

# Modifying Large Private Airplanes Owned by Nonresidents

2019 JLARC TAX PREFERENCE REVIEW

Estimated 2019-21 beneficiary savings: \$11.6 million

Sales and use tax

## Sales and use tax exemption for modification work performed on large airplanes owned by nonresidents



The Legislature enacted this preference in 2013.



The preference is scheduled to expire July 1, 2021.

Preference benefits **nonresident** airplane owners and **Washington businesses**.

This activity did not take place in WA before the preference was passed. After the preference passed, nonresidents started bringing airplanes to WA for modification work.

As of January 2019, **SEVEN AIRPLANES** have been or are currently being modified in WA.



Resulted in new jobs in Moses Lake and elsewhere in the state.

## Washington's experience suggests nonresident owners take their airplanes to places with no sales tax on airplane modifications

If preference expires,  
economic modeling tool estimates:

Statewide job losses ranging between  
**347 to 569 jobs**

State tax revenue losses ranging between  
**\$1.8 to \$3.3 million**

Economic modeling tool estimates preference had **negligible impact** on Washington's broader aerospace manufacturing industry.

## LEGISLATIVE AUDITOR'S RECOMMENDATION

### Continue and clarify

The Legislature should:

- Continue the preference by extending the expiration date before the preference expires on July 1, 2021.
- Clarify whether the objective of growing the broader aerospace manufacturing industry is relevant.

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

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