

# Aerospace Industry Business and Occupation Tax Credit for Property Taxes Paid

## AEROSPACE INDUSTRY MANUFACTURER TAX INCENTIVES

HB 2294 (Second Special Session, Chapter 1, Laws of 2003) provides a comprehensive package of tax incentive programs for manufacturers and processors for hire of commercial airplanes and component parts of commercial airplanes. The Department of Revenue issued a Special Notice on January 15, 2004 providing general information about the programs that make up the tax incentive package. This publication provides detailed information about one of these programs.

Effective December 1, 2003, a B&O tax credit is available for property taxes paid on qualifying property used in manufacturing commercial airplanes or component parts of commercial airplanes. The credit is claimed on the B&O tax return and cannot be claimed until after the property taxes on the qualifying property have been paid.

## DEFINITIONS

The following definitions are important to understanding who qualifies for the B&O tax credit described in this Special Notice. "Commercial airplane" means an airplane certified by the Federal Aviation Administration (FAA) for transporting persons or property, and any military derivative of such an airplane. "Component" means a part or system certified by the FAA for installation or assembly into a commercial airplane.

## QUALIFYING PROPERTY

The B&O tax credit may apply for property taxes paid on new buildings and land upon which the buildings are located, property taxes attributable to an increase

in assessed value due to a renovation or expansion, and for property taxes paid on machinery and equipment exempt from sales and use tax under the machinery and equipment (M&E) exemption. The conditions for each type of property are listed below:

### New Buildings and Land

- ◆ The new buildings must be built on or after December 1, 2003.
- ◆ The new buildings must be used in manufacturing commercial airplanes or component parts.
- ◆ Property taxes on the land upon which the new buildings are built may be claimed as part of the credit.

### Renovation or Expansion of Buildings

- ◆ The renovation or expansion must be made on or after December 1, 2003.
- ◆ The renovated or expanded buildings must be used in manufacturing commercial airplanes or component parts.

### Machinery and Equipment

- ◆ The machinery and equipment must be acquired on or after December 1, 2003.
- ◆ The machinery and equipment must be exempt from sales and use tax under the RCW 82.08.02565 or 82.12.02565 M&E sales and use tax exemption.
- ◆ The machinery and equipment must be used to manufacture commercial airplanes or their components.

## CLAIMING THE B&O CREDIT

The B&O tax credit must be claimed on the excise tax return, and cannot be claimed until the property

taxes on the qualifying property have actually been paid. Property taxes for each year are generally paid in two installments: the first installment is due by April 30 and the second installment is due by October 31. Taxpayers have the option of paying the full amount of taxes by April 30. Property taxes generally cannot be paid before February 15 of the year they are due.

For qualifying property purchased, expanded or renovated in 2004, the first year the credit may be claimed is 2005. Information you receive from the county assessor and the county treasurer will help you in determining the amount of property tax eligible for the credit. In the year you purchase, renovate or expand qualifying property, the county assessor will value the qualifying property and send you a valuation notice. (If machinery and equipment is treated as personal property, it will be listed in a separate valuation notice). The following year the county treasurer will send you a tax statement for the same property identifying the tax rate and the taxes due on the property. In the case of new buildings, land and qualifying machinery and equipment, the amount of the B&O tax credit is equal to the value of the qualifying property set forth in the valuation notice multiplied by the tax rate set forth in the tax statement. In the case of qualifying renovation or expansion, the credit is equal to the increase in value attributable to the renovation or expansion multiplied by the tax rate set forth in the tax statement. The Department is developing additional guidance on how to determine the increase in value attributable to the renovation or expansion. When this guidance is completed, it will be available on the Department of Revenue's web site at <http://dor.wa.gov>.

If your B&O tax obligation is less than the property taxes paid on qualifying property, the credit may carry forward one year but may not be carried over a second year. B&O tax refunds will not be granted in lieu of a credit for property taxes paid. The credit may be claimed through June 2024.

## DOCUMENTATION

You must maintain documentation in your records to substantiate your claim for this credit. The credit is subject to audit by the Department of Revenue. Information needed for verification and for calculation of the amount of credit can be found on several documents such as: the Assessor's Notice of Value or Change of Value, the Assessor's Notice of New Construction Value, a property tax billing statement from the County Treasurer's Office, a cancelled check from payment of property taxes, the Assessor's Parcel number, and information from building permits or invoices.

## ANNUAL REPORTING REQUIREMENTS

A person who claims this credit must submit an annual report to the Department of Revenue detailing employment, wages, and employer-provided health and retirement benefits per job at the manufacturing site. The report is due by March 31 following the year in which the credit is taken. The reporting requirements are discussed in further detail in the Special Notice issued on January 15, 2004, setting forth general information about the aerospace tax incentive program. The Department is developing an educational letter and forms for complying with the annual reporting requirements, which when completed will be available on the Department's web site at <http://dor.wa.gov>.

The Department has online instructions and a worksheet to assist in determining how to value qualified property, as well as calculating and tracking the amount of credit that can be claimed. They are available through the Department's E-file application at <http://dor.wa.gov>.

To inquire about the availability of this document in an alternate format for the visually impaired, please call (360) 705-6715.  
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