

HOUSE BILL REPORT

SSB 6558

As Passed House
March 2, 1994

Title: An act relating to the excise taxation of sales of aircraft for use by the United States and foreign governments.

Brief Description: Modifying the excise taxation of sales of airplanes to the United States government.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senator Gaspard; by request of Department of Revenue).

Brief History:

Reported by House Committee on:
Revenue, February 23, 1994, DP;
Passed House, March 2, 1994, 96-0.

HOUSE COMMITTEE ON REVENUE

Majority Report: Do pass. Signed by 16 members: Representatives G. Fisher, Chair; Holm, Vice Chair; Foreman, Ranking Minority Member; Fuhrman, Assistant Ranking Minority Member; Anderson; Brown; Caver; Cothorn; Leonard; Romero; Rust; Silver; Talcott; Thibaudeau; Van Luven and Wang.

Staff: Bob Longman (786-7136).

Background: Washington's major business tax is the business and occupation (B&O) tax. This tax is levied on the gross receipts of all business activities conducted within the state without any deduction for the costs of doing business. The tax pyramids at each level of production (e.g., manufacturing, wholesaling, and retailing).

If a parent corporation has paid B&O tax on sales to its wholly-owned subsidiary of airplanes, locomotives, railroad cars or watercraft, for use in interstate or foreign commerce, the sale of this equipment by the subsidiary is exempt from B&O tax.

Summary of Bill: The B&O tax exemption for sales of transportation equipment by wholly-owned subsidiaries is extended to sales of airplanes to the United States government.

Fiscal Note: Available.

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

Testimony For: The Clinton administration has expressed a desire to purchase off-the-shelf aircraft products for the US Department of Defense. In order to bid competitively, Boeing may need to form subsidiary companies.

This bill just extends current state tax policy regarding taxation of sales of interstate transportation equipment by subsidiaries.

Testimony Against: None.

Witnesses: Clair Hesselholt, Department of Revenue; and Roger Campolucci, the Boeing Company.