%	-1.4%	5
Washington <sup>1</sup>	24.8%	19.8%	-5.0%	2	25.4%	18.9%	-6.5%	3
Washington <sup>2</sup>	24.8%	18.7%	-6.1%	1	25.4%	18.2%	-7.2%	1
<b>Average, excluding WA</b>	<b>16.1%</b>	<b>13.6%</b>	<b>-2.5%</b>		<b>14.3%</b>	<b>10.4%</b>	<b>-3.9%</b>	

Notes: <sup>1</sup>Reflects the B&O tax rate exemption until July 2025, and a reduced rate of 0.138% thereafter until 2052, <sup>2</sup>Reflects a B&O tax rate scenario of 0% between 2022 and 2052.

Source: EY Analysis

Figure 6 shows the total state and local ETRs post incentives for small and large vegetable food manufacturing firms. Washington’s state ETR is ranked highest after incentives, even after a 6.5 percentage point drop for the large firm and a 5.0 percentage point drop for the small firm. California has the lowest overall state ETR, while Oregon has the lowest local ETR. For Washington, the scenario modeled below is a B&O tax rate exemption between 2022 and 2052 and a reduced rate of 0.138% thereafter.

Figure 6. Total state and total local ETR for food manufacturing firms after incentives



Source: EY analysis



Table 26 shows the percentage point changes in ETR by tax type for the small and large fruit and vegetable manufacturing firm. Washington’s decrease in ETR is between 5 and 6.5 percentage points for scenario 1 and assumes a reduced rate of 0.138% modeled from 2025 onward. For scenario 2, Washington’s decrease in ETR is higher in magnitude due to the B&O tax rate exemption, effectively eliminating any business taxes. California’s decrease in ETR is largely attributable to the local and statewide sales and use tax exclusion available to manufacturers. The total decrease in effective tax rates due to incentives is 2<sup>nd</sup> highest in California, only after Idaho for both small and large fruit and vegetable firms.

Table 26. Percentage point change in ETR by tax type for fruit and vegetable manufacturing firms

State	Small firm				Large firm			
	State sales tax	State corporate/business entity tax	Local sales tax	Property tax	State sales tax	State corporate/business entity tax	Local sales tax	Property tax
California	-3.0%	-0.2%	-0.4%	0.0%	-2.8%	-0.4%	-0.4%	0.0%
Idaho	-1.0%	-0.9%	0.0%	-2.3%	-1.8%	-1.2%	0.0%	-4.1%
Oregon	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-1.4%
Washington <sup>1</sup>	0.0%	-5.0%	0.0%	0.0%	0.0%	-6.5%	0.0%	0.0%
Washington <sup>2</sup>	0.0%	-6.1%	0.0%	0.0%	0.0%	-7.2%	0.0%	0.0%
<b>Average, excluding WA</b>	<b>-1.3%</b>	<b>-0.4%</b>	<b>-0.1%</b>	<b>-0.8%</b>	<b>-1.5%</b>	<b>-0.5%</b>	<b>-0.1%</b>	<b>-1.8%</b>

Notes: <sup>1</sup>Reflects the B&O tax rate exemption until July 2025, and a reduced rate of 0.138% thereafter until 2052, <sup>2</sup>Reflects a B&O tax rate scenario of 0% between 2022 and 2052

Source: EY analysis

### 4.3 Effect of incentives on dairy manufacturing firm’s tax burden

Table 27 shows the change in pre- and post-incentive ETRs for small and large dairy product manufacturing firms. For Washington’s ETR, three different scenarios are modeled for the post-incentive ETR. The first scenario reflects current law, which includes a B&O tax rate exemption between 2022 and 2025, a reduced rate of 0.138% until 2036 and a return to the base manufacturing rate of 0.484% until 2052. This scenario reduces the ETR by -4.9 percentage points for the small firm and -4.4% percentage points for the large firm. The second scenario for Washington has a full B&O tax exemption until 2052. Such an exemption would reduce the ETR for a small dairy firm by -9.6 percentage points and the large firm by -7.4 percentage points, hereby effectively eliminating all B&O tax over the period of analysis. The third scenario then considers a reduced rate of 0.138% on B&O income between July 1, 2025 and 2052. This scenario results in a decrease in ETR of -7.3 percentage points for the small firm and -5.8 percentage points for the large firm, which is the third greatest change among peer states.

