



2016 Descriptive Statistics For Tax Incentive Programs

Covering Calendar Year 2015 Activity



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Descriptive Statistics

The descriptive statistics visualization summarizes information from annual surveys and reports completed by taxpayers who participated in tax incentive programs during the previous calendar year. This visualization is prepared in accordance with Revised Code of Washington (RCW) 82.32.534 and 82.32.585 to provide accountability and a means to evaluate program effectiveness. These statutes require the Department of Revenue (Department) to summarize survey and report information annually and by category. A category must contain *at least three taxpayers* in order to be part of this summary. Categories with **less than three are not disclosable**. The Department made a concerted effort to notify known participants, including sending reminders and direct contacts with firms. The statutory reporting schedule allows limited time to complete auditing and verification of the data reported. The data summarized represents information reported by participants with corrections made in the time available. To see the full visualization, click [here](#).

Understanding the Data

- Employment data on annual surveys reflect the firm's total Washington employment. This is different from annual reports, which allow participants to provide employment data by site or all Washington sites collectively. Once a firm selects "All Washington" to report their employment details, they cannot submit data by site for future reporting.
- Firms may claim multiple incentives as long as they qualify. The employment data is not separated by incentive, therefore adding employment from multiple incentives may result overstated figures.
- With report incentives, out-of-state firms may not be included in total firm counts, if they did not have employees in Washington.
- Previously, tax savings for the agricultural B&O tax exemptions were based on the tax rate of .00138. Starting this year, for 2015 calendar year activity, the tax savings is calculated based on the tax rate of .00484.

Public Disclosure Reports

The Department publishes on its website the annual reports and surveys submitted by participants. The information contained in the annual report is disclosable to the public. It is mostly employee wage and benefits data and does not include the dollar value of the tax preference claimed. The annual survey contains the dollar value of the tax preference claimed in addition to employee wage and benefit data. However, only the dollar value of the tax preference is publicly disclosable. A business may ask the amount not be disclosed if it is less than \$10,000.

All information is originally supplied by the business and has not necessarily been verified by the Department through audit or other direct examination of the business's books and records

The information contained in some of the surveys and reports may change each time the data is published as the Department reviews and validates the submitted information. Starting in 2017, it is the Department's intent to publish this information three times per year as follows:

- June 30 for surveys submitted by the May 31 deadline.
- September 30 to include surveys submitted during an approved 90-day extension period.
- December 31 to coincide with the publication of the annual Descriptive Statistics for Select Tax Incentives.

Annual reports and surveys publicly disclosed can be found at:

<https://fortress.wa.gov/dor/efile/MyAccount/TaxIncentivePublicDisclosure/>

Descriptive statistics data may not match the data reported in the Public Disclosure Reports. This is due to data in the Public Disclosure reports being refreshed three times a year whereas the descriptive statistics reflect the data published December 31st.

Overview of tax incentives by major industry for calendar year 2015

Industry	Major industry	# Firms	Total jobs	Tax savings
Aerospace	Aerospace manufacturing (report)	260	107,305	\$0
	Aerospace non-manufacturing (report)	92	4,245	\$0
	Aircraft repairs (FAR Part 145) (report)	33	4,068	\$0
	Aircraft repairs (FAR Part 145) (survey)	35	4,049	\$646,218
	B&O credit, preproduction expenditures (survey)	63	86,521	\$109,150,805
	B&O credit, prop. & leasehold taxes (survey)	25	87,096	\$37,918,695
	B&O rate reduction, manufacturers (survey)	325	107,247	\$122,675,165
	B&O rate reduction, product dev. (survey)	91	3,935	\$1,156,886
	Exemption sales and use tax, equipments (survey)	8	80,281	\$3,108,455
	Exemption sales and use tax, manufacturing site (survey)	0	0	\$0
	Exemption, leasehold tax superefficient airplanes (survey)	0	0	\$0
	Exemption, property tax superefficient airplanes (survey)	0	0	\$0
	Agricultural products	B&O exemption, dairy products	16	4,200
B&O exemption, fruit/vegetables		227	13,255	\$16,779,705
B&O exemption, seafood products		39	3,469	\$3,603,314
Hazardous substance exemption, agricultural crop protection		4	536	\$102,870
Sales tax deferral, processing facilities		63	16,028	\$34,047,844
High tech & computing	Sales tax deferral, biotech mfg.	10	1,960	\$6,186,692
	Sales tax deferral, high tech R&D	104	155,556	\$331,799,363
	Sales tax exemption, data centers (report)	17	79,902	\$0
	Sales tax exemption, data centers (survey)	17	138,555	\$29,435,942
	Semi-conductor industry	0	0	\$0
Other manufacturing	Aluminum smelting	0	0	\$0
	B&O rate reduction, newspapers	93	43,419	\$0
	B&O rate reduction, solar energy systems	7	516	\$420,024
	B&O reduction, timber/wood products	700	18,208	\$12,231,691

Overview of tax incentives by major industry for calendar year 2015

Industry	Major industry	# Firms	Total jobs	Tax savings
Other manufacturing	Sales tax deferral, rural/qualifying counties	216	32,536	\$69,179,700
	Solar energy systems (survey, sales/use tax exemption)	0	0	\$0
Other programs	B&O credit, workforce training	5	1,180	\$35,761
	B&O deduction, mental/chemical health services	9	3,045	\$0
	Energy for electrolyte processors	0	0	\$0
	Sales tax deferral, corp. headquarters	0	0	\$0
	Sales tax exemption, hog fuel	19	4,867	\$2,913,476
	Sales tax exemption, public research institutions	3	47,994	\$5,092,348
	Sales tax exemption, renewable energy sys.	84	345	\$383,474

Note: For columns with zeros, the data might be non-discloseable, not utilized or not reported. For annual report incentives, the tax savings will be zero because this amount is not included on the report.

