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**Wood Products Manufacture Study**

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January 15, 2015

**Act 174, Sec. 34. WOOD PRODUCT MANUFACTURE STUDY**

The Secretary of Commerce and Community Development, in consultation with the Department of Taxes, shall study and recommend economic and tax incentives to ensure wood products manufacturers remain in Vermont, and that they thrive in Vermont. The Secretary shall report his or her findings and recommendations to the Senate Committee on Finance and the House Committee on Ways and Means on or before January 15, 2015.

**I. Background**

Over the past decade, the primary tax incentive aimed specifically at wood products manufacturers in Vermont has been the “WOOD PRODUCTS MANUFACTURE TAX CREDIT” (hereafter WPM Tax Credit), which was authorized from July 1, 2005 to December 31, 2013 (32 V.S.A. § 5930y). The WPM Tax Credit was repealed effective January 1, 2014, and was replaced during the 2014 legislative session by the WOOD PRODUCTS MANUFACTURE INCENTIVE (hereafter WPM Incentive) (Sec. E.100.6 of Act 179), which took effect retroactively on January 1, 2014, to apply to tax year 2014. Please see appendices for full statutory language of each. The goal of this report is to provide context for and analysis of the prior WPM Tax Credit and the existing WPM incentive. Regarding any more prospective or comparative policy research and analysis, it is the ACCD’s recommendation (see Section III) that we wait until completion of the Working Lands Enterprise Initiative’s systems analysis of the Vermont forest and wood products industry to pursue such next steps.

**a. Definitions**

Eligibility for the WPM Tax Credit (2005 – 2013) was limited to:

“Any two adjacent counties having at least five percent of their combined jobs provided by employers that manufacture finished wood products and having the highest combined unemployment rate in the state for at least one month in the previous calendar year.”

In contrast, eligibility for the WPM Tax Incentive (2014) was *changed* to:

“Any two adjacent counties having at least *four* percent of their combined jobs provided by employers that manufacture finished wood products and having the highest combined unemployment rate in the state for at least one month in the previous calendar year.”

Furthermore, whereas the WPM Tax Credit enabled eligible employers in eligible counties to claim a “tax credit against their income tax liability”, the WPM Incentive now authorizes a “*payment* against income tax liability,” for which \$150,000 was appropriated in FY 2015. However, regardless of the credit or payment mechanism, both the WPM Tax Credit (2005 – 2013) and the WPM Incentive (2014) have consistently been limited to a total amount not higher than “two percent of the wages paid in the taxable year by an employer for services performed in the designated counties associated with the manufacture of finished wood products.” Further requirements that are consistent between the WPM Tax Credit and the WPM Incentive include that the credit or incentive “not exceed 80 percent of the income tax liability of the employer” and that the business not relocate “outside of the designated counties.”

**b. History of WPM Tax Credit: Eligible Counties**

During the five years (2009 – 2013) that the Vermont Department of Labor (VDOL) has provided documentation of their eligibility determinations for the WPM Tax Credit, the two counties with the highest combined unemployment rates in the state have always been **Essex** and **Orleans**. In 2009, 2010, and 2011, the combined employment in the manufacture of finished wood products between the two counties was always determined to meet the 5 percent threshold specified in statute. However, in 2012, the combined employment in the manufacture of finished wood products between Essex and Orleans fell to 4 percent, thus making no employers eligible for the WPM Tax Credit in 2013 (eligibility for a given tax year is based on labor data from the prior year). In 2013, combined employment met the 4 percent eligibility threshold for the 2014 WPM Incentive. Please see appendices for full VDOL determinations.

<b>Labor Data Year/Tax Year</b>	<b>Essex/Orleans combined % employed in Finished Wood MFG</b>	<b>Statutory combined employment % threshold</b>	<b>Statutory Threshold Met?</b>
2013/2014	4%	4%	Yes
2012/2013	4%	5%	No
2011/2012	5%	5%	Yes
2010/2011	5%	5%	Yes
2009/2010	6%	5%	Yes
Source: VDOL			

### **c. Fiscal History of the WPM Tax Credit**

Over the eight years from 2005 – 2012, the total amount of state money invested in the WPM Tax Credit (in terms of tax revenue foregone) was \$860,800, for a mean average annual cost of \$107,600. During the 2014 legislative session, \$150,000 was appropriated for the WPM Incentive from the General Fund for fiscal year 2015. From 2005-2007, the credit was claimed by a single employer. In 2010, a second wood products manufacturing company also began claiming the credit.<sup>1</sup>

<b>Tax Year</b>	<b>Actual</b>
2005	\$151,000
2006	\$327,000
2007	\$289,600
2008	\$0
2009	\$0
2010	\$26,200
2011	\$54,000
2012	\$13,000
Source: Legislative Joint Fiscal Office	

## **II. Broader Context**

### **a. Strategic Importance of the Wood Products Sector to the Northeast Kingdom**

In 2011, Economic & Policy Resources, Inc. prepared the comprehensive report, “Strategic Industries in the Northeast Kingdom,” for the Northeastern Vermont Development Association

<sup>1</sup> Source: Joint Fiscal Office. Note: For confidentiality reasons, JFO and the Department of Taxes do not release the specific identity of claimants.

