

# SENATE BILL REPORT

## SB 5359

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As Reported By Senate Committee On:  
Ways & Means, February 19, 1997

**Title:** An act relating to clarifying the exemption from sales and use taxation of the materials used by small companies in the design and development of aircraft parts, auxiliary equipment, and aircraft modification.

**Brief Description:** Clarifying the exemption from sales and use taxation of the materials used by small companies in the design and development of aircraft parts, auxiliary equipment, and aircraft modification.

**Sponsors:** Senators Swecker, Fraser, West and Winsley.

**Brief History:**

**Committee Activity:** Ways & Means: 2/13/97, 2/19/97 [DPS].

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** That Substitute Senate Bill No. 5359 be substituted therefor, and the substitute bill do pass.

Signed by Senators West, Chair; Deccio, Vice Chair; Strannigan, Vice Chair; Fraser, Hochstatter, Kohl, Long, McDonald, Roach, Schow, Sheldon, Snyder, Spanel, Swecker, Thibaudeau, Winsley and Zarelli.

**Staff:** David Schumacher (786-7474)

**Background:** The sales tax is imposed on retail sales of most items of tangible personal property and some services. The state tax rate is 6.5 percent and is applied to the selling price of the article or service. In addition, local sales taxes apply. These range from 0.5 percent to 1.7 percent. The total rate is between 7.0 percent and 8.2 percent, depending on the location.

Exempt from these taxes are purchases by businesses for resale and purchases of components and ingredients that become part of another product for sale.

Purchases of components and ingredients that are incorporated into prototypes are not exempt from sales and use tax because the prototype itself is generally not for sale.

**Summary of Substitute Bill:** An existing sales and use tax exemption is clarified for materials used in the design and development of aircraft parts, auxiliary aircraft equipment or aircraft modification for businesses with annual gross sales of less than \$20 million.

The exemption is capped at \$100,000 in state and local taxes per taxpayer per year.

The bill applies retroactively to July 1, 1996.

**Substitute Bill Compared to Original Bill:** Language is added to clarify that the bill is retroactive.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill contains an emergency clause and takes effect on July 1, 1997.

**Testimony For:** This bill corrects a mistake that was made a year ago. This exemption will support local family jobs and bring new money into the economy.

**Testimony Against:** None.

**Testified:** PRO: Mike Hoefler, Soloy Corporation; Joe Soloy, Soloy Corporation.