

Economic Sense - Senator John Braun **Tax Parity for Manufacturing (SB 6542):**

A vital step to protect more than 200,000 family-wage jobs in Washington.

Bottom line up front:

In 2000, a quarter of a million Washingtonians had family wage manufacturing jobs outside of Boeing.

Since then, nearly 50,000 of those jobs have disappeared.

The state gives the largest manufacturer, Boeing, a much lower tax rate than smaller companies. Small- and mid-sized manufacturers typically pay a tax rate 40% higher than Boeing, whose employment remains nearly at turn of century levels.

The policy of lower rates has saved Boeing jobs in Washington.

Now the question is whether the smaller manufacturers should be granted the same rate as Boeing so we can stem the loss of family-wage jobs throughout the state.

In 2017, the Legislature said “yes” in strong bipartisan fashion, but Governor Inslee vetoed the tax levelling bill for manufacturers.

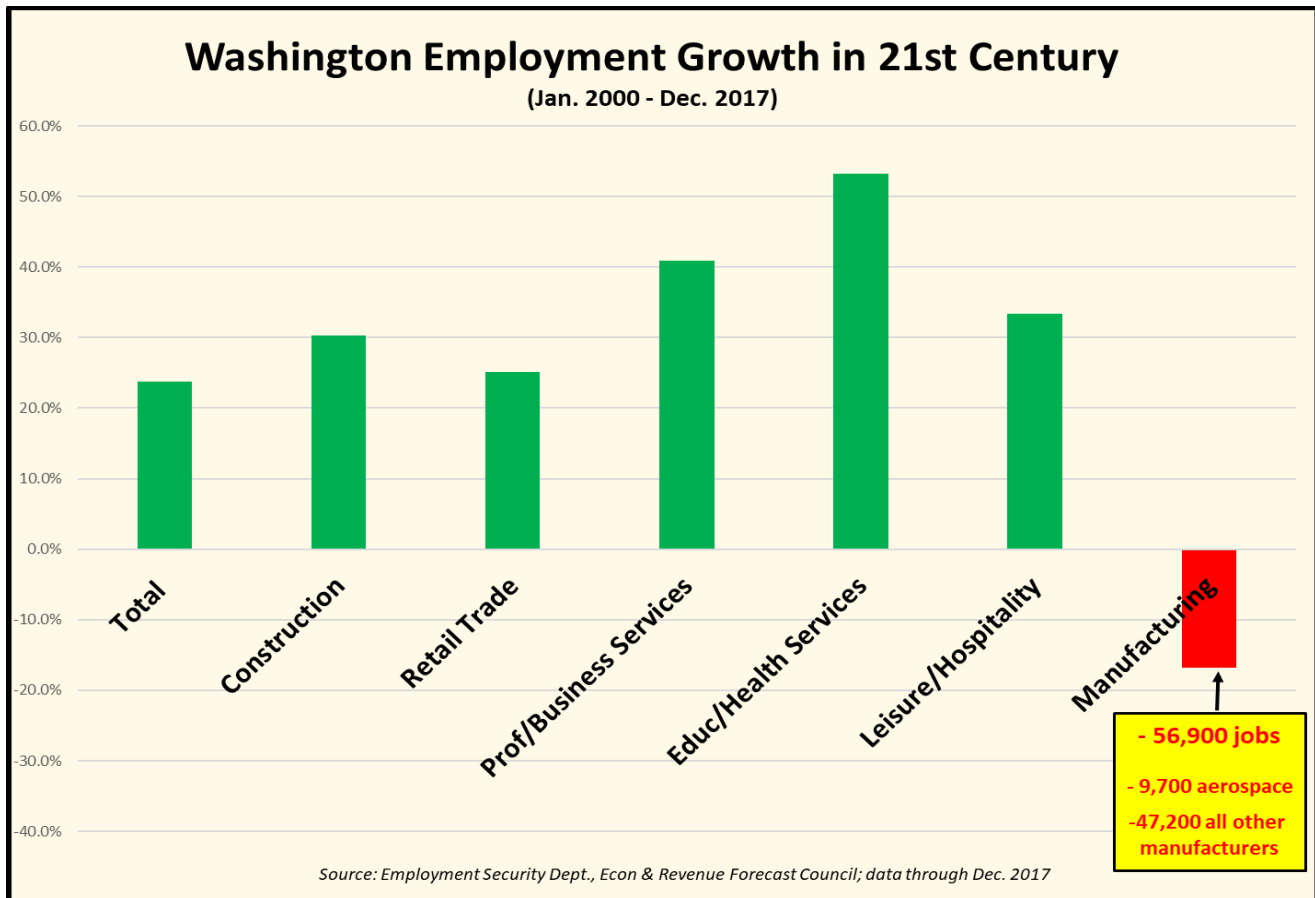
"They got caught with their hands in the cookie jar."

