

2007 AEROSPACE TAX INCENTIVE REPORT SUMMARY
Department of Revenue

September 10, 2008

This is a summary of accountability reports submitted by 186 firms that participated in aerospace tax incentives (HB 2294, Chapter 1, Laws of 2003, 2nd Special Session) during Calendar Year 2007. This is the most recent year for which reports are available. A firm is required to submit a separate report for each manufacturing site that benefited from the tax incentives. Aerospace firms filed reports on 196 separate sites. These reports are not confidential and are subject to public disclosure.

Participation in the aerospace incentives has increased both in the number of firms and in the number of workers employed by aerospace firms. The number of firms increased from 161 in 2006 to 186 firms in 2007. The number of employees increased from 66,000 employees to 76,000. Boeing made up 80 percent of aerospace employment in 2006 and 75 percent of employment in 2007. The following is a breakdown of information submitted by Boeing and by other aerospace firms.

Summary of Participation in Aerospace Incentives

	2006		2007	
	Boeing	Other firms	Boeing	Other firms
Number of employees	52,463	13,546	57,040	19,152
Percent of employees				
Wages over \$30 an hour	59.1%	18.7%	57.9%	17.1%
Full time	88.2%	97.4%	96.0%	95.6%
Hired through temporary staffing firms	4.8%	7.6%	3.7%	8.6%
Eligible for medical	94.9%	94.4%	99.9%	93.5%
Eligible for retirement	95.2%	76.7%	99.9%	82.1%

Aerospace employment is concentrated in two occupations: computer, mathematical, architecture, and engineering (22 percent) and production (49 percent).

Distribution of Aerospace Employees by Occupations

	<u>No. of emp.</u>	<u>% of emp.</u>
Management	5,657	7.4%
Business, financial, and legal operations	5,086	6.7%
Computer, mathematical, architecture, and engineering	16,551	21.7%
Life, physical, and social science	71	0.1%
Community and social services	1	0.0%
Education, training, and library	63	0.1%
Healthcare practitioners, technical, and support	106	0.1%
Protective services, building, and grounds maintenance	1,464	1.9%
Sales and service	349	0.5%
Office and administrative support	4,500	5.9%
Construction and extraction	372	0.5%
Installation, maintenance, and repair	3,150	4.1%
Production, non-construction trades, and craft	37,265	48.9%
Transportation and material moving	1,345	1.8%
Other (forest, fishery, agriculture, military, arts, media)	208	0.3%
Total	76,188	100.0%

Over 47 percent of employees in the aerospace industry earn more than \$30 an hour in wages. Notably, 95 percent of management employees and 85 percent of employees in the area of computer, engineering, and mathematics earn over \$30 an hour. Among the lower paid employees, 12 percent of office support and 24 percent of production workers make \$15 an hour or less.

Percentage Distribution of Employees by Occupations and Wage Bands – All Firms

	Min <u>to \$10</u>	\$10.01 <u>to \$15</u>	\$15.01 <u>to \$20</u>	\$20.01 <u>to \$30</u>	\$30.01 <u>& Over</u>
Management	0.2%	0.1%	0.6%	4.0%	95.2%
Business, financial, and legal operations	0.0	0.6	2.5	30.0	66.9
Computer, mathematical, architecture, & engineering	0.0	0.3	1.0	13.6	85.0
Life, physical, and social science	1.4	0.0	0.0	15.5	83.1
Community and social services	100.0	0.0	0.0	0.0	0.0
Education, training, and library	1.6	0.0	4.8	20.6	73.0
Healthcare practitioners, technical, and support	0.9	0.9	28.3	22.6	47.2
Protective services, building, & grounds maintenance	6.6	8.5	10.1	27.0	47.8
Sales and service	0.3	1.4	14.6	30.1	53.6
Office and administrative support	1.2	10.8	23.6	34.9	29.5
Construction and extraction	0.3	0.3	0.6	22.3	76.6
Installation, maintenance, and repair	0.8	1.8	9.4	26.4	61.6
Production, non-construction trades, and craft	2.1	22.0	13.7	39.7	22.5
Transportation and material moving	1.3	7.1	5.6	54.2	31.8
Other (forest, fishery, agriculture, military, arts, media)	1.9	13.7	26.3	41.5	16.5
Total	1,012	9,100	7,138	22,651	36,291
Percent of Total	1.3%	11.9%	9.4%	29.7%	47.6%