Important: Not all tax preferences require businesses to file a survey or report. There are close to 700 incentives available in Washington state. The 2016 Exemption Study provides a comprehensive look at each incentive and can be found at:

http://dor.wa.gov/content/aboutus/statisticsandreports/2016/Tax_Exemptions_2016/Default.aspx

The Department continues to utilize data visualization software to allow users to review the data in a simple manner. To see the entire visualization, click on this link:

http://dor.wa.gov/content/aboutus/statisticsandreports/Stats_Descriptive_Data_Visualization.aspx



Surveys are required by taxpayers who utilized tax preferences listed below. The surveys are due by May 31st the year after the incentive was utilized. The Department is required to compile the data and annually publish an analysis by December 31st.

Information provided

Participants in the survey incentive programs are asked to provide the following information regarding the activities the calendar year prior to the survey due date:

- The amount of tax preference claimed;
- The firm's number of employment positions (full-time, part-time or temporary);
- The number of employment positions by specified wage bands; and
- The number of employment positions with medical, dental and retirement benefits.

In addition, a few incentives require firms to report the number of new products or research projects developed and the number of new patents, copyrights and trademarks.

Limitations of deferral amounts

With the current publication, there are three things the reader should be aware of when interpreting deferral data.

Repeated reporting

It is important to note that deferral amounts reported for the sales tax deferrals are not additive over time. This is due to the requirement for firms to submit survey information for completed projects initially in the year after the project is complete, plus surveys in each of the following seven years. The following example shows how deferral amounts are reported on the survey.

Example:

A taxpayer has a project that is operationally complete in 2008. Assume the Department of Revenue audits and approves the project for \$10,000 of deferred sales tax. In this case, by March 31, 2009, the taxpayer completes the survey with \$10,000 entered as the total sales tax deferred for that project. This \$10,000 is entered in the survey again for each of the next seven years.

Assume further that in 2009 this taxpayer has another project completed and approved for \$5,000 of deferred sales tax. This means starting with the survey due on March 31, 2010, the taxpayer enters \$15,000 (sum of both projects) as the total sales tax deferred.

If these two projects are the only ones this taxpayer has, the final survey required of the taxpayer will be for the second project only and \$5,000 is entered as the total sales tax deferred. This is because the survey requirement for the first project ended the previous year, so its \$10,000 of deferred sales tax is excluded from the final survey.

Deferral amounts contain estimates

Through Calendar Year 2010, the deferred tax amounts reported on the surveys were exclusively from the Department of Revenue verified audit of projects. Starting with the survey for Calendar Year 2011, the deferred tax amounts include estimated tax based on information from the deferral applications, as provided by taxpayers (if the audit was not final) and actual amounts from completed audits. For a project, the estimate may differ significantly from the actual. Hence, deferral amounts in the current publication may not be comparable to those in past, or future, publications.

Completed projects only

The data in the surveys, as reported in this publication, include only projects which have been operationally completed. The figures reported do not include projects for which application has been made but which are not yet completed.



Tax incentives requiring an annual survey

Business and occupation (B&O) tax rate reduction

- Aerospace FAR part 145 repair stations
- Aerospace manufacturers
- Aerospace product development
- Aluminum smelters
- Solar energy systems manufacturers or wholesalers
- Timber industry

B&O or public utility tax (PUT) deductions and exemptions

- Aerospace computer, software, and peripherals sales & use tax exemption
- Aerospace leasehold excise tax exemption for superefficient airplane manufacturers
- Aerospace manufacturing site sales & use tax exemption
- Aerospace personal property tax for superefficient airplane manufacturers
- Agricultural crop protection products
- Aluminum smelters use tax exemption for compressed/liquefied natural gas
- Dairy products B&O tax deduction
- Data center sales & use tax exemption
- Fruit and vegetable businesses B&O tax exemption
- Public research university machinery and equipment sales & use tax exemption
- Renewable energy equipment sales & use tax
- Seafood product businesses B&O tax exemption
- Semi-conductor sales & use tax exemption
- Solar energy systems manufactures or processors sale & use tax exemption

B&O tax credit

- Aerospace preproduction expenditures
- Aerospace property and leasehold excise taxes
- Aluminum smelters property tax
- Aluminum smelters sales & use tax
- Customized employment training credit

Sales & use tax deferrals

- Biotechnology and medical device manufacturing
- Agricultural (fruit and vegetable processors, manufacturers of dairy or seafood products) and cold storage warehouse
- High technology
- High unemployment county
- Rural county



Reports are required by taxpayers utilizing the tax preferences listed below. The reports are due by May 31st the year following the year in which the incentive was taken. The Department is required to compile the data and annually publish an analysis by December 31st.

Information provided

Participants in the report incentive program do not have to provide the amount of tax benefit received. They are asked to provide the following information for the report year:

Employment by wage bands and occupation;

- The number of employment positions (full-time, part-time or temporary); and
- The number of employment positions with medical and retirement benefits.

Also, some of the program participants must indicate the quantity of products produced during the year.

Tax incentives requiring an annual report

Business and occupation (B&O) tax rate reduction

- Aerospace FAR part 145 repair stations
- Newspaper industry

B&O and public utility tax deductions and exemptions

- Government-funded mental health services
- Electrolytic processing industry
- Data center sales & use tax exemption

Sales and use tax deferrals

- Aerospace manufacturer incentives
- Aerospace non-manufacturer Incentives
- Aluminum smelter incentives
- Semiconductor industry