

Excise Tax Advisory

Excise Tax Advisories are interpretive statements authorized by RCW 34.05.230.

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Aerospace “tooling” under Substitute Senate Bill 6828

Introduction

Substitute Senate Bill (SSB) 6828 (Chapter 81, Laws of 2008) provides a number of incentives for the aerospace industry. Several of these incentives relate to “tooling” specifically designed for use in manufacturing commercial airplanes or commercial airplane components.

SSB 6828 did not define the term “tooling.” This Excise Tax Advisory (ETA) addresses the Department’s interpretation of this term.

ETA scope

This ETA is limited to the term “tooling” as it is used in SSB 6828 sections (2), (4), and (8) and those provisions of SSB 6828 that incorporate “tooling” through reference to sections (2), (4), or (8). Sections (2), (4), and (8) have been codified as follows:

SSB 6828...	Codified at...
2	RCW 82.08.975
4	RCW 82.04.260
8	RCW 82.04.4463

Caution: This ETA does not impact how the term “tooling” has or is interpreted under any other provision of Washington tax law, including but not limited to RCW 82.08.02565 and RCW 82.12.02565 relating to sales of machinery and equipment for manufacturing, research and development, or testing operations. In addition, this ETA is not intended to address issues relating to software.

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“Tooling”

The term “tooling” here refers to articles of tangible personal property whether or not mechanized, including and similar to, but not limited to, dies, die blocks, fixtures, gages, molds, patterns, templates, jigs, and other manufacturing and inspection aids, specifically designed for use in manufacturing commercial airplanes or the components of commercial airplanes. Also, “tooling” encompasses an article(s) of tangible personal property, whether or not mechanized, that is part of a system that functions as a manufacturing and/or inspection aid if the article(s):

1. Is specifically designed for use in manufacturing commercial airplanes or components,
2. Cannot be used for purposes other than manufacturing commercial airplanes or components without substantial modification or alteration, and
3. Interacts with: a manufacturing or inspection aid, the system directly supporting such aids, or a commercial airplane or component worked on by the manufacturing or inspection aid.

For purposes of this section the terms “commercial airplane” and “component” have the meaning given to those terms in RCW 82.32.550.

Note: An article of tangible personal property is not excluded from “tooling” simply because the item can be used by a FAR part 145 certified repair station in activities that qualify as refurbishment under WAC 458-20-136.

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Examples: These examples should be used only as a general guide. The tax results of other situations must be determined separately after a review of all of the facts and circumstances.

Example:

Aerospace Company, a Washington-based business, sells a variety of aerospace products to its customers. Recently, Aerospace designed a new set of products for assembling commercial airplane spars (the primary structural part of an airplane wing). This set of products includes the following:

- A stationary jig, mold, or fixture used to hold the components in place with clamps or provide contour.
- A machine for inserting fasteners or applying fiber materials along the component.
- A stationary track upon which the fastening or fiber placement machine is moved.

The set of products functions as a system that acts as a manufacturing aid. Each product is an article of tangible personal property. Each of the products will be presumed "tooling" individually even though some individual products may not directly constitute manufacturing aids if the following conditions are met:

- Each product has been specifically designed for use in manufacturing commercial airplane components.
 - Each product cannot be used for purposes other than manufacturing commercial airplanes or airplane components without substantial modification or alteration.
 - Each product interacts within the system as described above.
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