<sup>2</sup> Note: As allowed under statute (see Appendices A & B), the WPM Tax Credits may have been applied or taken in a different tax year than the year in which they were originally claimed. Specifically, “The credit shall be available to the employer in any year the counties qualify and for one year after a qualification ends.”

(NVDA). Across the three counties that comprise the Northeast Kingdom (NEK)—Essex, Orleans, and Caledonia—the report identifies six industry clusters of particular importance, listed here in order of (total employment) in 2009: Biomedical/Biotechnical (1,599 jobs); **Forestry & Wood Products (1,451)**; Visitors & Tourism (976); Education & Knowledge (934); Metals & Machinery (831); and Agribusiness & Food Processing (654).<sup>3</sup>

While employment in the Biomedical/ Biotechnical cluster grew from 2001 to 2009, both in the NEK and nationally, employment in the Forestry & Wood Products sector saw a *42 percent decline* in the NEK, a contraction even more severe than the 29 percent decline the sector experienced nationwide over the same period.<sup>4</sup> For the wood products manufacturing sub-sector in particular, the 2001 – 2009 decline in employment in the NEK (-41%) was more pronounced than it was across the rest of Vermont (-36%).<sup>5</sup> Since 2009, the challenges facing wood products manufacturers have not abated. According to VDOL data, employment in Finished Wood Products in Orleans and Essex has declined by another 30 percent from 2009 to 2013, with an additional 210 jobs lost in the past four years.<sup>6</sup>

This decline in the Forestry & Wood Products sector has been especially problematic for the NEK. A commonly used method of assessing a town, county, or state's reliance on particular economic sectors is by way of location quotients. If a given sector in a region has a location quotient of 1, the same proportion of that region is employed in the sector as across the rest of the country. If a sector has a location quotient of 2, the share of regional employment in that sector is twice as high as the rest of the country, revealing particular regional dependence on that sector. In 2009, only two sectors in the NEK had location quotients of 2 or higher: "Agriculture, forestry, fishing & hunting" and "Manufacturing, durable."<sup>7</sup> Wood products manufacturing, of course, sits at the intersection of these two crucial sectors.<sup>8</sup>

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<sup>3</sup> "NVDA - Strategic Industries in the Northeast Kingdom." Economic & Policy Resources, Inc. June, 2011. Page 62.

<sup>4</sup> Ibid.

<sup>5</sup> Vermont Covered Employment and Wages, VDOL.

<sup>6</sup> See Appendix for VDOL "Finished Wood Products: Employment Share and Unemployment Rate by County" tables from 2009 and 2013. Note that this additional loss of jobs can primarily be attributed to the closure of one specific facility in 2011, which alone resulted in the loss of 225 jobs. Also, note that while the "Forestry and Wood Products" category used by EPR and the "Finished Wood Products" category used by VDOL differ somewhat in the parameters they use to define their sector analysis (specifically, the North American Industrial Classification System (NAICS) codes they decide to include), both the EPR and VDOL categories count the major sectors of Wood Products Manufacturing (NAICS code 321) and Furniture manufacturing (NAICS code 337) and tell the same general story.

<sup>7</sup> NVDA Strategic Industries Report, 26.

<sup>8</sup> Note: Though wood products manufacturing is specifically accounted for within "Durable Manufacturing," it is also, of course, heavily dependent on the health of the Forestry sector.

### **b. NEK Wood Products: A Vital Part of Vermont's Working Landscape**

When the Council on the Future of Vermont surveyed Vermonters in 2009, the highest ranked value statement identified was, "I value the working landscape and its heritage," which received near unanimous support across our state.<sup>9</sup> Recognizing that our working landscape is the backbone of Vermont's heritage and economic viability, the legislature created the Working Lands Enterprise Initiative to target investments in our agricultural and forest sectors. Furthermore, Vermont's statewide Comprehensive Economic Development Strategy (CEDS), recently identified Vermont's Forest Products sector as one of 12 target sectors for the state to focus its business support resources.<sup>10</sup>

The forestry and wood products industries in Essex and Orleans make up a vital part of our working lands economy. Aside from wood products manufacturing, Essex and Orleans rank first and second statewide for board feet of softwood harvested.<sup>11</sup> In fact, together they produce over a quarter of Vermont's total annual softwood harvest (and, combined with Caledonia County, the total NEK share is 37.6%).<sup>12</sup> Indeed, wood products manufacturing is part of a long and interdependent forest-based supply chain in the NEK that starts with landowners, foresters, and loggers and goes on to include truckers, log-buyers, sawmills, and more. Keeping wood manufacturing in the NEK is important not just for the direct employment it provides, but also for the way in which it supports the entire forest and wood products supply chain and Vermont's broader working lands economy.