- Gov. Jay Inslee (August 1, 2017), characterizing Republicans' push for manufacturing B&O tax parity.¹

This is a crisis. In what other area would the loss of almost 50,000 family-wage jobs be tolerated without a significant policy response? This is why the Legislature in a strong bipartisan vote enacted tax parity last session. The governor's dismissive and demeaning rhetoric regarding his veto is unbecoming of the office, ignoring the plight of workers and business owners throughout our state. It is even more galling since he championed the tax rate for Boeing that he vetoed for other manufacturers.

The 200,000 hard-working employees in this industry, which is often the hub of their local community, deserve better. We all do.

A. Job loss -- industry in decline




Entering the 21st century, manufacturing was the largest employer within these classifications. It now trails all of those industries except construction.²

B. Manufacturing typically amongst highest paying jobs in community

County	Manufacturing Average Salary	Countywide Average Salary	% Difference	\$ Difference
Statewide	\$74,632	\$59,090	126%	\$15,542
Adams County	\$50,966	\$37,308	137%	\$13,658
Asotin County	\$40,398	\$35,710	113%	\$4,688
Benton County	\$55,683	\$52,587	106%	\$3,096
Chelan County	\$44,189	\$37,480	118%	\$6,709
Clallam County	\$46,403	\$37,510	124%	\$8,893
Clark County	\$56,387	\$48,852	115%	\$7,535
Cowlitz County	\$66,616	\$45,759	146%	\$20,857
Douglas County	\$44,197	\$35,188	126%	\$9,009
Franklin County	\$40,893	\$38,168	107%	\$2,725
Grant County	\$52,026	\$38,573	135%	\$13,453
Grays Harbor County	\$51,623	\$38,053	136%	\$13,570
Island County	\$52,940	\$37,297	142%	\$15,643
Jefferson County	\$55,597	\$36,831	151%	\$18,766
King County	\$86,298	\$76,828	112%	\$9,470
Kitsap County	\$46,591	\$48,439	96%	-\$1,848
Kittitas County	\$37,198	\$38,968	95%	-\$1,770
Klickitat County	\$80,243	\$46,327	173%	\$33,916
Lewis County	\$51,819	\$39,018	133%	\$12,801
Lincoln County	\$19,416	\$35,077	55%	-\$15,661
Mason County	\$44,963	\$38,272	117%	\$6,691
Okanogan County	\$35,375	\$30,839	115%	\$4,536
Pacific County	\$35,958	\$33,906	106%	\$2,052
Pend Oreille County	\$75,694	\$46,436	163%	\$29,258
Pierce County	\$61,661	\$47,847	129%	\$13,814
San Juan County	\$39,658	\$33,871	117%	\$5,787
Skagit County	\$63,993	\$44,191	145%	\$19,802
Skamania County	\$43,889	\$35,677	123%	\$8,212
Snohomish County	\$92,377	\$57,443	161%	\$34,934
Spokane County	\$52,286	\$44,782	117%	\$7,504
Stevens County	\$46,920	\$36,444	129%	\$10,476
Thurston County	\$52,530	\$47,809	110%	\$4,721
Wahkiakum County	\$28,384	\$34,200	83%	-\$5,816
Walla Walla County	\$50,577	\$41,255	123%	\$9,322
Whatcom County	\$60,084	\$43,233	139%	\$16,851
Yakima County	\$44,761	\$36,665	122%	\$8,096

