

# SENATE BILL REPORT

## SB 6712

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As Reported by Senate Committee On:  
Ways & Means, March 8, 2010

**Title:** An act relating to extending expiring tax incentives for certain clean alternative fuel vehicles, producers of certain biofuels, and federal aviation regulation part 145 certificated repair stations.

**Brief Description:** Extending expiring tax incentives for certain clean alternative fuel vehicles, producers of certain biofuels, and federal aviation regulation part 145 certificated repair stations.

**Sponsors:** Senators Hobbs, Shin and Kilmer; by request of Department of Revenue.

**Brief History:**

**Committee Activity:** Ways & Means: 2/03/10, 3/08/10 [DPS].

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** That Substitute Senate Bill No. 6712 be substituted therefor, and the substitute bill do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Tom, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Fairley, Hewitt, Hobbs, Honeyford, Keiser, Kohl-Welles, McDermott, Murray, Oemig, Parlette, Pridemore, Regala, Rockefeller and Schoesler.

**Staff:** Dean Carlson (786-7305)

**Background:** In 2003 the Legislature reduced the business and occupation (B&O) tax rate from 0.484 percent to 0.275 percent for firms that repair equipment used in interstate or foreign commerce. The exemption was limited to firms classified by the Federal Aviation Administration (FAA) as a Federal Aviation Regulation (FAR) part 145 certified repair stations with airframe, instrument ratings, and limited ratings for nondestructive testing, radio, class three accessory, and specialized services. The lower rate was scheduled to end July 1, 2006.

In 2006 the reduced B&O tax rate for FAA certified repair stations was extended to July 1, 2011, and the tax rate was changed from 0.275 percent to 0.2904 percent. In 2008 the lower

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B&O rate was extended to all repair stations that engage in the repair of equipment used in interstate or foreign commerce.

New passenger cars, light duty trucks, and medium duty passenger vehicles exclusively powered by a clean alternative fuel are exempt from sales and use tax. Clean alternative fuel includes natural gas, propane, hydrogen, or electricity. The exemption expires January 1, 2011.

Buildings, machinery, equipment, and other personal property used primarily for a new or expanded manufacturing facility producing alcohol fuel, wood biomass fuel, biodiesel fuel, or biodiesel feedstock are eligible for a six-year property tax exemption or a six-year leasehold excise tax exemption. Applications must be submitted by December 31, 2009.

**Summary of Bill (Recommended Substitute):** The expiration date for FAR part 145 certified repair stations is extended to from July 1, 2011 to July 1, 2024.

The sales and use tax exemption for new passenger cars, light duty trucks, and medium duty passenger vehicles exclusively powered by a clean alternative fuel is extended from January 1, 2011, to July 1, 2015.

The application deadline for the six-year property tax and leasehold excise tax exemptions for new or expanded manufacturing facilities producing alternative fuels is extended from December 31, 2009, to December 31, 2015.

**EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Recommended Substitute):** The sales and use tax exemption for clean alternative vehicles is expanded to include used vehicles that have been converted to a clean alternative fuel vehicle, that are sold in a fleet of five, and that have less than 30,000 miles on them.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony on Original Bill:** PRO: This aligns the aviation repair industry with the incentives currently in place for other aviation incentives. This is an important part of retaining the aerospace industry. This bill also helps to reduce greenhouse emissions by encouraging the production of renewable fuels, as well as the purchase of green vehicles, and stimulates other parts of that industry. Aviation and Technical Services (ATS) is a certified repair business at Pain Field. We currently have 1,500 employees. Originally, we pledged to grow the business with this incentive and we have done so. We are competitive in a very competitive environment. We are the best in the country at what we do and appreciate the extension of this incentive. ATS has been stable throughout the whole economic downturn and once the downturn ends, we hope to continue to grow the industry.

**Persons Testifying:** PRO: Alyson Fouts, Department of Revenue; Steve Gano, ATS; Linda Lanham, AFA.