### **c. Finished Wood Products Key to NEK Jobs**

In Essex County, a full twelve percent of workers are currently employed in finished wood products manufacturing; nearly quadruple the employment dependence on this sector as in any other Vermont county.<sup>13</sup> And taken together, Essex and Orleans are dependent on finished wood products manufacturing for a higher percentage of their total employment (4.34% combined in 2013) than any other two counties in the state.<sup>14</sup> No other two counties account for even half as high of a combined employment percentage in this sector. In 2013, the contiguous counties with

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<sup>9</sup> Imagining Vermont: Values and Vision for the Future: Final Report of the Council on the Future of Vermont, 2009. Page 55.

<sup>10</sup> Vermont 2020: Comprehensive Economic Development Strategy. 79.  
<http://accd.vermont.gov/sites/accd/files/VT%202020%20CEDS.pdf>

<sup>11</sup> Vermont 2013: Economic-Demographic Profile Series. Vermont Department of Labor.  
<http://www.vtlni.info/profile2013.pdf>, page 45. Note that Essex and Orleans do not, however, pace the state in the quantity of hardwood harvested. Our leading counties in that category are, in order, Windham, Rutland, and Windsor.

<sup>12</sup> Ibid.

<sup>13</sup> See Appendix for 2013 WPM determination by VDOL

<sup>14</sup> Ibid.

the next highest percentages of combined employment in finished wood products manufacturing were Essex and Caledonia (2.05%) and then Orange and Windsor (1.97%).<sup>15</sup>

However, whereas Orleans, Essex, and Caledonia have the first, second, and third highest county unemployment rates in Vermont (6.2%, 5.8%, and 5.3%, respectively, in 2013), Orange and Windsor have two of the lowest unemployment rates in the state, (4.2% and 4%, respectively) ranking 11<sup>th</sup> and 13<sup>th</sup> out of Vermont's fourteen counties in 2013.<sup>16</sup> In short, wood products manufacturing is facing both much greater challenges in the NEK compared to other parts of our country and state and is responsible for a far greater share of jobs in Essex and Orleans, as compared any other region of Vermont. It is for these interrelated and compelling reasons that the WPM tax credit first came into place. Given the persistence of these dual realities over the past nine years, the underlying rationale that initially led to the WPM Tax Credit is still very much applicable.

#### **d. Extenuating Demographic Characteristics of the NEK**

The percentage of people living in poverty in the NEK is consistently higher than Vermont as a whole.<sup>17</sup> While the poverty rate statewide in 2011 was approximately 12%, in Orleans and Essex counties it was approximately 18% and 17%, respectively.<sup>18</sup>

One of the many effects of high poverty rates is a requisite increase in government spending, which can be measured via transfer receipts for social services. From 1993 to 2013, transfer receipts to individuals in the NEK from governments increased by 7.3% per year, from \$288.3 million in 1993 to \$628.9 million in 2013 (both figures reported in 2013 dollars).<sup>19</sup> Viewed in comparison to these massive outlays, if one assumes that the WPM Incentive plays a role in keeping major wood products employers in the NEK, its \$150,000 price tag can be seen as an incredibly cost-effective investment in the fight to constrain persistently high NEK poverty rates.

Furthermore, educational attainment in the NEK is far lower than the rest of the state. Overall, 44 percent of Vermonters hold a college degree.<sup>20</sup> However, in Essex and Orleans those rates are only at 26 and 28 percent, respectively—again the two lowest levels in our state.<sup>21</sup> As a result,

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<sup>15</sup> Ibid.

<sup>16</sup> Ibid.

<sup>17</sup> NVDA Strategic Industries report, 43.

<sup>18</sup> Vermont 2013: Economic-Demographic Profile Series. Vermont Department of Labor. <http://www.vtmi.info/profile2013.pdf>, page 8.

<sup>19</sup> This figure includes retirement and disability benefits; medical benefits; income maintenance benefits; unemployment insurance compensation; veterans' benefits; and education and training assistance.

<sup>20</sup> [http://www.luminafoundation.org/publications/state\\_data/2012/Vermont-2012.pdf](http://www.luminafoundation.org/publications/state_data/2012/Vermont-2012.pdf)

<sup>21</sup> Ibid.

many workers in Essex and Orleans have few alternative, relatively well-paying employment opportunities beyond finished wood products manufacturing. For instance, many of the jobs in the NEK's other large economic sector—biomedical/ biotechnical—require college degrees or some other form of post-secondary training.

