

Tax Incentives for Aerospace Businesses

Sales and Use Tax, Business and Occupation Tax

Reduced B&O Tax Rate for Aerospace Businesses

This reduced B&O tax rate is available to manufacturers and processors for hire of commercial airplanes or component parts of commercial airplanes, non-manufacturers engaged in the business of aerospace product development for others, certificated FAR repair stations making retail sales, and aerospace tooling manufacturers. The B&O rate is 0.9 percent for those performing aerospace product development, or 0.2904 percent for the other activities listed above.

B&O Credit for Preproduction Development Expenditures

This B&O tax credit is available to manufacturers and processors for hire of commercial airplanes or component parts of commercial airplanes, non-manufacturers engaged in the business of aerospace product development, certificated FAR repair stations making retail sales, and aerospace tooling manufacturers. *Note: The Aerospace Credit Affidavit for Preproduction Spending must be filed each reporting period the credit is taken.*

B&O Credit for Property/Leasehold Taxes Paid on Aerospace Business Facilities

This B&O tax credit is available to manufacturers and processors for hire of commercial airplanes or component parts of commercial airplanes, non-manufacturers engaged in the business of aerospace product development, certificated FAR repair stations making retail sales, and aerospace tooling manufacturers.

Sales and Use Tax Exemption for Aerospace Businesses for Computer Hardware, Software and Peripherals

This sales and use tax exemption is available to manufacturers and processors for hire of commercial airplanes or component parts of commercial airplanes, non-manufacturers engaged in the business of aerospace product development, certificated FAR repair stations making retail sales, and aerospace tooling manufacturers. The computer hardware, software and peripherals must be used primarily in the development, design, and engineering of aerospace products or in providing aerospace services to qualify.

Retail Sales/Use Tax Exemption for Construction of Facilities Used to Manufacture Commercial Airplanes, Fuselages or Wings of Commercial Airplanes

This sales and use tax exemption is available to manufacturers who construct new buildings and/or new parts of buildings that will be used primarily to manufacture commercial airplanes, commercial airplane fuselages, and commercial airplane wings. Also available to port districts, political subdivisions, or municipal corporations when they construct new facilities to lease to these manufacturers. The buildings must be used primarily to manufacture commercial airplanes, commercial airplane fuselages and commercial airplane wings as defined in RCW 82.32.550 and RCW 82.32.850.

Retail Sales and Use Tax Exemption for the Construction of New Facilities Used as FAR Part 145 Repair Stations

This sales and use tax exemption is available to eligible maintenance repair operators engaged in the repair and maintenance of airplanes who construct new buildings to be used for airplane repair and maintenance. The buildings must be at an international airport in a county with a population of more than 1.5 million people. Eligible maintenance repair operators are defined in RCW 82.04.250.

These exemptions also apply to port districts, political subdivisions, or municipal corporations building and leasing these facilities to an eligible operator. The exemption is given as a refund. Applicants must pay sales taxes when purchasing qualified construction labor and materials, then apply for a refund. The buildings must be used as defined in RCW 82.08.025661 and RCW 82.12.025661.

Reporting requirements

A business must electronically file the annual report, annual survey, and excise tax return. The annual report and annual survey must be filed by May 31 following any calendar year in which the business uses the incentives.

Questions?

- Go to dor.wa.gov and search for "tax incentive programs"
- Call Brian O'Sullivan, Tax Information Specialist in Taxpayer Information & Education, at (360) 705-6734
- Send your questions to rulings@dor.wa.gov