



STATE OF WASHINGTON
DEPARTMENT OF REVENUE

July 1, 2007

To: Manufacturers of Commercial Airplanes
Manufacturers of Components of Commercial Airplanes

From: Washington State Department of Revenue

Subject: Aerospace Business and Occupation Tax Rate Decrease and Tax Reporting
Instructions

Your business and occupation tax rate is decreasing

Starting July 1, 2007, the business and occupation tax rate for manufacturers of commercial airplanes and manufacturers of components of commercial airplanes will decrease from .004235 to .002904. This rate reduction was contingent upon final assembly beginning in Washington of a superefficient airplane, which has commenced. (HB 2294, Second Special Session, Chapter 1, Laws of 2003.) The lower rate will remain in effect until June 30, 2024.

The lower B&O tax rate will apply to the:

- qualifying manufacturing activity; and
- subsequent wholesale or retail **sale** of the qualifying manufactured product **by the manufacturer**.

Manufacturers are also eligible for the multiple activities tax credit (MATC).

Use E-file – lower B&O rate does not appear on paper return

We request that you file your tax return electronically through our E-file system. The Aerospace B&O tax classifications are:

- "Manufacturing of Commercial Airplanes or Components"
- "Wholesaling by Manufacturers of Commercial Airplanes or Components"
- "Retailing by Manufacturers of Commercial Airplanes or Components"

We will not list the aerospace classifications and the new rate on our standard excise tax returns due to the limited number of qualifying taxpayers and space constraints.

If you aren't currently using E-file, go to "Online Services" at <http://dor.wa.gov> to sign up. You may also call our E-file help line at 1-877-345-3353 for assistance.