Because of skill mismatch, one cannot assume that a loss of jobs in the wood products manufacturing sector would be easily absorbed by a gain in other sectors. Indeed, the city of Newport in Orleans County was recently found to have the highest rate in Vermont of men aged 25-54 who are not working, at 55 percent.<sup>22</sup> Simply put, the wood products manufacturing sector is of critical importance to the NEK economy and provides employment for a key portion of its labor force—including for many of those remaining 45% of men in Newport aged 25-54 who *are* working.

***e. Unique Nature of the Wood Products Industry in VT and the NEK: The Importance of Ethan Allen***

The finished wood products industry in Vermont and the NEK is notable for the presence of a single employer that dwarfs its peers: Ethan Allen Interiors, Inc. With operations in both Orleans and Essex counties, Ethan Allen employs approximately 475 associates.<sup>23</sup> A large proportion of those 475 employees are included within the total of 492 Essex and Orleans residents employed in wood products manufacturing, as reported by VDOL in 2013.<sup>24</sup> Indeed, Ethan Allen reports that it employs residents from every one of the 21 towns and gores in Essex County and from 18 of the 19 towns in Orleans County, contributing to an overall self-reported count of 400 families across the entire NEK whose livelihood is provided by Ethan Allen. Ninety-eight of Ethan Allen's employees have worked for the company for more than 30 years and 21 are multigenerational employees.

<b>Employer</b>	<b>County</b>	<b>2014 Employment*</b>
Ethan Allen	Orleans	475
Columbia Forest Products	Orleans	180
Cersosimo Lumber Co.	Windham	168
Pompanoosuc Mills	Orange	135
National Hanger Co.	Bennington	110
New England Woodcraft Inc.	Rutland	103

\*Source: Vermont Business Magazine

<sup>22</sup> [http://www.nytimes.com/interactive/2014/12/12/upshot/where-men-arent-working-map.html?\\_r=2&abt=0002&abg=0#/8/43.7716/-73.5304](http://www.nytimes.com/interactive/2014/12/12/upshot/where-men-arent-working-map.html?_r=2&abt=0002&abg=0#/8/43.7716/-73.5304)

<sup>23</sup> Phone interview with Chet Greenwood, Ethan Allen Controller

<sup>24</sup> See Appendix C, 2013 WPM Tax Credit Eligibility Determination, VDOL

<sup>25</sup> As this data source relies on voluntary self-reporting, this table may be incomplete.

Because of its unique and critical position, it is important to understand the broad impact that Ethan Allen has on the NEK economy. Beyond its gross payroll of \$14 million and the additional \$2.5 million in health insurance benefits Ethan Allen provides, the company also makes direct payments to local businesses for goods such as gas, building supplies, office supplies etc.<sup>26</sup> These direct payments from Ethan Allen accounted for a self-reported total of \$2 million in 2014.<sup>27</sup> Ethan Allen also reports that it spends approximately \$1.825 million for electricity between its two NEK facilities, with its Orleans facility alone responsible for more than half the demand of the Orleans Electric Department.<sup>28</sup> And for our working lands economy, Ethan Allen helps support the regional logging industry. In the fiscal year ending on June 30, 2014, Ethan Allen purchased 1,079,260 board feet of wood sourced from within 100 miles of its facilities, or 29% of all logs purchased in that time frame. Overall, Ethan Allen says that it brings in a total of \$38 million in annual revenue to Northern Vermont, the full impact of which is further multiplied out across the regional and state economy.<sup>29</sup>

Evidence of the immense influence that Ethan Allen has on the NEK economy was starkly evident in 2009, when it made the decision to cease manufacturing operations at its Beecher Falls facility in Essex County, laying off 225 employees.<sup>30</sup> While the impacts of this closure rippled across the NEK economy in myriad ways both seen and unseen, some of the directly measurable outcomes included: the subsequent collection of unemployment benefits by previous employees, totaling just over \$5.7 million in 2009 and 2010; a decline in Vermont payroll taxes paid of \$228,750; and a halving of the share of Essex County residents employed in wood products manufacturing, down from 30 percent in 2009 to 15 percent in 2011.<sup>31</sup>

#### **f. Importance of the WPM Incentive to Ethan Allen**

A corporation with global operations, Ethan Allen is headquartered out of state. The manager of Vermont operations reports that the manufacturing location decisions made by headquarters depend in part on the continued existence of Vermont's WPM tax credit/ incentive because:

a) the WPM Incentive helps offset some of the energy costs of Ethan Allen's NEK operations, which are far higher than those of the corporation's other operations (\$210,000/month vs. \$80,000/month in North Carolina, as reported by Ethan Allen), and

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<sup>26</sup> Phone interview with Chet Greenwood, Ethan Allen Controller.

<sup>27</sup> Ibid.