* Columbia, Ferry, Garfield, Whitman excluded to avoid disclosure of data for individual employer.

Source: ESD



In addition to being a source of well-paying jobs, manufacturing has a high multiplier effect on the economy, estimated at 2.93. That means for every 100 manufacturing jobs, 293 other jobs are created. This is higher than virtually any other industry in the state, and it is due to (1) the large number of suppliers critical to manufacturing processes, and (2) spending by well-compensated manufacturing workers.³

C. Parity for all manufacturers is the right policy

The governor championed, and called a special session, for Boeing to continue its .2904% tax rate, to ensure its ability to sustain operations in Washington and remain a vital source of high-paying jobs in our state for decades to come.⁴ And you know what? **It was the right decision.**

The loss of nearly 50,000 high-paying non-aerospace manufacturing jobs indicate that it's time for parity with other manufacturers. That's before factoring in manufacturing's high multiplier effect and even greater impact on the loss of indirect jobs.

SB 6542 would phase-in over four years, achieving parity with Boeing in January 2022 (almost twenty years after the policy was granted to Boeing). This is identical in substance to the policy that passed with broad bipartisan support last session, achieving more than two-thirds support in each chamber.

D. Fiscal impact: already paid for in the underlying budget

The fiscal impact of the policy, due to the phase-in, is under \$100 million over the four-year budget outlook. But this is not a new cost to the budget. The Legislature passed a budget last year that already incorporated this cost into its balanced budget projection. And guess what? Since the Legislature adjourned, forecasted state revenues have increased by more than \$1 billion.⁵

And, long-term, once the parity policy has been implemented fully it's expected to save manufacturers in our state \$80 million a year - money they are almost certain to re-invest in operations in the form of increased capital investments, expanded production, more employees, and higher wages.

Bottom line:

In what other area would policymakers simply let 50,000 high-paying, family-wage jobs that are vital to their local communities simply disappear from the state without taking an appropriate policy response?

Nowhere.

Yet that is what has happened in our state.

