



Special Notice

WASHINGTON STATE DEPARTMENT OF REVENUE

Sept. 8, 2016

Sales and Use Tax Exemption available for new FAR Part 145 Repair Stations construction

What's new?

Beginning July 1, 2016, you may qualify for a retail sales and use tax exemption on new building construction used for airplane repairs and maintenance. To qualify, you must be:

- an eligible maintenance repair operator who is engaged in the maintenance of airplanes, or
- a port district, political subdivision, or municipal corporation that enters into an agreement with an eligible maintenance repair operator to build the facility and lease to the operator.

The exemptions expire January 1, 2027.

(Second Substitute House Bill 2839, Chapter 191, Laws of 2016)

The exemption applies to charges for:

- Labor and services used in the construction of new buildings,
- Materials used as an ingredient or part during the course of construction, and
- Labor and services used to install building fixtures not otherwise eligible for the exemption under the manufacturer's machinery and equipment sales and use tax exemption (RCW 82.08.02565)

When can I claim the exemption?

You claim the exemption as a remittance (refund). You must pay the state and local sales taxes when purchasing qualified construction labor and materials.

Your refund is available in two parts:

- You may request a refund of the local portion of the sales or use tax on or after July 1, 2016.

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For tax assistance or to request this document in an alternate format, visit <http://dor.wa.gov> or call 1-800-647-7706. Teletype (TTY) users may use the Washington Relay Service by calling 711.

- You may request a refund of the state portion of the sales or use tax after the aircraft maintenance and repair station has been operationally complete for at least four years but not before December 1, 2021.

You qualify for a refund of the state portion of the tax only if you reported more than 100 average employment positions to the Employment Security Department with an average annualized wage of \$80,000 for September 1, 2020, through September 1, 2021. When the facility is leased to an eligible maintenance repair operator engaged in the maintenance of airplanes, **the lessee** must meet the employment requirements.

How do I claim the exemption?

To request a refund, you must file an online application with our department:

1. Visit <http://dor.wa.gov>
2. Click on “Get a form or publication”
3. Click on “Forms by name”
4. Under “A”, scroll down to “Applications.”
5. Scroll down and click on “Refund or Credit, Application for”

You do not need to include the Buyer’s or Seller’s Declaration mentioned in the instructions. Businesses are limited to one application per calendar quarter.

You must also provide the department with various supporting documents depending on whether this is an *initial* or *subsequent* request(s) for this project.

Your *initial* refund request must include all the following:

- a copy of the agreement between the eligible repair station and the port district, political subdivision, or municipal corporation
- a description of the physical location where the repair station will be constructed (address or latitude/longitude), aerial photos
- a letter or memo declaring the buyer has not and will not request a refund from its vendors for these purchases
- a worksheet showing invoice date, invoice number, vendor name, cost of item before sales/use tax, sales/use tax paid, detailed description of the item, and location of sale. For use tax only, include the period/year in which use tax was reported on the excise tax return.
 - Invoices (electronic copies preferred)
 - Proof of payment of sales tax corresponding to the invoices provided

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Your *subsequent* refund requests must include all the following:

- photos of the construction site showing construction is progressing
- changes to agreement with the port district, political subdivision, or municipal corporation (if any changes were made)
- a worksheet showing invoice date, invoice number, vendor name, cost of item before sales/use tax, sales/use tax paid, detailed description of the item, and location of sale. For use tax only, include the period/year in which use tax was reported on the excise tax return.
 - Invoices (electronic copies preferred)
 - Proof of payment of sales tax corresponding to the invoices provided

The department will approve or deny your application based on specific eligibility qualifications. You will be refunded the approved amount at the end of the calendar quarter that follows the quarter when you submitted the application.

What do I do when the facility is completed?

You must mail written notice to the department when the maintenance and repair station is operationally complete:

New Construction for FAR Part 145 Repair Station Refunds
Taxpayer Account Administration
Department of Revenue
PO Box 47476
Olympia WA 98504-7476

Do I have to file an Annual Tax Performance Report?

If you are a FAR Part 145 Repair Station, you are already required to file an Annual Tax Performance Report by May 31 of the year following the year you claim the reduced B&O tax rate or other aerospace incentives. For those years you receive a refund, you will also need to check that box on the survey and answer any additional questions.

If you are a port district, political subdivision, or municipal corporation building a facility on behalf of an agreement with a FAR Part 145 Repair Station to lease the facility, you must electronically submit an Annual Tax Performance Report by May 31 of the year following the year in which the refund of the tax was received. You must file the survey and report for each year you receive a refund.

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Do contractors or vendors have any special reporting requirements?

No, contractors and vendors report the same way they would for any other construction contract or sale. Prime contractors and vendors need to collect sales tax on their charges to the owner of the property, unless another exemption applies (such as the Manufacturer's Sales and Use Tax Exemption).

Definitions

"Eligible maintenance repair operator" means a person classified by the Federal Aviation Administration (FAA) as a Federal Aviation Regulation (FAR) part 145 certificated repair station, and located in an international airport owned by a county with a population more than 1,500,000.

"Operationally complete" means constructed to the point of being functionally capable of hosting airplane repair and maintenance.

Questions?

- Exemption information: see [RCW 82.08.025661](#) and [82.12.025661](#).
- Exemption questions: visit our [Tax Incentives page](#) and select Aerospace Industry.
- General tax questions: call our Telephone Information Center at 1-800-647-7706.