



WASHINGTON
JLARC

Proposed Study Questions: Aerospace Tax Preferences

State of Washington Joint Legislative Audit and Review Committee • September 2018

Legislature requires JLARC study of the aerospace tax preferences

The 2006 Legislature directed the staff of the Joint Legislative Audit and Review Committee (JLARC) to conduct performance audits of tax preferences. These preferences are included in the 10-year review schedule set by the Citizen Commission for Performance Measurement of Tax Preferences.



In 2013, the Legislature extended nine related tax preferences that benefit the aerospace industry. At the same time, it required JLARC to review these preferences by December 1, 2019, and every five years thereafter. The review will assess employment changes in Washington's aerospace industry compared to other states and internationally.

Study will include nine preferences that benefit companies that manufacture, develop, and repair aerospace products

The review includes three preferential business and occupation (B&O) tax rates, two B&O tax credits, two sales and use tax exemptions, a property tax exemption, and a leasehold excise tax exemption.

The preferences are directed to businesses that perform any of these three activities:

- Manufacturing commercial airplanes, including superefficient airplanes.
- Developing aerospace products, including airplanes and their components, airplane repair equipment, and tooling used in manufacturing commercial airplanes.
- Repairing aircraft.

The Department of Revenue estimates that the combined biennial savings for beneficiaries of these preferences was \$531 million in 2015-17.

Study will answer questions based on the Legislature's objectives

Legislature's objectives	JLARC's study questions
Encourage the continued presence of the aerospace industry in Washington.	1. Has Washington retained the presence of the aerospace industry?
Reduce the cost of doing business in Washington for the aerospace industry compared to other states.	2. How have the preferences affected the cost of business for Washington's aerospace industry compared with other states?
Maintain and grow Washington's aerospace industry workforce.	3. How has aerospace industry employment changed since the 2013 extension of tax preferences? 4. How much of the estimated employment change is attributed to the tax preferences, and how much may be related to other factors? 5. How do changes in Washington employment compare to changes in other locations?
Provide jobs with good wages and benefits.	6. What wages and benefits do the beneficiaries of the preference provide their employees?

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Study timeframe

Preliminary Report: July 2019 Proposed Final Report: December 2019

Study team

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JLARC Study Process

