



2024 tax preference review: Customized workforce training

Legislative Auditor's conclusion

The B&O tax credit has met the Legislature's threshold for continuation. However, use has declined 86% from its peak, and the credit's effect on business retention and expansion is unclear.

Key points

- The preference is a B&O tax credit that allows businesses to reduce costs for customized employee training by 50%.
- Use of both the training program and tax credit declined since 2018. It is unclear if the credit affected business retention or expansion.
- The tax credit met the Legislature's target for continuation. As of December 2023, 77% of the loans were repaid on time and in full. The rest are in active repayment.
- Credit use is concentrated in four counties and the manufacturing industry. Four schools conducted 81% of the trainings.

Tax detail

Tax type: Business and occupation tax (B&O)
 Estimated beneficiary Savings: \$34,000 (2025-27 biennium)
 Expiration date: July 1, 2026
 RCW: 82.04.449

Recommendations

1. The Legislature should extend the preference's July 1, 2026, expiration date.
 - The preference met the target metric that at least 75% of participating businesses complete their training and repay their loans to the SBCTC.
2. The SBCTC should determine how to increase training program and preference use.
 - The SBCTC should also report its implementation and progress to relevant legislative committees before the 2026 legislative session.

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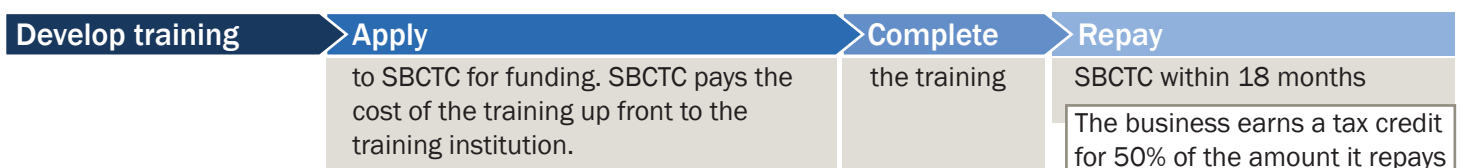
Full Report leg.wa.gov/jlarc/AuditAndStudyReports

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Additional detail

Preference reduces training costs by half

A business and its training institution partner must complete four steps before the business receives a tax credit.



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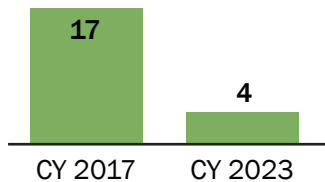


Use of the training program and preference has declined

During the study period, the following have declined:

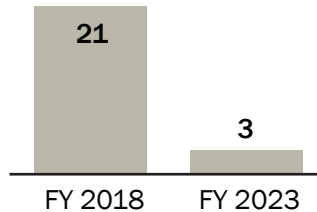
Businesses using training program

-76%



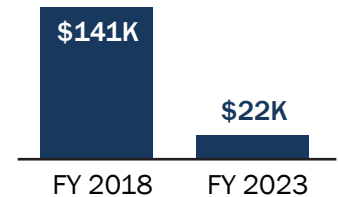
Beneficiaries claiming credit

-86%



Amount of credit claimed

-84%



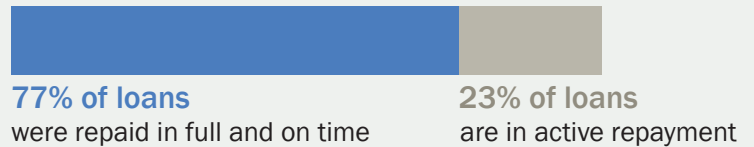
Fiscal year 2018 is 7/1/17 through 6/30/18. Fiscal year 2023 is 7/1/22 through 6/30/23. Businesses may claim the credit in future years, so the number of businesses may not equal the number of beneficiaries in a given year.

Unclear if preference affected business retention or expansion

Stated objective: retain and expand existing Washington businesses.

- All businesses that used the preference were still open as of Dec. 31, 2023. There is no data to show whether their continued presence is due to the B&O tax credit.

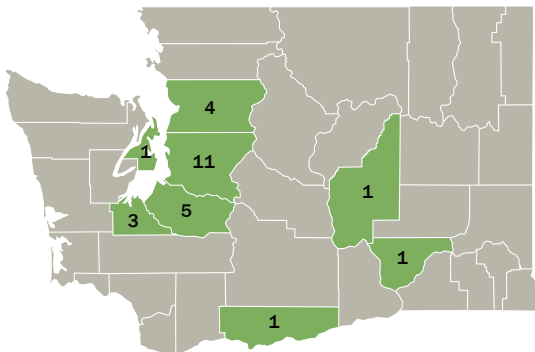
Preference met Legislature's target for continuation



Businesses were primarily manufacturers located in a few counties. Most trainings were done by four institutions.

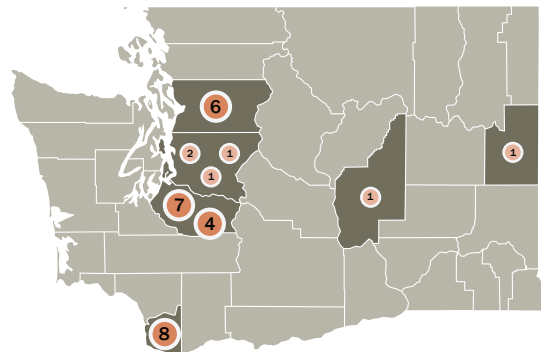
85% of businesses were based in King, Pierce, Snohomish, or Thurston County.

78% of businesses were manufacturers.



27 business used the training program (2018-2023). Three used it more than once.

Four institutions conducted 25 (81%) of the trainings since 2018.



Each dot represents one institution and the number of trainings it conducted. There were 31 trainings offered (2018-2023).