



# PROPOSED STUDY QUESTIONS Manufacturers Deferral

State of Washington Joint Legislative Audit and Review Committee

September 2020

## JLARC to review a sales and use tax deferral for manufacturers that build or expand facilities



This preference is included in the 10-year review schedule set by the Citizen Commission for Performance Measurement of Tax Preferences.

In 2015, the Legislature established a sales and use tax deferral on up to \$10 million spent on new or expanded manufacturing facilities or equipment. The preference was passed as a pilot project for up to five manufacturers. In 2017, the preference was extended to two additional manufacturers per year: one each in Eastern and Western Washington.

Manufacturers that use the deferral must begin repaying the deferred tax in the fifth year after the project is complete and make equal repayments over a ten-year period. The 6.5% state portion of the deferred tax is deposited into an account managed by the State Board for Community and Technical Colleges to fund job training and apprenticeship programs in the manufacturing field. The deferral program expires for new participants January 1, 2026.

### The preference is intended to create and retain jobs and provide funding for job training and apprenticeships

The Legislature’s performance statement specifies its intent:

1. To create and retain jobs.
2. To provide funding to support job readiness training, professional development, or apprenticeship programs in manufacturing or production occupations.

The Legislature stated that if a review finds that each eligible investment project generated at least 20 full-time jobs, it intends for the Legislative Auditor to recommend extending the preference.

### This study will address the following questions:

1. How many Washington manufacturers have used the preference? If the preference has not been used to its fullest extent, are there identifiable reasons why?
2. How many full-time jobs at the manufacturers have been generated by each eligible project? How many construction jobs were related to each eligible project?
3. How much funding for job training or apprenticeships has been provided through deferral repayments, and what future funding is estimated?
4. Accounting for repayment of deferred taxes, what are the estimated savings realized by beneficiaries?

### Study Timeframe

Preliminary Report: July 2021      Proposed Final Report: December 2021

### Study Team

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### JLARC Study Process