Table 27. Pre- and post-statutory incentives total state and local ETR for dairy product manufacturing firms

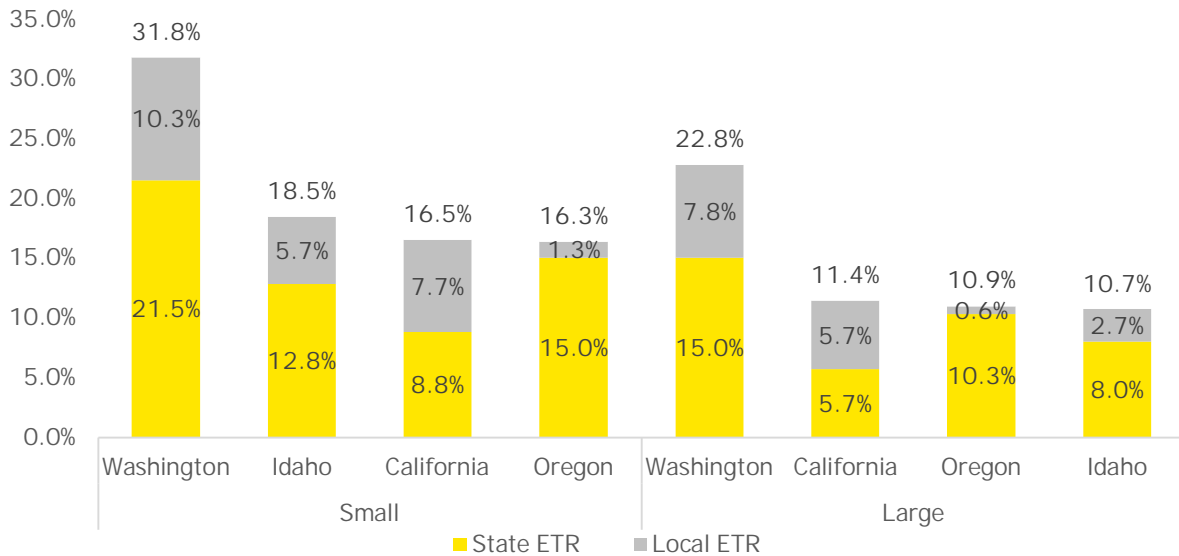
State	Small firm				Large firm			
	Pre-incentive ETR	Post-incentive ETR	PP change	Rank of Incentive Impact	Pre-incentive ETR	Post-incentive ETR	PP change	Rank of Incentive Impact
California	20.1%	16.5%	-3.6%	6	15.4%	11.4%	-4.0%	5
Idaho	22.8%	18.5%	-4.3%	5	16.6%	10.7%	-5.9%	2
Oregon	21.0%	16.3%	-4.7%	4	14.7%	10.9%	-3.8%	6
Washington <sup>1</sup>	36.7%	31.8%	-4.9%	3	27.2%	22.8%	-4.4%	4
Washington <sup>2</sup>	36.7%	27.1%	-9.6%	1	27.2%	19.8%	-7.4%	1
Washington <sup>3</sup>	36.7%	29.4%	-7.3%	2	27.2%	21.4%	-5.8%	3
<b>Average, excluding WA</b>	<b>21.3%</b>	<b>17.1%</b>	<b>-4.2%</b>		<b>15.6%</b>	<b>11.0%</b>	<b>-5.6%</b>	

Notes: <sup>1</sup> Reflects a B&O tax rate exemption between 2022 and 2025, 0.138% until 2036 and 0.484% until 2052. <sup>2</sup> Reflects a B&O tax rate exemption between 2022 and 2052, <sup>3</sup>Reflects the B&O tax rate exemption between 2022 and 2025, and a reduced rate of 0.138% thereafter until 2052.

Source: EY Analysis

Figure 7 shows the total state and local ETRs post incentives for small and large dairy manufacturing firms. For Washington, the ETR is modeled to reflect scenario 1 (current law), a B&O exemption until July 2025, a 0.138% rate until 2036 and a 0.484% rate thereafter until 2052. Washington’s state ETR is ranked highest after incentives by 6.5 percentage points for the small firm and 4.7 percentage points for the large firm. Oregon again has the lowest local ETR, while California has the lowest state ETR.

Figure 7. Total state and total local ETR for dairy product manufacturing firms after incentives



Note: Individual state and local ETRs may not sum to the combined state and local ETRs due to differences in IRR calculation  
 Source: EY analysis

Table 28 shows the percentage point changes in ETR by tax type for small and large dairy product manufacturing firms. Oregon's ETR decreases significantly through its rural enterprise zone property tax abatement and its strategic property tax exemption program, the SIP. Idaho's broad range of incentives have an effect across multiple tax types and decrease the ETR most significantly for large dairy manufacturers (-5.8 percentage points in total). For scenario 2, Washington's B&O tax rate reduces the ETR most significantly by -9.6 percentage points for the small firm and -7.4 percentage points for the large firm given that the B&O tax is effectively eliminated.