<sup>28</sup> Ibid.

<sup>29</sup> Ibid.

<sup>30</sup> See <http://www.wcax.com/story/11006962/ethan-allen-ends-manufacturing-in-beecher-falls>

<sup>31</sup> Phone interview with Chet Greenwood, Ethan Allen Controller. Also see appendices E and G for employment decline.

b) Ethan Allen's out-of-state operations are reportedly currently under-capacity and could increase production if desired.<sup>32</sup>

The importance of Ethan Allen to the NEK is such that it is sometimes referred to as “the IBM [now Global Foundries] of the Northeast Kingdom.”<sup>33</sup> For Essex County in particular, that may be an understatement. Simply put, the loss of Ethan Allen to the local and state economy would be devastating, with likely costs to Vermont more than two orders of magnitude (100x) larger than those associated with the WPM Incentive.

### **III. Recommendations**

The Forest Committee of the Working Lands Enterprise Board, including staff from the Agency of Commerce and Community Development (ACCD), the Agency of Agriculture, Food and Markets (AAFM), and the Department of Forests, Parks, and Recreation (DFPR), are currently working with the independent consulting firm Yellow Wood Partners to conduct a systems analysis of the forest and wood products industry in Vermont. This comprehensive research project, to be completed in summer 2015, will include a market sector analysis, value chain mapping and gap identification, and a Forest Industry Systems Executive Summary. Thus far, the project has involved scores of in-person interviews with forest and wood products companies, a statewide industry survey, and four regional focus groups. It will provide a comprehensive analysis of the forest products industry in Vermont and provide valuable data which can be used to determine how the state can best support this industry going forward.

Because of this ongoing and as of yet incomplete research, it is the recommendation of ACCD that we wait to prepare a more comprehensive recommendation regarding “economic and tax incentives to ensure wood products manufacturers remain in Vermont, and that they thrive in Vermont” until the systems analysis of the Forest and Wood Products Industry is complete. This will help ensure that our recommendations will be as thorough, informed, and strategic as possible.

In the meantime, given the importance of wood products manufacturing to the NEK economy and the significant challenges that both the sector and the NEK are facing, it is the recommendation of the Agency of Commerce and Community Development that the WPM Incentive be extended for an additional year.

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<sup>32</sup> Ibid.

<sup>33</sup> Interview with Dave Snedeker, John Morley, and Jim Greenwood.

#### **IV. Sources**

The following people provided data or were interviewed for this report:

- Mat Barewicz, Vermont Department of Labor
- Sara Teachout, Legislative Joint Fiscal Office
- Chet Greenwood, Controller, Ethan Allen Interiors, Inc.
- Dave Snedeker, Director of the Northeast Vermont Development Association (NVDA)
- Jim Greenwood, Economic Development Specialist, NVDA
- John Morley, Village Manager of Orleans and President of NVDA

#### **V. Appendices**

- A) WPM Tax Credit Statutory Language (2005 – 2013)
- B) WPM Incentive Statutory Language (2014)
- C) 2013 WPM Tax Credit Eligibility Determination, VDOL
- D) 2012 WPM Tax Credit Eligibility Determination, VDOL
- E) 2011 WPM Tax Credit Eligibility Determination, VDOL
- F) 2010 WPM Tax Credit Eligibility Determination, VDOL
- G) 2009 WPM Tax Credit Eligibility Determination, VDOL

**Appendix A:**

# The Vermont Statutes Online

## **Title 32: Taxation and Finance**

### *Chapter 151: INCOME TAXES*

#### *Sub-Chapter 011I: Affordable Housing Tax Credit*

### **32 V.S.A. § 5930y. Wood products manufacture tax credit<sup>34</sup>**

[Section 5930y repealed effective January 1, 2014; shall apply to taxable years beginning on or after July 1, 2005 and no credit under this section shall be available for any taxable year beginning on or after January 1, 2014. See note below.]§ **5930y. Wood products** manufacture tax credit

(a) Definitions. The Secretary of Commerce and Community Development, annually on or before February 1, shall designate any two adjacent counties having at least five percent of their combined jobs provided by employers that manufacture finished wood products and having the highest combined unemployment rate in the state for at least one month in the previous calendar year. Upon making a designation, the Secretary shall send a written notice to the Commissioner of Taxes identifying the designated counties.

(b) A credit against the income tax liability is available as follows:

(1) A credit of two percent of the wages paid in the taxable year by an employer for services performed in the designated counties associated with the manufacture of finished wood products. The credit shall be available to the employer in any year the counties qualify and for one year after a qualification ends. As used in this section, "finished wood products" means wood products that are manufactured into the form in which they are offered for sale to consumers.

(2) The credit, either alone or in combination with any other credit allowed by this chapter, shall not reduce the income tax liability of the employer by more than 80 percent.

