

**AEROSPACE TAX INCENTIVE REPORT SUMMARY
FOR
TAX YEAR 2008**

Department of Revenue

August 21, 2009

This is a summary of accountability reports submitted by 222 firms that claimed to have participated in aerospace tax incentives (HB 2294, Chapter 1, Laws of 2003, 2nd Special Session) during Calendar Year 2008. 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 for 233 sites. These reports are not confidential and are subject to public disclosure.

Participants in this tax incentive program reported a total of 76,000 employees. Boeing was the employer for 75 percent of these employees. Aerospace employment was concentrated in two occupational classes: *Computer/Engineering/Mathematics* (21 percent) and *Production* (49 percent).

**TABLE 1.
Distribution of Aerospace Employees by Occupation**

	<u>No. of emp.</u>	<u>Pcnt. of emp.</u>
Management	5,241	6.9%
Business, financial, and legal operations	5,372	7.1
Computer, mathematical, architecture, and engineering	15,745	20.7
Life, physical, and social science	90	0.1
Community and social services	0	0.0
Education, training, and library	76	0.1
Healthcare practitioners, technical, and support	96	0.1
Protective services, building, and grounds maintenance	1,448	1.9
Sales and service	522	0.7
Office and administrative support	4,721	6.2
Construction and extraction	412	0.5
Installation, maintenance, and repair	3,413	4.5
Production, non-construction trades, and craft	37,156	48.9
Transportation and material moving	1,497	2.0
Other (forest, fishery, agriculture, military, arts, media)	134	0.2
Total	75,923	100%

As shown in Table 2, nearly 55 percent of employees in the aerospace industry earned more than \$30 an hour in wages. Notably, 96 percent of management employees and 88 percent of employees in the area of *Computer/Engineering/Mathematics* earned over \$30 an hour. Among the lower paid, over 16 percent of the employees in *Protective Services, Building, & Grounds Maintenance* and 13 percent of *Production* workers made \$15 (or less) an hour.

TABLE 2.
Percentage Distribution of Employees by Occupation and Wage Bands (All Firms)

	Min Wage to \$10	\$10.01 to \$15	\$15.01 to \$20	\$20.01 to \$30	\$30.01 & Over
Management	0.2%	0.2%	0.2%	3.9%	95.5%
Business, financial, and legal operations	0.0	0.2	1.7	27.1	71.0
Computer, mathematical, architecture, & engineering	0.0	0.1	0.8	10.9	88.2
Life, physical, and social science	0.0	2.2	6.6	24.3	66.9
Community and social services	0.0	0.0	0.0	0.0	0.0
Education, training, and library	0.0	1.3	4.1	19.7	74.9
Healthcare practitioners, technical, and support	0.0	0.0	18.6	25.8	55.6
Protective services, building, & grounds maintenance	0.3	16.0	9.2	26.0	48.6
Sales and service	0.4	3.5	8.0	29.7	58.5
Office and administrative support	0.3	7.3	19.0	36.1	37.3
Construction and extraction	0.0	7.1	0.7	18.3	73.9
Installation, maintenance, and repair	0.2	2.0	3.5	30.2	64.1
Production, non-construction trades, and craft	0.8	12.3	21.8	30.5	34.7
Transportation and material moving	1.0	6.3	6.0	50.8	36.0
Other (forest, fishery, agriculture, military, arts, media)	0.8	11.9	36.6	32.8	17.9
Total	340	5,406	9,676	18,905	41,598
Percent of Total (%)	0.4	7.1	12.7	24.9	54.8

Tables 3 and 4 show that Boeing paid 65 percent of its employees over \$30 an hour. Other aerospace firms paid only 24 percent of their employees at this level. At the other end of the wage scale, only 2 percent of Boeing employees were paid \$15 (or less) an hour, while other firms in the industry paid about a quarter (25 percent) of their employees this much. This result confirms the belief that Boeing generally pays its employees more than other firms.