Table 28. Percentage point change in ETR by tax type for dairy product manufacturing firms

State	Small firm				Large firm			
	State sales tax	State corporate/business entity tax	Local sales tax	Property tax	State sales tax	State corporate/business entity tax	Local sales tax	Property tax
California	-2.9%	-0.6%	-0.1%	0.0%	-2.8%	-1.1%	-0.1%	0.0%
Idaho	-1.5%	-1.2%	0.0%	-1.6%	-1.9%	-1.3%	0.0%	-2.7%
Oregon	0.0%	0.0%	0.0%	-4.7%	0.0%	0.0%	0.0%	-3.8%
Washington <sup>1</sup>	0.0%	-4.9%	0.0%	0.0%	0.0%	-4.4%	0.0%	0.0%
Washington <sup>2</sup>	0.0%	-9.6%	0.0%	0.0%	0.0%	-7.4%	0.0%	0.0%
Washington <sup>3</sup>	0.0%	-7.3%	0.0%	0.0%	0.0%	-5.8%	0.0%	0.0%
<b>Average, excluding WA</b>	<b>-1.5%</b>	<b>-0.6%</b>	<b>0.0%</b>	<b>-2.1%</b>	<b>-1.6%</b>	<b>-0.8%</b>	<b>0.0%</b>	<b>-2.2%</b>

Notes:<sup>1</sup> Reflects a B&O tax rate exemption between 2022 and 2025, 0.138% until 2036 and 0.484% until 2052. <sup>2</sup> Reflects a B&O tax rate exemption between 2022 and 2052, <sup>3</sup>Reflects the B&O tax rate exemption between 2022 and 2025, and a reduced rate of 0.138% thereafter until 2052.

Source: EY Analysis

#### 4.4 Effect of incentives on seafood manufacturing firm’s tax burden

Table 29 shows the change in pre- and post-incentive ETRs for seafood manufacturing firms. Alaska is a benchmark state that is included for the seafood industry analysis, and the ETR for a large firm decreases by 0.1 percentage points due to one incentive—the Alaska Community Development Block grant. Oregon’s ETR decreases significantly due its property tax incentives, while Washington’s ETR decreases between 6.6 to 13.1 percentage points in scenario 1 and 7.5 and 15.2 percentage points for scenario 2. Even though Washington’s percentage point decreases in ETR are by far the most significant in magnitude, the post incentive ETRs are the highest among the peer states.

Table 29. Pre- and post-statutory incentives total state and local ETR for small and large seafood product manufacturing firms

