

SENATE BILL REPORT

SB 6558

AS REPORTED BY COMMITTEE ON WAYS & MEANS, FEBRUARY 7, 1994

Brief Description: Modifying the excise taxation of sales of aircraft for use by the United States and foreign governments.

SPONSORS: Senator Gaspard; by request of Department of Revenue

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 6558 be substituted therefor, and the substitute bill do pass.

Signed by Senators Rinehart, Chairman; Quigley, Vice Chairman; Anderson, Bauer, Bluechel, Cantu, Gaspard, Hargrove, Hochstatter, Ludwig, McDonald, Moyer, Owen, Pelz, Roach, L. Smith, Snyder, Spanel, Sutherland, Talmadge, West and Wojahn.

Staff: Terry Wilson (786-7715)

Hearing Dates: February 2, 1994; February 7, 1994

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:

The B&O tax exemption for sales of transportation equipment by wholly owned subsidiaries is extended to sales of airplanes for use by the United States or foreign governments.

EFFECT OF PROPOSED SUBSTITUTE:

The B&O tax exemption is limited to sales to the United States government.

Appropriation: none

Revenue: none

Fiscal Note: requested January 26, 1994

TESTIMONY FOR:

This bill will give more flexibility in selling airplanes.

TESTIMONY AGAINST: None

TESTIFIED: Claire Hesselholt, Department of Revenue (pro); Roger Campolucci, Boeing (pro)