Citizen Commission scheduled a JLARC study of exemption for the sale of certain commercial airplane parts

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.

With preference, sales of certain airplane parts are exempt from B&O tax if “place of sale” is outside WA

The preference:

- Applies to parts that are made by out-of-state manufacturers and sold to a Washington manufacturer of commercial airplanes.
- Provides an exemption if the place of sale — defined for the preference as the location of final testing or inspection — is outside Washington.

Exemption intended to support the aerospace industry and clarify the meaning of “place of sale”

This preference was one of many aerospace tax preferences included in legislation that passed in 2008. The Legislature stated three public policy objectives for the preferences:

- Encourage the continued presence of the aerospace industry for a broader group of suppliers.
- More comprehensively address the cost of doing business in Washington compared to other states.
- Provide well-paying jobs.

JLARC staff also infer from public testimony that the Legislature wanted to clarify the Department of Revenue’s existing interpretation of “place of sale” for sales of commercial airplane parts made by out-of-state manufacturers.

In 2014, Legislative Auditor recommended reviewing and clarifying preference

When this preference was reviewed in 2014, JLARC staff found that the preference appeared to conflict with the Legislature’s stated policy objective of reducing the cost of doing business in Washington compared to other states. The Legislative Auditor also recommended that the Legislature consider adding reporting or other accountability requirements that would provide better information about out-of-state manufacturers’ use of this preference.

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?
Proposed Study Questions: Commercial Airplane Part Place of Sale

Study Timeframe
Preliminary Report: July 2019
Proposed Final Report: December 2019

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JLARC Study Process

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Committee votes to distribute completed audit