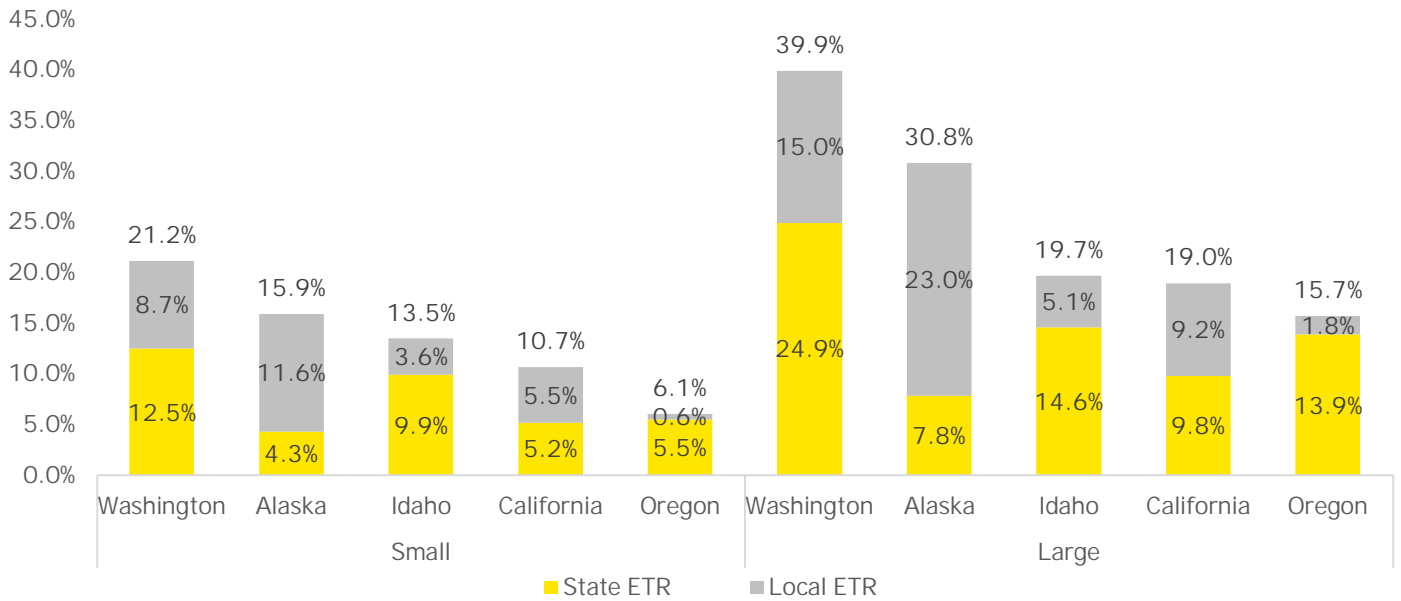
State	Small firm				Large firm			
	Pre-incentive ETR	Post-incentive ETR	PP change	Rank of Incentive Impact	Pre-incentive ETR	Post-incentive ETR	PP change	Rank of Incentive Impact
Alaska	15.9%	15.9%	-0.0%	6	30.9%	30.8%	-0.1%	6
California	14.4%	10.7%	-3.7%	4	22.6%	19.0%	-3.6%	5
Idaho	15.8%	13.5%	-2.3%	5	26.6%	19.7%	-6.9%	3
Oregon	10.1%	6.1%	-4.0%	3	21.5%	15.7%	-5.8%	4
Washington <sup>1</sup>	27.8%	21.2%	-6.6%	2	53.0%	39.9%	-13.1%	2
Washington <sup>2</sup>	27.8%	20.3%	-7.5%	1	53.0%	37.8%	-15.2%	1
<b>Average, excluding WA</b>	<b>14.1%</b>	<b>11.6%</b>	<b>-2.5%</b>		<b>25.4%</b>	<b>21.3%</b>	<b>-4.1%</b>	

Notes: <sup>1</sup>Reflects the B&O tax rate exemption until July 2025, and a reduced rate of 0.138% thereafter until 2052, <sup>2</sup>Reflects a B&O tax rate scenario of 0% between 2022 and 2052.

Source: EY analysis

Figure 8 shows the total state and local ETRs post incentives for small and large seafood manufacturing firms. Alaska’s state ETR is low compared to benchmark states since there is no state sales tax, however there are also no state-specific tax incentives that lower the tax liability. For Washington, the ETR is modeled to reflect scenario 1, a B&O exemption until July 2025, and a 0.138% rate thereafter. For the large firm, Washington’s B&O tax incentives at the state level make the ETR drop from 38.0% to 24.9%, while the local ETR stays consistent at 15% since there are no property or local sales tax incentives. Oregon’s post-incentive ETR is the lowest for both firm sizes.

Figure 8. Total state and total local ETR for seafood manufacturing firms after incentives



Note: Individual state and local ETRs may not sum to the combined state and local ETRs due to differences in IRR calculation  
 Source: EY analysis

Table 30 shows the percentage point changes in ETR by tax type for small and large seafood manufacturing firms. California's sales and use tax incentive (CAEATFA) decreases the ETR between 2.8 and 2.9 percentage points, meaning the incentive impact does not significantly change with firm size. In Idaho, the magnitude of the state sales tax incentive increases significantly for the large firm (-2.8 percentage points), whereas the impact for the small firm is -0.3 percentage points. In Washington, the reduced B&O tax rate decreases the ETR between 6.6 to 13.1 percentage points for scenario 1 and 7.5 and 15.2 percentage points for scenario 2.

Table 30. Percentage point change in ETR by tax type for seafood manufacturing firms

State	Small firm				Large firm			
	State sales tax	State corporate/business entity tax	Local sales tax	Property tax	State sales tax	State corporate/business entity tax	Local sales tax	Property tax
Alaska	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
California	-2.8%	-0.5%	-0.4%	0.0%	-2.9%	-0.2%	-0.5%	0.0%
Idaho	-0.3%	-0.7%	0.0%	-1.3%	-2.8%	-0.9%	0.0%	-3.2%
Oregon	0.0%	0.0%	0.0%	-4.0%	0.0%	0.0%	0.0%	-5.8%
Washington <sup>1</sup>	0.0%	-6.6%	0.0%	0.0%	0.0%	-13.1%	0.0%	0.0%
Washington <sup>2</sup>	0.0%	-7.5%	0.0%	0.0%	0.0%	-15.2%	0.0%	0.0%
Average, excluding WA	-0.8%	-0.3%	-0.1%	-1.3%	-1.4%	-0.3%	-0.2%	-2.2%

