

SENATE BILL REPORT

SB 6329

As of January 15, 2006

Title: An act relating to providing excise tax relief for aerospace product development businesses.

Brief Description: Providing excise tax relief for aerospace product development businesses.

Sponsors: Senators Shin, Rasmussen, Berkey, Swecker, Sheldon, Schmidt, Oke, Honeyford and Mulliken.

Brief History:

Committee Activity: International Trade & Economic Development: 1/17/06.

SENATE COMMITTEE ON INTERNATIONAL TRADE & ECONOMIC DEVELOPMENT

Staff: Jack Brummel (786-7428)

Background: The Legislature provided tax incentives in 2003 for aerospace manufacturers. The incentives included a reduction in the business and occupation (B&O) tax rate; a B&O tax credit for pre-production development costs; and a B&O tax credit for property taxes paid on property used in the manufacture of commercial airplanes and airplane components. Also included were sales and use tax exemptions for computer equipment and software, and its installation, used primarily in the development of commercial airplanes and components.

Many firms that are bidding on or have landed contracts for work on aerospace projects are not eligible for the tax incentives because they are not manufacturers as required by the 2003 legislation.

Summary of Bill: Sales and use tax exemptions are provided for computer equipment and software, and its installation, used primarily in aerospace product development. A person may claim a credit of 1.5 percent of expenditures against the B&O tax for qualified aerospace product development expenditures.

The B&O tax rate is set at 0.2904 percent for the manufacture and sales of tooling for airplane production, airplane support equipment used by airlines, and general aviation aircraft and aircraft components. For such manufacturers, a credit is allowed for any gross receipts or manufacturing taxes previously paid. For such manufactures whose property is used exclusively in eligible manufacturing activities, a credit is also allowed for:

- 1) property taxes paid on a new building and its underlying land;
- 2) property taxes attributable to an increase in assessed value due to building renovation or expansion; and
- 3) property taxes paid on machinery and equipment.

Persons claiming a tax incentive must file an annual report with the Department of Revenue. The report must include employment, wage, and employer-provided health and retirement benefit information. For those claiming the 1.5 percent B&O credit for aerospace product development expenditures, information on the expenditures, assignment of the credit, and the number of research projects, products, patents, copyrights, and trademarks must be provided. The only information collected that may be disclosed is the amount of the tax incentive claimed, but claimants receiving incentives of less than \$10,000 may request confidentiality of the amount claimed.

The Department of Revenue must report summary statistics annually and reports on the effectiveness of the incentives are due in 2010 and 2023.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill takes effect on July 1, 2006.