

Boeing's investment in Washington grew to \$13.5 billion in 2016

Savings from state aerospace tax incentives, however, decreased to \$242 million, \$63 million less than 2015



Airplanes being prepped for delivery stand in the shadow of Mt. Rainier outside the Boeing Delivery Center in Seattle, WA (Craig Larsen)

Boeing invested more than \$13.5 billion in Washington in 2016, confirming the value the state and taxpayers receive from Boeing's presence in the state, according to a report Boeing just filed with the Washington Department of Revenue. The total is an increase from the \$13 billion Boeing invested in Washington in 2015.

"The \$13.5 billion Boeing spent in Washington last year reaffirms that the aerospace tax incentives are working as envisioned by our state leaders, whose goal was to make Washington more attractive and competitive for the industry," said Bill McSherry, vice president of Government Operations, Boeing Commercial Airplanes. "Even as Boeing takes steps to maximize efficiency and minimize costs in an extremely competitive global market, we continue to invest in our future here."

Boeing's 2016 investment comprises billions of dollars for payroll, supplier purchases and capital investments in Washington. This includes significant expenditures tied to the new 777X facilities, a direct result of Washington's aerospace incentives.

It also includes hundreds of millions of dollars Boeing paid in state and local taxes, more than \$32 million in community contributions and nearly \$35 million in college tuition for Boeing employees in Washington. Nearly half of Boeing's employees worldwide reside in Washington state.

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As a result of the investments, Boeing reported \$242 million in savings in 2016 via the Washington aerospace tax incentives. While these savings are significant, they are \$63 million less than what was realized in 2015, in part due to a reduction in pre-production and development activities as development programs such as the 737 MAX have matured.

Specifics of the incentive savings include:

- Based upon continued robust airplane deliveries in Washington, Boeing reported a Business & Occupation, or B&O, tax rate reduction of \$100 million.
- Based upon Boeing's investment of billions of dollars in qualified pre-production and development activity, Boeing reported a B&O Pre-Production tax credit of \$82 million.
- Based upon hundreds of millions of dollars spent on construction materials, Boeing reported a Sales & Use tax exemption on construction materials of \$23 million.

The value of Boeing's ongoing operations and future development is further multiplied by the investments made throughout Boeing's supply chain, the money spent by Boeing employees and the work performed by Boeing's charitable partners in the community, explains McSherry.

Boeing's capital investments in Washington include upgrades to the Renton site to facilitate 737 rate increases and 737 MAX production, modifications and improvements for additive manufacturing processes and equipment at multiple sites, groundbreaking for a Workforce Readiness Center in Auburn, and ongoing 777X infrastructure additions.

Boeing's efforts to maximize efficiency and reduce costs include working to reduce non-labor costs, improve productivity, eliminate layers of management and, when absolutely necessary, reduce headcount. Through 2016, Boeing largely succeeded in minimizing layoffs, instead focusing on attrition and voluntary departures from the company.

More than 500 Washington companies used the Aerospace Tax Incentives in 2016. 