Special Notice

WASHINGTON STATE DEPARTMENT OF REVENUE

ISSUED JULY 2014

New and Extended Aerospace Tax Preferences

Background

A new law provides a retail sales and use tax exemption for the construction of new facilities used to manufacture:

- Commercial airplanes
- Fuselages or wings of commercial airplanes

The legislation (Engrossed Substitute Senate Bill 5952, Chapter 2, Laws of 2013) also extends the expiration date of existing aerospace tax incentives from June 30, 2024 to June 30, 2040. See our website for more information on existing aerospace tax incentives.

Effective date of new and extended tax preferences

The retail sales and use tax exemption, and the extension of the expiration dates, were contingent upon the siting of a significant commercial airplane manufacturing program in Washington. The Department has determined the contingency requirements have been satisfied. As a result, the tax incentive outlined below has an effective date of July 9, 2014.

Retail sales and use tax exemption

A retail 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
- Commercial airplane wings

Port districts, political subdivisions, or municipal corporations may also use the sales and use tax exemption when constructing new facilities to lease to these manufacturers.

The exemption applies to charges for:

- Labor and services rendered in respect to the constructing of new buildings
- Materials incorporated as an ingredient or component during the course of construction
- Labor and services rendered in respect to installing building fixtures not otherwise eligible for the exemption under RCW 82.08.02565(2)(b) – the manufacturer's machinery and equipment sales and use tax exemption

The exemption also applies to new buildings or parts of new buildings used for the storage of raw materials or finished product.

Requirements for sellers

The exemption is available only when the buyer provides the seller with a properly completed "Buyer's Retail Sales Tax Exemption Certificate" at the time of purchase. The exemption certificate is available at http://dor.wa.gov under "Get a form or publication". The seller must retain a copy of the certificate for the seller's files.

New reporting requirements for buyers

The retail sales and use tax exemptions for construction are considered new tax preferences subject to additional reporting requirements. (See RCW 82.32.808.)

Buyers must report the amount of tax preference received under the "Tax Preference" section of the Department's E-file tax return. When completing this section, buyers should select "Construction services for new commercial airplane manufacturing buildings" from the drop down list of exemptions and enter the purchase price paid on sales for which an exemption was claimed. This addendum must be completed in addition to a buyer's regular reporting responsibilities.

Buyers are not required to report the amount of preference received if:

- The tax benefit to a buyer is less than $1,000 per year
- The business files tax returns with the Department on an annual basis

Annual Report and Survey Required

A business claiming this exemption must electronically submit an annual report and an annual survey to the Department by April 30th of the year following the year in which the tax incentive was used.

For more information

Call our Telephone Information Center at 1-800-647-7706.