(3) The recapture of development incentives established in 3 V.S.A. chapter 47, subchapter 6 shall apply to the tax credits in this section, except that the provisions of subsection 2512(c) of that title shall not apply to a business relocation outside the designated counties. (Added 2005, No. 2 (Sp. Sess.), § 1, eff. June 22, 2005; amended 2011, No. 45, § 17a, eff. May 24, 2011.)

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<sup>34</sup> <http://www.leg.state.vt.us/statutes/fullsection.cfm?Title=32&Chapter=151&Section=05930y>

## **Appendix B:**

### Relevant sections from Act 179, 2014 Legislative Session<sup>35</sup>

#### Sec. B.1104 FISCAL YEAR 2015 APPROPRIATION: WOOD PRODUCTS MANUFACTURE INCENTIVE

(a) In fiscal year 2015, \$150,000 is appropriated from the General Fund to the Department of Finance and Management to implement the provisions of Sec. E.100.6 of this act.

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#### Sec. E.100.6 WOOD PRODUCTS MANUFACTURE INCENTIVE

(a) Definitions. The Secretary of Commerce and Community Development, annually on or before February 1, shall designate any two adjacent counties having at least four percent of their combined jobs provided by employers that manufacture finished wood products and having the highest combined unemployment rate in the State for at least one month in the previous calendar year. Upon making a designation, the Secretary shall send a written notice to the Commissioner of Finance and Management identifying the designated counties. The Commissioner of Finance and Management shall be responsible for making the payment under the provisions of this section. Notwithstanding 32 V.S.A. § 3102, the Commissioner of Taxes is authorized to disclose information to the Commissioner of Finance and Management necessary to implement this section.

(b) Payment. A payment against the income tax liability is available as follows:

(1) A payment of two percent of the wages paid in the taxable year by an employer for services performed in the designated counties associated with the manufacture of finished wood products. The payment shall be available to the employer in any year the counties qualify and for one year after a qualification ends. As used in this section, “finished wood products” means wood products that are manufactured into the form in which they are offered for sale to consumers.

(2) The payment, either alone or in combination with any other credit allowed by 32 V.S.A. § 5930y, shall not exceed 80 percent of the income tax liability of the employer.

(3) The recapture of development incentives established in 3 V.S.A. chapter 47, subchapter 6 shall apply to the payment in this section, except that the provisions of subsection 2512(c) of that title shall not apply to business relocation outside the designated counties.

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<sup>35</sup> <http://www.leg.state.vt.us/docs/2014/Acts/ACT179.pdf>

## Appendix C:

### Finished Wood Products Employment Share and Unemployment Rate by County - 2013

Request from Commerce and Community Development - Nov 24, 2014

re: Vermont Act 179 (H.885) Sec. E. 100.6 Wood Products Manufacture Incentive

"The Secretary of Commerce and Community Development, annually on or before February 1, shall designate any two adjacent counties having at least four percent of their combined jobs provided by employers that manufacture finished wood products and having the highest combined unemployment rate in the state for at least one month in the previous calendar year. "

Based on 2013 data, the pair of adjacent counties which meet the minimum 4% threshold of combined employment in manufactured finished wood products industries are Essex and Orleans.

Year	County	Total Covered Employment	Finished Wood MFG*		Unemployment Rate
			employ	% emp	
2013	Essex	999	120	12.0%	5.8%
2013	Orleans	10,329	372	3.6%	6.2%
2013	Orange	7,684	264	3.4%	4.2%
2013	Rutland	27,565	472	1.7%	5.1%
2013	Windsor	22,669	335	1.5%	4.0%
2013	Caledonia	10,973	125	1.1%	5.3%
2013	Addison	14,120	94	0.7%	4.1%
2013	Windham	21,932	84	0.4%	4.5%
2013	Bennington	16,963	61	0.4%	5.1%
2013	Washington	31,606	100	0.3%	4.3%
2013	Chittenden	99,167	120	0.1%	3.5%
2013	Grand Isle	1,122	1	0.1%	4.8%
2013	Lamoille	11,374	5	0.0%	4.9%
2013	Franklin	16,763	5	0.0%	4.3%

\* Finished wood products include the following NAICS industries

- \* 32191 Millwork
- \* 321920 Wood Container and Pallet Manufacturing
- \* 321992 Prefabricated Wood Building Manufacturing
- \* 321999 All Other Miscellaneous Wood Product Manufacturing
- \* 337110 Wood Kitchen Cabinet and Countertop Manufacturing
- \* 337122 Nonupholstered Wood Household Furniture Manufacturing
- \* 337129 Wood Television, Radio, and Sewing Machine Cabinet Manufacturing
- \* 337211 Wood Office Furniture Manufacturing
- \* 337212 Custom Architectural Woodwork and Millwork Manufacturing

Source:	Vermont Department of Labor, Economic and Labor Market Information, Quarterly Census of Employment and Wages, Local Area Unemployment Statistics
Report by:	Richard Willey, ELMI Analyst, VDOL 12/5/2014

\*Note: The August 2014 fire at Rutland Plywood and its subsequent closure resulted in a loss of 70 full time jobs. Therefore, it is likely that the percentage of workers employed in finished wood manufacturing in Rutland County will decline next year.

