

## B&O tax credit for businesses creating new jobs serving international clients in certain urban areas

The 1998 Legislature established a \$3,000 B&O tax credit for each new job created in a **Community Empowerment Zone** or **International Service District**. Jobs must provide professional services (e.g., financial, engineering, legal services) to international customers. A business may receive a credit up to five times per job: in the year it's created and up to four more times if it retains the job. The maximum B&O credit is \$15,000 per job.

### Community Empowerment Zones and International Service Districts

**8** designated areas

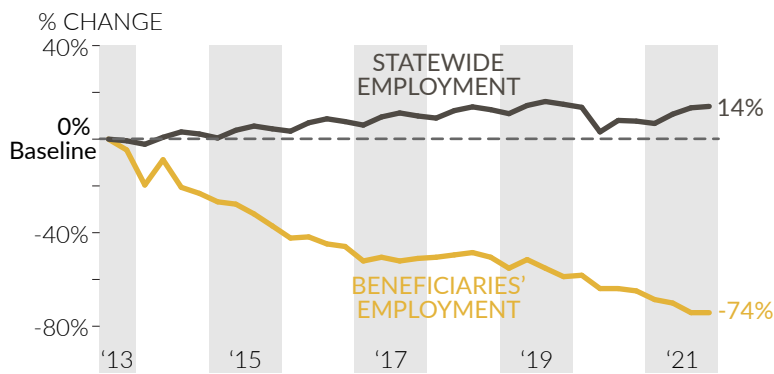


#### Areas are characterized by:

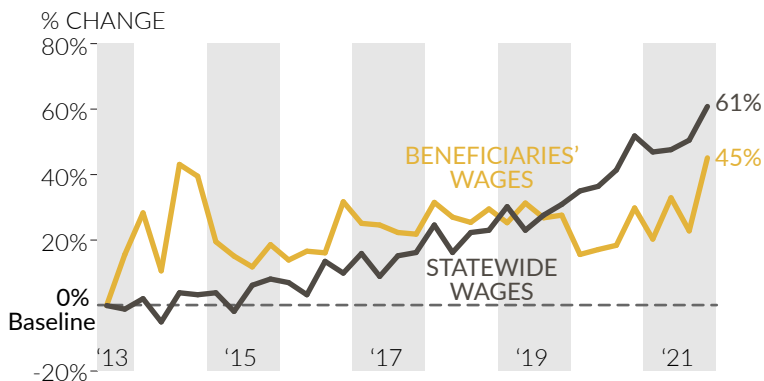
- Limited employment.
- Few educational services.
- Poor infrastructure.
- Lack of affordable housing.
- Low wages.

## Preference has not met stated goal to attract and retain jobs

**Employment** at beneficiary businesses declined 74% between 2013 and 2021.



**Wage growth** at beneficiary businesses lagged behind the statewide average.



## Preference use is 99% below anticipated levels

The 1998 fiscal note estimated that in 2003, 148 businesses would use the preference and beneficiary savings would be \$9.9 million.

Between 2013 and 2022:

- A total of eight businesses claimed the credit.
- No more than five businesses claimed the preference in a single year.
- Total beneficiary savings ranged from \$12,300 to \$71,500 per year.

## LEGISLATIVE AUDITOR'S RECOMMENDATION

### Terminate

The Legislature should terminate this preference because it has not achieved the stated intent to attract and retain businesses in community empowerment zones or international service districts. The Legislature may want to consult with the Department of Commerce or local economic development entities to consider other approaches.

The complete report is on the JLARC web site: [www.leg.wa.gov/jlarc](http://www.leg.wa.gov/jlarc)

For more information, contact: Eric Thomas, Washington State Legislative Auditor  
eric.thomas@leg.wa.gov • (360) 786-5182

Follow us @WaLegAuditor



July 2023