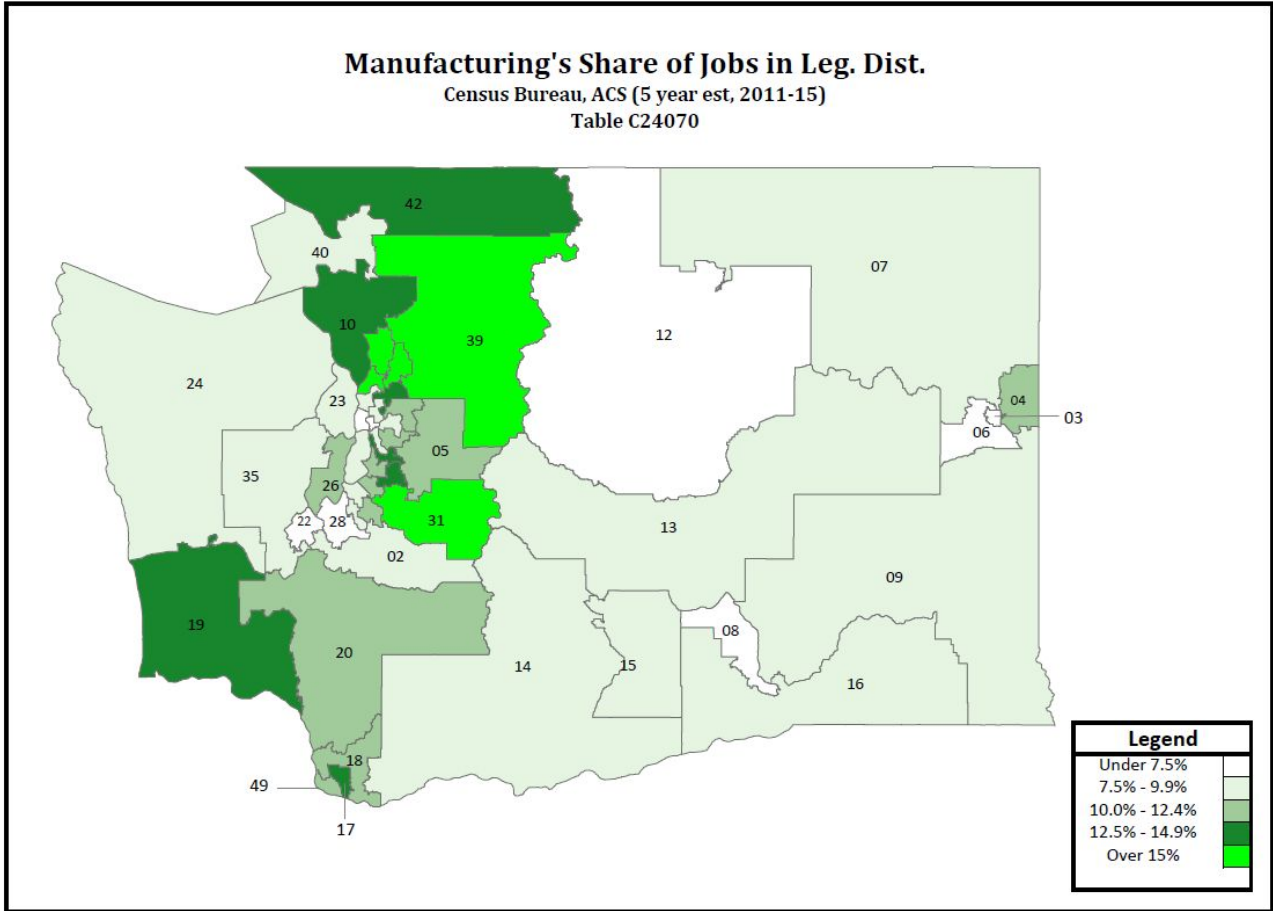
The time to act is past due. The Legislature should again pass tax parity for all manufacturers in this state to help protect, maintain and hopefully expand this critical sector of our economy. And the governor, who rightly championed efforts to keep Boeing in our state, should sign into law legislation giving other Washington manufacturers equal treatment under the law.

FOOTNOTES & APPENDIX

1. Gov. Inslee Interview (August 1, 2017, 4:45 into interview)
<http://www.thenewstribune.com/news/politics-government/article164739047.html>
2. US Bureau of Labor Statistics, WA Employment Security Dept., ERFC
3. Washington Research Council, “Rebalancing Priorities: The Case for Manufacturing Jobs, Part I” (Sept. 2017)
4. The Governor proposed SB 5952 during a special session in Nov. 2013 to retain the .2904 tax rate for Boeing. <https://aor/billsummary/default.aspx?Bill=5952&year=2013>
5. The post-session forecasts raised revenue projections through 2019-21 by \$1.048 billion (\$534 M in Sept. & \$514 M in November).



	Employment in thousands		
	2000	2017	Change
Manufacturing	337.9	280.9	-56.9
Education & health services	316.9	485.7	168.8
Retail trade	314.1	392.8	78.7
Professional & business services	298.8	421	122.2
Leisure & hospitality	250.6	334.1	83.5
Construction	158.2	206	47.8



Manufacturing's Share of Jobs in Leg. Dist.

Census Bureau, ACS (5 year est, 2011-15)

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