## Appendix D:

### Finished Wood Products Employment Share and Unemployment Rate by County - 2012

Request from Commerce and Community Development - Dec 18, 2013

re: Vermont Statutes 32 VSA 5930y(a) Wood products manufacture tax credit

"The secretary of commerce and community development, annually on or before February 1, shall designate any two adjacent counties having at least five percent of their combined jobs provided by employers that manufacture finished wood products and having the highest combined unemployment rate in the state for at least one month in the previous calendar year. "

Based on 2012 data, there is no pair of adjacent counties which meet the minimum 5% threshold of combined employment in manufactured finished wood products industries.

Year	County	Total Covered Employment	Finished Wood MFG*		Unemployment Rate
			employ	% emp	
2012	Essex County	991	120	12.1%	7.2%
2012	Orleans County	10,301	383	3.7%	7.3%
2012	Orange County	7,551	206	2.7%	4.9%
2012	Rutland County	27,436	458	1.7%	6.0%
2012	Windsor County	22,622	259	1.1%	4.5%
2012	Caledonia County	10,872	121	1.1%	6.4%
2012	Addison County	13,901	90	0.6%	4.6%
2012	Windham County	21,871	98	0.4%	5.0%
2012	Washington County	32,275	133	0.4%	4.8%
2012	Bennington County	17,023	67	0.4%	5.9%
2012	Chittenden County	97,710	122	0.1%	4.0%
2012	Grand Isle County	1,175	1	0.1%	5.9%
2012	Lamoille County	11,072	4	0.0%	5.6%
2012	Franklin County	16,215	6	0.0%	4.7%

\* Finished wood products include the following NAICS industries

- \* 32191 Millwork
- \* 321920 Wood Container and Pallet Manufacturing
- \* 321992 Prefabricated Wood Building Manufacturing
- \* 321999 All Other Miscellaneous Wood Product Manufacturing
- \* 337110 Wood Kitchen Cabinet and Countertop Manufacturing
- \* 337122 Nonupholstered Wood Household Furniture Manufacturing
- \* 337129 Wood Television, Radio, and Sewing Machine Cabinet Manufacturing
- \* 337211 Wood Office Furniture Manufacturing
- \* 337212 Custom Architectural Woodwork and Millwork Manufacturing

source: Vermont Department of Labor, Economic and Labor Market Information,  
Quarterly Census of Employment and Wages, Local Area Unemployment Statistics  
report by: Richard Willey 12/18/2013

## Appendix E:

### Finished Wood Products Employment Share and Unemployment Rate by County - 2011

Request from Commerce and Community Development - Dec 21, 2012

re: Vermont Statutes 32 VSA 5930y(a) Wood products manufacture tax credit

"The secretary of commerce and community development, annually on or before February 1, shall designate any two adjacent counties having at least five percent of their combined jobs provided by employers that manufacture finished wood products and having the highest combined unemployment rate in the state for at least one month in the previous calendar year. "

Year	County	Total Covered Employment	Finished Wood MFG*		Unemployment Rate
			employ	% emp	
2011	Essex County	1,042	160	15.4%	7.6%
2011	Orleans County	9,895	348	3.5%	8.1%
2011	Orange County	7,467	198	2.7%	5.6%
2011	Rutland County	27,279	420	1.5%	6.7%
2011	Windsor County	22,616	267	1.2%	5.3%
2011	Caledonia County	11,008	130	1.2%	6.5%
2011	Addison County	13,801	101	0.7%	5.0%
2011	Bennington County	16,732	71	0.4%	6.5%
2011	Washington County	31,774	129	0.4%	5.4%
2011	Windham County	21,812	85	0.4%	5.7%
2011	Grand Isle County	1,150	4	0.3%	6.9%
2011	Chittenden County	95,589	122	0.1%	4.4%
2011	Franklin County	16,116	7	0.0%	5.6%
2011	Lamoille County	10,897	0	0.0%	6.4%

