



# Proposed Study Questions: Aircraft Part Prototypes

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

## Citizen Commission scheduled a JLARC study of the sales and use tax exemption for aircraft part prototypes

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

The preference is a sales and use tax exemption for sales of materials used to make prototypes for aircraft parts and auxiliary equipment. A prototype is an original model of a product that may be developed in the future.

The exemption is available to businesses whose taxable income and value of manufactured products was \$20 million or less in the previous year. Businesses may claim up to \$100,000 annually in tax savings from this preference. Eligible businesses must first pay the tax, and then apply to the Department of Revenue (DOR) for a refund.



## Sales and use tax exemption to encourage family-wage employment and improve the state's competitive position

The preference has two stated public policy objectives:

- To encourage, develop, and expand opportunities for family-wage employment in manufacturing industries.
- To solidify and enhance the state's competitive position for aerospace manufacturing.

## Legislative Auditor recommended terminating this preference in 2014

JLARC staff previously reviewed the preference in 2014 and determined that no businesses used it. In that review, the Legislative Auditor recommended terminating the preference.

DOR reports no other businesses have applied for a refund for this sales & use tax exemption since 2014.

## Study will answer two questions

- 1) Has there been legislative action, change, or discussion of the preference since 2014?
- 2) Are the Legislative Auditor's 2014 conclusions and recommendations still applicable to current circumstances?

## Study Timeframe

Preliminary Report: July 2019

Proposed Final Report: December 2019

## Study Team

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## JLARC Study Process