Percentage Distribution of Employees by Occupations and Wage Bands - Boeing

	Min Wage to \$10	\$10.01 to \$15	\$15.01 to \$20	\$20.01 to \$30	\$30.01 & Over
Management	0.0%	0.0%	0.1%	1.0%	98.9%
Business, financial, and legal operations	0.0	0.2	1.7	30.0	68.0
Computer, mathematical, architecture, & engineering	0.0	0.1	0.1	11.8	88.0
Life, physical, and social science	0.0	0.0	0.0	15.7	84.3
Community and social services	0.0	0.0	0.0	0.0	0.0
Education, training, and library	0.0	0.0	0.0	21.4	78.6
Healthcare practitioners, technical, and support	0.0	1.0	29.4	23.5	46.1
Protective services, building, and grounds maintenance	6.8	7.4	8.3	26.7	50.8
Sales and service	0.0	0.0	1.1	13.7	85.3
Office and administrative support	0.0	1.9	17.5	36.6	44.0
Construction and extraction	0.0	0.3	0.6	22.4	76.8
Installation, maintenance, and repair	0.0	0.0	0.6	21.3	78.1
Production, non-construction trades, and craft	0.0	14.2	4.4	49.7	31.7
Transportation and material moving	0.0	0.3	2.2	60.9	36.5
Other (forest, fishery, agriculture, military, arts, media)	0.0	0.0	0.0	0.0	0.0
Total	99	3,764	1,821	18,338	33,018
Percent of Total	0.2%	6.6%	3.2%	32.1%	57.9%

Boeing pays almost 58 percent of its employees over \$30 an hour. Excluding Boeing, other aerospace firms pay 17 percent of their employees at this level. While the percent of full-time employees at Boeing and non-Boeing firms is the same (96 percent), more Boeing employees are eligible for medical and retirement benefits.

Comparison of Boeing and Other Aerospace Firms – Wages, Employment Status and Benefits

		Percent of Employees	
		Boeing	Other Firms
Wages	\$30.01 & over	57.9%	17.1%
	\$20.01 to \$30	32.1	22.5
	\$15.01 to \$20	3.2	27.8
	\$10.01 to \$15	6.6	27.9
	Minimum wage to \$10	0.2	4.8
Status	Full time	96.0	95.6
	Part time	0.4	1.6
	Temporary	3.6	2.0
	Hired through temporary staff firms	3.7	8.6
Benefits	Eligible for medical	99.9	93.5
	Eligible for retirement	99.9	82.1

Over 92 percent of sites offered medical benefits, over 87 percent offered dental plans, and 85 percent offered retirement benefits. Over 81 percent of manufacturing sites offered all three benefits, while 7 percent offered no benefits at all. Monthly contributions varied considerably. Aerospace firms reported median medical benefits at \$296 a month and median dental benefits at \$40 a month.

Sites Offering Benefits:		Monthly contribution paid by employer:		
Medical benefits*	92.3%		<u>Maximum</u>	<u>Median</u>
Dental benefits**	87.8	Medical	\$1,000	\$296
Retirement benefits	84.7	Dental	674	40
All three benefits	81.1			
No benefits	6.6			

* At least 90 percent of medical plans offered were managed care. Of those sites that offered medical benefits, 15 percent offered multiple plans.

**About 83% of dental plans offered were managed care. Of those sites that offered dental benefits, 6 percent offered multiple plans.

RCW 82.32.545

Annual report for airplane manufacturing tax preferences.

(1) The legislature finds that accountability and effectiveness are important aspects of setting tax policy. In order to make policy choices regarding the best use of limited state resources the legislature needs information on how a tax incentive is used.

(2)(a) A person who reports taxes under RCW 82.04.260(11) or who claims an exemption or credit under RCW 82.04.4461, 82.08.980, 82.12.980, 82.29A.137, 84.36.655, and 82.04.4463 shall make an annual report to the department detailing employment, wages, and employer-provided health and retirement benefits per job at the manufacturing site. The report shall not include names of employees. The report shall also detail employment by the total number of full-time, part-time, and temporary positions. The first report filed under this subsection shall include employment, wage, and benefit information for the twelve-month period immediately before first use of a preferential tax rate under RCW 82.04.260(11), or tax exemption or credit under RCW 82.04.4461, 82.08.980, 82.12.980, 82.29A.137, 84.36.655, and 82.04.4463. The report is due by March 31st following any year in which a preferential tax rate under RCW 82.04.260(11) is used, or tax exemption or credit under RCW 82.04.4461, 82.08.980, 82.12.980, 82.29A.137, 84.36.655, and 82.04.4463 is taken. This information is not subject to the confidentiality provisions of RCW 82.32.330 and may be disclosed to the public upon request.

(b) If a person fails to submit an annual report under (a) of this subsection by the due date of the report, the department shall declare the amount of taxes exempted or credited, or reduced in the case of the preferential business and occupation tax rate, for that year to be immediately due and payable. Excise taxes payable under this subsection are subject to interest but not penalties, as provided under this chapter. This information is not subject to the confidentiality provisions of RCW 82.32.330 and may be disclosed to the public upon request.

(3) By November 1, 2010, and by November 1, 2023, the fiscal committees of the house of representatives and the senate, in consultation with the department, shall report to the legislature on the effectiveness of chapter 1, Laws of 2003 2nd sp. sess. in regard to keeping Washington competitive. The report shall measure the effect of chapter 1, Laws of 2003 2nd sp. sess. on job retention, net jobs created for Washington residents, company growth, diversification of the state's economy, cluster dynamics, and other factors as the committees select. The reports shall include a discussion of principles to apply in evaluating whether the legislature should reenact any or all of the tax preferences in chapter 1, Laws of 2003 2nd sp. sess.