



Legislation One Pager

SB 5721 - Authorizing a business and occupation tax credit to incentivize private sector investment in advanced aerospace manufacturing training and education

THE CHALLENGE

Washington state does not provide a consistent benefit for private sector employers to invest in the training and upskilling of current and future talent.

Demand for qualified talent in production occupations has doubled in Washington state compared to pre-pandemic levels. Yet posted positions remain open for months as businesses turn down new contracts and new opportunities for revenue growth.

Washington's existing education and training programs are producing skilled talent, but not enough Washingtonians are choosing careers in aviation and advanced manufacturing.

Aviation and advanced manufacturers cannot meet the state's goal to double manufacturing in 10 years with the current training and education pipeline in Washington state.

THE SOLUTION

Together, aerospace and advanced manufacturers request a new tool to unlock millions of dollars in private investments in training and education programs in Washington state. The Aviation and Advanced Manufacturing Training Tax Credit would incentivize employers to directly invest in right-size programs to train and upskill their current and future employees.

The Aviation and Advanced Manufacturing Tax Credit will:

- Unlock a new source of revenue for training and education programs to meet the evolving needs of aviation and advanced manufacturers;
- Provide a financial resource for qualifying aviation and advanced manufacturing businesses that invest in the training and upskilling of their current and future workers;
- Decrease the financial burden of education and training on Washingtonians that seek a family-wage career in aviation and advanced manufacturing;

HOW IT WILL WORK

- Qualifying businesses engaged in aviation or advanced manufacturing in Washington state can claim the full cost of training and upskilling current and future workers against their annual Business & Occupation tax revenue.
- Qualifying aviation businesses support air and space travel, aviation or aerospace hardware or software, aviation maintenance, repair or overhaul, or supply parts or services to the aviation or aerospace industry, or relate to aviation industry research and development of aerospace technologies and systems.
- Qualifying advanced manufacturers are those that use innovative technologies to create existing products and the creation of new products, including production activities that depend on information, automation, computation, software, sensing, and networking.
- Eligible costs include but are not limited to:
 - Wages and benefits of employees directly engaged in training and upskilling current or future workers;
 - Wages and benefits of employees engaged in paid internships and apprenticeship programs;
 - Scholarships for tuition costs of aviation and advanced manufacturing training programs, including but not limited to public and private short-term credentials and certificates, associates and bachelors degrees; and continuing education;
 - Purchase, operations, and maintenance of equipment and materials used in training and upskilling current and future workers.

THE IMPACT

- Public training programs will gain a direct relationship with private sector employers, shortening the feedback loop on in-demand skills, increasing program enrollments, and unlocking a new revenue source for program growth.
- Employers will better recruit and retain talent by offering paid on-the-job training and tuition for training and education programs.
- Employees will avoid student loans

EXAMPLES

- A clean energy engine manufacturer provides scholarships for high school youth participating in an electro-mechanical technician training program at the local Skills Center.
- An aviation engineering and certification firm uses the tax credit to hire an Internship Coordinator and begin a paid internship program at their business.

- A plastics manufacturer pays for the program cost of upgrade training that helps his employees be eligible for management positions, promotions, or pay increases.

Q&A

- How is this program different from the Job Skills Program or Customized Training Program?
 - JSP and CTP are critical training resources for Washington employers, but limits training activities to those provided by community or technical colleges. As well, the program can only be accessed twice within a five-year period, leaving employers without a consistent opportunity to invest in the training and upskilling of current and future employees.
- How much private sector funding could be deployed?
 - The amount of funding depends on the amount of revenue reported in each fiscal year. For example, aerospace advanced manufacturing suppliers were subject to a total \$32.4 million in annual B&O tax in 2018 – the last banner year for the global aviation industry. During the pandemic, aerospace advanced manufacturing suppliers were subject to \$6.4 million in B&O tax in 2020. Employers in 2018 could have spent up to \$16 million on training and education programs. In 2020, they could have spent a total of \$3.2 million.

50% B&O Training Tax Credit for Aerospace Advanced Manufacturers			
B&O Tax Credit Amount	Number of Employers	Total Amount	Average Amount
\$0-\$10,000	220	\$620,000	\$2,800
\$10,000 - \$20,000	46	\$683,207	\$14,800
\$20,000-\$50,000	61	\$1,932,500	\$31,680
\$50,000 - \$100,000	36	\$2,400,000	\$67,000
\$100,000+	39	\$10,587,500	\$271,475
TOTAL	402	\$16,000,000	\$77,500

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