Notes: <sup>1</sup>Reflects the B&O tax rate exemption until July 2025, and a reduced rate of 0.138% thereafter until 2052, <sup>2</sup>Reflects a B&O tax rate scenario of 0% between 2022 and 2052

Source: EY analysis

## Appendix: Calculation of state and local effective tax rates

The effective tax rate for each type of firm is calculated as the percentage change in the internal rate of return (IRR) before after the incorporation of state and local taxes into the firm's cash flow. In other words, the difference between the pre- and post-tax rate of return divided by the pre-tax rate of return). Table A-1 below shows the IRR on pre-tax income, which serves as the starting point for the calculation of ETRs. The pre-tax income IRR is the same across each location.

Table A-1. Pre-tax income Internal Rate of Return (IRR) for all locations by type of firm

Industry	Small firm	Large firm
NAICS 3114 - Fruit and Vegetable Manufacturing	9.1%	13.8%
NAICS 3115 - Dairy Product Manufacturing	9.5%	13.3%
NAICS 3117 - Seafood Manufacturing	14.5%	8.7%

*Source: EY analysis using firm profiles constructed using IRS Corporate Sourcebook data for given NAICS industries.*

The after-tax income IRRs, both pre-and post-incentives, are shown below in Table A-2. To calculate the ETRs, the after- tax IRR is divided by the pre-tax IRR minus one. For example, Washington's after-tax IRR for a small fruit and vegetable manufacturing firm with no incentives is 6.9%. When dividing the post-tax IRR (6.9%) by the pre-tax IRR (9.1%) minus 1, this results in a state and local ETR of 24.8% (See A-3). The rates of return shown in Tables A-1 and A-2 were used to calculate the pre- and post-incentive effective tax rates shown in Table A-3 and throughout this report.

Table A-2. After-tax income Internal Rate of Return by type of firm and location

State	Fruit and vegetable manufacturing		Dairy product manufacturing		Seafood manufacturing	
	Small	Large	Small	Large	Small	Large
<b>No incentives</b>						
Alaska	--	--	--	--	12.2%	6.0%
California	7.6%	11.8%	7.6%	11.2%	12.4%	6.8%
Oregon	8.2%	12.4%	7.5%	11.3%	13.0%	6.9%
Idaho	7.2%	11.2%	7.4%	11.1%	12.2%	6.4%
Washington	6.9%	10.3%	6.0%	9.7%	10.5%	4.1%
<b>With tax incentives</b>						
Alaska	--	--	--	--	12.2%	6.0%
California	7.9%	12.3%	8.0%	11.7%	12.9%	7.1%
Oregon	8.2%	12.6%	8.0%	11.8%	13.6%	7.4%
Idaho	7.5%	12.2%	7.8%	11.8%	12.5%	7.0%
Washington	7.3%	11.2%	6.5%	10.2%	11.4%	5.2%

*Note: The Washington post incentive IRR reflects the B&O tax rate exemption until July 2025, and a reduced rate of 0.138% thereafter until 2052*

*Source: EY analysis*

Table A-3. Total state and local ETRs with and without incentives

State	Fruit and vegetable manufacturing		Dairy product manufacturing		Seafood manufacturing	
	Small	Large	Small	Large	Small	Large
<b>No incentives</b>						
Alaska	--	--	--	--	15.9%	30.9%
California	16.6%	14.3%	20.0%	15.4%	14.4%	22.6%
Oregon	10.3%	10.1%	21.0%	14.7%	10.1%	21.5%
Idaho	21.5%	18.5%	22.8%	16.6%	15.8%	26.6%
Washington	24.8%	25.4%	36.7%	27.2%	27.8%	53.0%
<b>With incentives</b>						
Alaska	--	--	--	--	15.9%	30.8%
California	13.0%	10.7%	16.5%	11.4%	10.7%	19.0%
Oregon	10.3%	8.7%	16.3%	10.9%	6.1%	15.7%
Idaho	17.3%	11.4%	18.5%	10.7%	13.5%	19.7%
Washington	19.8%	18.9%	31.8%	22.8%	21.2%	39.9%

*Note: The Washington post incentive ETR reflects the B&O tax rate exemption until July 2025, and a reduced rate of 0.138% thereafter until 2052*

*Source: EY analysis*