TABLE 3.
Percentage Distribution of Employees by Occupation and Wage Bands (Boeing)

	Min Wage <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	0.0%	0.0%	0.0%	0.7%	99.3%
Business, financial, and legal operations	0.0	0.0	0.8	26.8	72.4
Computer, mathematical, architecture, & engineering	0.0	0.0	0.2	8.2	91.6
Life, physical, and social science	0.0	0.0	0.0	24.2	75.8
Community and social services	0.0	0.0	0.0	0.0	0.0
Education, training, and library	0.0	0.0	1.7	16.4	82.0
Healthcare practitioners, technical, and support	0.0	0.0	17.1	25.0	57.9
Protective services, building, and grounds maintenance	0.0	15.1	8.4	25.3	51.2
Sales and service	0.0	7.8	1.1	13.7	77.5
Office and administrative support	0.0	0.5	12.6	37.9	49.0
Construction and extraction	0.0	7.1	0.7	18.3	73.9
Installation, maintenance, and repair	0.0	0.0	0.5	25.3	74.2
Production, non-construction trades, and craft	0.0	3.4	16.8	32.8	46.9
Transportation and material moving	0.0	0.0	1.4	57.7	40.9
Other (forest, fishery, agriculture, military, arts, media)	0.0	0.0	15.0	33.3	51.6
Total	0	1,167	5,020	14,023	37,172
Percent of Total (%)	0.0	2.0	8.7	24.4	64.8

TABLE 4.
Percentage Distribution of Employees by Occupation and Wage Bands (Non-Boeing)

	Min Wage <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	0.6%	0.8%	0.8%	13.4%	84.5%
Business, financial, and legal operations	0.0	3.1	11.0	31.2	54.7
Computer, mathematical, architecture, & engineering	0.0	0.9	3.9	26.4	68.7
Life, physical, and social science	0.0	16.5	49.7	24.8	9.0
Community and social services	0.0	0.0	0.0	0.0	0.0
Education, training, and library	0.0	11.0	22.1	44.4	22.4
Healthcare practitioners, technical, and support	0.0	0.0	33.3	33.3	33.4
Protective services, building, and grounds maintenance	4.5	29.1	20.6	37.3	8.5
Sales and service	0.5	2.5	9.5	33.2	54.4
Office and administrative support	0.7	15.1	26.4	34.0	23.7
Construction and extraction	0.0	0.0	0.0	0.0	0.0
Installation, maintenance, and repair	0.8	9.5	14.6	48.0	27.1
Production, non-construction trades, and craft	2.7	34.4	34.3	24.5	4.2
Transportation and material moving	6.2	38.9	29.7	14.7	10.6
Other (forest, fishery, agriculture, military, arts, media)	1.0	15.8	43.7	32.6	6.9
Total	340	4,238	4,656	4,881	4,427
Percent of Total (%)	1.8	22.9	25.1	26.3	23.9

TABLE 5.
Comparison of Boeing To Other Aerospace Firms – Wages, Employment Status, and Benefits

		Percent of Employees		
		All Firms	Boeing	Others
Wages	\$30.01 & Over	54.8%	64.8%	23.9%
	\$20.01 to \$30	24.9	24.4	26.3
	\$15.01 to \$20	12.7	8.7	25.1
	\$10.01 to \$15	7.1	2.0	22.9
	Minimum Wage to \$10	0.4	0.0	1.8
Status	Full-Time	97.0%	97.0%	97.3%
	Part-Time	0.4	0.1	1.3
	Temporary	2.6	2.9	1.4
	Hired Through Temp Staff Firms	3.9	3.0	6.7
Benefits	Eligible for Medical	97.3%	97.4%	97.3%
	Eligible for Retirement	95.0	97.3	87.6

As shown in Table 5, these accountability reports indicate that at least 97 percent of the employees in this industry were in permanent, full-time status.

Table 6 shows that almost all employees were offered employment benefits. Monthly contributions paid by employers varied considerably. Aerospace firms reported that their share of medical benefits payments was as high as \$1,229 a month for an employee with maximum dental benefits of \$1,053 a month. The median medical benefits payment was \$340 a month and median dental benefits was \$41 a month.

TABLE 6.

Percent of Total Employees Offered Benefits		Monthly Contribution Paid by Employer for Each Employee		
			Maximum	Median
Medical benefits	99.8%	Medical	\$1,229	\$340
Dental benefits	99.3	Dental	1,053	41
Retirement benefits	99.0			

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.