



# 2024 tax preference review: Aerospace

## Legislative Auditor’s conclusion

The preferences continue to meet legislative goals to lower costs, maintain the industry’s presence, and encourage strong wages. Employment has decreased since 2019, and it remains unclear if job growth meets expectations.

### Key points

- The Legislature enacted nine tax preferences that benefit the aerospace industry. It repealed one preferential tax rate to comply with a World Trade Organization ruling.
- The preferences lower costs and improve competitiveness by reducing the industry’s effective tax rate. However, the reduction is smaller than it was in 2019.
- Washington’s aerospace industry is still among the largest in the country and pays wages that are above industry and statewide averages.
- Aerospace industry employment has declined since 2019. It is above 2003 levels, so it continues to be unclear if employment levels meet legislative expectations.

### Tax detail

Tax types:

- Business & occupation
- Sales and use
- Property
- Leasehold excise

Beneficiary savings:  
\$205.4 million (CY 2028-29)

Expiration date: July 1, 2040

RCW: Multiple

## Recommendations

1. The Legislature should clarify its expectations for the level of aerospace industry employment.
2. The Legislature should consider eliminating the requirement that JLARC review these preferences every five years. The preferences would then revert to the standard 10-year review cycle for tax preferences.

## Contact

**Pete van Moorsel, Project Lead**  
pete.vanmoorsel@leg.wa.gov | (360) 786-5185

**Eric Thomas, Legislative Auditor**  
eric.thomas@leg.wa.gov | (360) 786-5182

**Full Report** [leg.wa.gov/jlarc/AuditAndStudyReports](https://leg.wa.gov/jlarc/AuditAndStudyReports)

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## Additional detail

### Preferences continue to meet three of four legislative objectives

The Legislature requires JLARC to review these preferences every 5 years.

Objective	● Met ● Unclear		
	Results by review year		
	2014	2019	2024
Reduce cost of doing business in WA for aerospace industry compared to other states.	●	●	●
Encourage the continued presence of the aerospace industry.	●	●	●
Provide jobs with good wages and benefits.	●	●	●
Maintain and grow Washington’s aerospace industry workforce.	●	●	●

# 2024 Tax Preference Review: Aerospace



Legislature created nine tax aerospace preferences. Eight are now available.

**2003:** Preferences first enacted and set to expire in 2024.

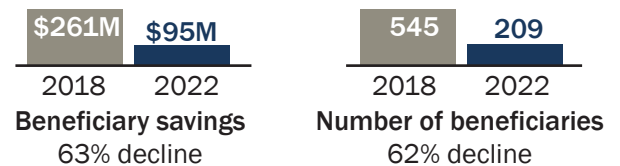
**2013:** Expiration extended to 2040.

**2020:** One preferential B&O rate repealed due to WTO ruling.

2 preferential B&O tax rates.  
2 B&O tax credits.  
2 sales and use tax exemptions.  
1 property tax exemption.  
1 leasehold excise tax exemption.

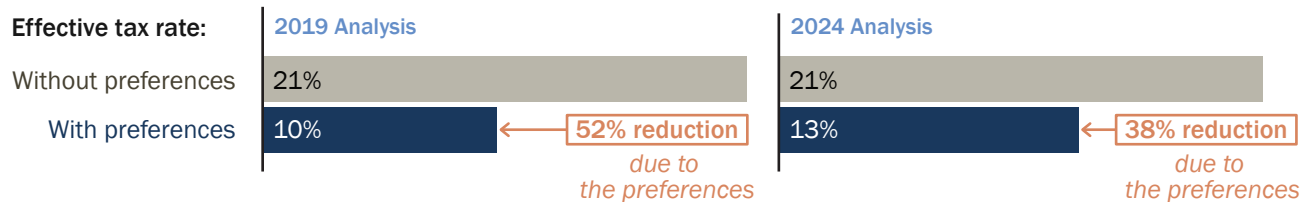
## Preferences lower costs and improve competitiveness

The impact is lower than in the 2019 JLARC review, due in large part to the 2020 repeal of one preference



## Preferences still lower the effective tax rate but have less impact now than in 2019

Effective tax rate estimates what a hypothetical large firm (10,000 employees) might pay in state and local business taxes.



**WA aerospace industry remains among the largest in the country and pays good wages**

**\$27.4 billion**  
2022 contribution to GDP

**528**  
2023 Boeing airplane deliveries

**\$128K**  
2023 average wage for WA aerospace workers

Aerospace industry jobs have declined since JLARC's 2019 review. There are more than in 2003 when preferences were first enacted.

**Legislative objective:**  
Maintain and grow the workforce.

**Legislative target:**  
None stated. JLARC staff cannot conclude whether the preferences meet the objective without a measurable legislative target.

● Non-Boeing aerospace employment in WA  
● Boeing employment in WA

