



PROPOSED STUDY QUESTIONS

# 2024 Tax Preference Review: Aerospace

Nine tax preferences benefit Washington aerospace industry

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Pete van Moorsel

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# Preferences benefit Washington's Aerospace Industry

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Review includes nine tax preferences.  
They have been available to businesses engaged in:

Manufacturing  
commercial  
airplanes



Developing  
aerospace  
products



Repairing  
aircraft



## 3 Preferential B&O Tax Rates

### Certified Aircraft Repair Firms

Eligible businesses	0.2904%
Others	0.4840%

### Aerospace Product Development

Eligible businesses	0.9%
Others	1.5%

### Commercial Airplane Manufacturing\*

Eligible businesses	0.357%
Others	0.484%

\*Not in effect until contingencies met

## 2 B&O Tax Credits

### Aerospace Product Development Expenditures

Credit for 1.5% of expenses for research, design, and engineering

### Commercial Airplane Manufacturing – Taxes Paid

Credit for certain property and leasehold excise taxes paid during the calendar year

## 2 Sales and Use Tax Exemptions

### **Expenditures for Computers used in Development, Design, Engineering**

Hardware, software, & peripherals

### **New Facilities used to Manufacture Commercial Planes**

Construction of new buildings & additions

## 1 Property Tax Exemption

### **Personal Property of Port District Lessees**

Buildings, machinery, equipment, other

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## 1 Leasehold Excise Tax Exemption

### **Leasehold interests in Port District Facilities**

Interests used by a manufacturer of superefficient airplanes



# JLARC must review the preferences every 5 years

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## 2013 Legislature:

- Extended and expanded aerospace tax preferences.
- Directed JLARC to review aerospace tax preferences every 5 years.

## JLARC reviewed preferences in 2014 and 2019.

- Legislative Auditor recommendation: Clarify.
- Citizen Commission for Performance Measurement of Tax Preferences endorsed recommendation.
- Recommendation not yet implemented.

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# Study Questions

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1. Have the preferences and their use changed since JLARC reviewed them in 2019?
2. Is the Legislative Auditor's 2019 recommendation applicable to current circumstances?
3. What are the racial and ethnic characteristics of those that benefit from the tax preferences and their employees?



# Next Steps

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**Preliminary Report**

July 2024

**Proposed Final Report**

December 2024



# Contact Us

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## Research Analysts

Pete van Moorsel  
360.786.5185  
pete.vanmoorsel@leg.wa.gov

Dana Lynn  
360.786.5177  
dana.lynn@leg.wa.gov

## Project Coordinator

Stephanie Hoffman  
360.786.5297  
stephanie.hoffman@leg.wa.gov

## Legislative Auditor

Eric Thomas  
360.786.5182  
eric.thomas@leg.wa.gov

