

# Financial Institutions' Income from Certain Airplane Loans

2019 JLARC TAX PREFERENCE REVIEW

Estimated 2021-23 beneficiary savings: \$2.1 million - \$3.4 million

Business and occupation (B&O) tax

## Preference provides B&O tax deduction to out-of-state financial institutions when they make loans to Washington-based commercial airlines

The loans must be used to **purchase commercial airplanes**. **Out-of-state lenders pay no B&O tax** on the interest and fees they earn from the loans they provide.

**Without the preference**, airline representatives indicate they would be required to reimburse lenders for B&O taxes during the life of the loan.



The Legislature enacted this preference in 2010.



The preference has no expiration date.

## Inferred objective achieved

Preference provides targeted financial relief to two Washington-based airlines and about 32 out-of-state financial institutions

### THE BENEFICIARIES ARE:

#### TWO AIRLINES

Alaska Airlines and Horizon Air Industries are the only commercial airlines headquartered in WA that have benefited to date.



## LEGISLATIVE AUDITOR'S RECOMMENDATION

### Clarify the intent and duration

If the preference is intended to provide targeted financial relief to Washington-based airlines, the Legislature should add a performance statement and determine whether the relief is meant to be permanent or time-limited.

The complete report is on the JLARC web site: [www.leg.wa.gov/jlarc](http://www.leg.wa.gov/jlarc)

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