

# \$40 million and counting...

## *The Sales Tax Exemption for Purchases of Manufacturing Equipment*



In 2004, the Legislature enacted a sales tax exemption for purchases of manufacturing equipment in an effort to encourage manufacturers to locate in Wyoming and/or expand existing Wyoming operations. The exemption was set to expire in 2010 and should be allowed to do so.

Thanks to reporting requirements advocated by the Equality State Policy Center, we know that this exemption has cost Wyoming approximately \$40 million to date.

These same reports also tell us that the exemption has been utilized primarily by existing Wyoming manufacturers upgrading their equipment. Further digging reveals that refineries have been the biggest beneficiaries.

There is no evidence to suggest that the tax break has

- enabled purchases of equipment that would not have been made in any case;
- sustained or increased the number of people employed by Wyoming manufacturers;
- attracted manufacturers from other locations.



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## What Else the Data Tell Us: Gender Wage Gap

The graph below shows the gender wage gap in the manufacturing sector as shown by the tax break reporting.

Since these data were collected by surveying employers and are not tied to nationally-recognized job codes that would more clearly define job categories and responsibilities, they are not definitive.

However, there is enough information to raise some red flags. The gap remained substantial even in the administrative/clerical category where female employees outnumbered male employees by about 2.5 to 1.

It's possible that 423 women are so much less qualified than 157 men that they should be making an average wage of \$6.50/hour less. But it doesn't seem likely, so the data suggest that further research on gender wage gap is warranted.

## Responsible Financial Stewardship

The Wyoming Legislature spends considerable time on agency budgets. The same attention should be given to the tax exemptions and exclusions that reduce revenues to state and local governments.

For a given level of spending, every tax break means that the taxes are paid by someone else; so we all have an interest in making sure that tax breaks pay for themselves or are justified by some other important societal goal.

The \$7.4 million lost from the tax exemption for purchases of manufacturing equipment just during the last fiscal year (out of the \$40 million to date) would make a big difference in the next biennial budget, not only for the state but also local governments, which share sales tax revenues.

The exemption has produced nothing worth that much money. It's time to let it go.

**FY 2008 Manufacturing Gender Wage Gap**