\* Finished wood products include the following NAICS industries

- \* 32191 Millwork
- \* 321920 Wood Container and Pallet Manufacturing
- \* 321992 Prefabricated Wood Building Manufacturing
- \* 321999 All Other Miscellaneous Wood Product Manufacturing
- \* 337110 Wood Kitchen Cabinet and Countertop Manufacturing
- \* 337122 Nonupholstered Wood Household Furniture Manufacturing
- \* 337129 Wood Television, Radio, and Sewing Machine Cabinet Manufacturing
- \* 337211 Wood Office Furniture Manufacturing
- \* 337212 Custom Architectural Woodwork and Millwork Manufacturing

source: Vermont Department of Labor, Economic and Labor Market Information,  
Quarterly Census of Employment and Wages, Local Area Unemployment Statistics

report by: Richard Willey 12/14/2012

**Appendix F:**

## Finished Wood Products Employment Share and Unemployment Rate by County - 2010

Request from Commerce and Community Development - Dec 13, 2011  
 re: Vermont Statutes 32 VSA 5930y(a) Wood products manufacture tax credit  
 "determine 2 adjacent counties with at least 5% combined employment in Finished Wood Products and highest combined unemployment rate"

Year	County	Total Covered Employment	Finished Wood MFG*		Unemployment Rate
			employ	% emp	
2010	Essex County	1,146	265	23.1%	9.1%
2010	Orleans County	9,701	256	2.6%	9.0%
2010	Rutland County	27,441	388	1.4%	7.3%
2010	Lamoille County	10,664	1	0.0%	7.3%
2010	Caledonia County	10,966	141	1.3%	7.1%
2010	Grand Isle County	1,194	0	0.0%	7.1%
2010	Bennington County	16,940	88	0.5%	7.0%
2010	Orange County	7,505	210	2.8%	6.1%
2010	Windham County	21,900	79	0.4%	6.1%
2010	Franklin County	16,338	8	0.0%	6.1%
2010	Washington County	31,750	117	0.4%	6.0%
2010	Windsor County	22,608	285	1.3%	5.9%
2010	Addison County	13,591	102	0.8%	5.9%
2010	Chittenden County	93,253	102	0.1%	5.0%

- \* Finished wood products include the following NAICS industries
- \* 32191 Millwork
  - \* 321920 Wood Container and Pallet Manufacturing
  - \* 321992 Prefabricated Wood Building Manufacturing
  - \* 321999 All Other Miscellaneous Wood Product Manufacturing
  - \* 337110 Wood Kitchen Cabinet and Countertop Manufacturing
  - \* 337122 Nonupholstered Wood Household Furniture Manufacturing
  - \* 337129 Wood Television, Radio, and Sewing Machine Cabinet Manufacturing
  - \* 337211 Wood Office Furniture Manufacturing
  - \* 337212 Custom Architectural Woodwork and Millwork Manufacturing

source: Vermont Department of Labor, Economic and Labor Market Information,  
 Quarterly Census of Employment and Wages, Local Area Unemployment Statistics

report by: Richard Willey 12/14/2011

## Appendix G:

Request from Commerce and Community Development

re: 5930y Wood products manufacture tax credit

Determine 2 adjacent counties with at least 5% combined employment in Finished Wood Products and highest combined unemployment rate

report by: Richard Willey 12/6/2010

source: Vermont Department of Labor, Economic and Labor Market Information, Quarterly Census of Employment and Wages, Local Area Unemployment Statistics

Year	County	Total Covered Employment	Finished Wood MFG* employ	% emp	Unemployment Rate	
2009	19	Orleans County	9,801	324	3.3%	9.4%
2009	09	Essex County	1,256	378	30.1%	9.2%
2009	21	Rutland County	27,576	427	1.5%	8.3%
2009	05	Caledonia County	11,078	98	0.9%	8.1%
2009	03	Bennington County	16,963	77	0.5%	8.0%
2009	13	Grand Isle County	1,133	2	0.1%	8.0%
2009	15	Lamoille County	10,527	1	0.0%	7.9%
2009	11	Franklin County	16,206	8	0.1%	6.9%
2009	23	Washington County	31,880	116	0.4%	6.6%
2009	25	Windham County	21,568	97	0.5%	6.6%
2009	17	Orange County	7,542	216	2.9%	6.5%
2009	01	Addison County	13,734	107	0.8%	6.4%
2009	27	Windsor County	22,907	330	1.4%	6.1%
2009	07	Chittenden County	92,078	93	0.1%	5.9%
2009	95	Unclassified by County	8,120			

\* Finished wood products defined by the following NAICS industries

- \* 32191 Millwork
- \* 321920 Wood Container and Pallet Manufacturing
- \* 321992 Prefabricated Wood Building Manufacturing
- \* 321999 All Other Miscellaneous Wood Product Manufacturing
- \* 337110 Wood Kitchen Cabinet and Countertop Manufacturing
- \* 337122 Nonupholstered Wood Household Furniture Manufacturing
- \* 337129 Wood Television, Radio, and Sewing Machine Cabinet Manufacturing
- \* 337211 Wood Office Furniture Manufacturing
- \* 337212 Custom Architectural Woodwork and Millwork Manufacturing