

# HOUSE BILL REPORT

## HB 1132

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### As Reported By House Committee On:

Finance

**Title:** An act relating to use tax on aircraft training equipment transferred to Washington state as a result of base closure.

**Brief Description:** Exempting from use tax naval equipment transferred due to base closure.

**Sponsors:** Representatives Beeksma, Sehlin, B. Thomas, Sheldon, Foreman, L. Thomas, Costa, Huff and Mason; by request of Governor Lowry.

### Brief History:

#### Committee Activity:

Finance: 1/24/95, 1/31/95 [DP].

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### HOUSE COMMITTEE ON FINANCE

**Majority Report:** Do pass. Signed by 11 members: Representatives B. Thomas, Chair; Boldt, Vice Chair; Carrell, Vice Chair; Morris, Ranking Minority Member; Dickerson, Assistant Ranking Minority Member; Campbell; Hymes; Mason; Mulliken; Schoesler and Van Luven.

**Staff:** Rick Peterson (786-7150).

**Background:** The state retail sales tax is imposed on sales of most articles of tangible personal property and certain services. The use tax is imposed on the use of articles of tangible personal property when the sale or acquisition of the property has not been subject to sales tax. Use tax is equal to the sales tax rate multiplied by the value of the property used. The use tax commonly applies in respect to property acquired from out of state.

States cannot tax the federal government. However, a contractor who installs property for the federal government is liable for use tax on the value of materials used in the installation, including materials supplied to the contractor by the government.

**Summary of Bill:** A use tax exemption is created for naval aircraft training equipment transferred to Washington state from another naval installation in another state as a result of the federal base closure act.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill contains an emergency clause and takes effect immediately.

**Testimony For:** The US Navy would like to move aircraft training equipment to Washington. They use private contractors to install the equipments because the Navy personnel do not have the necessary expertise. The Navy, however, does not have the funds to pay the use tax on the equipment. Washington needs to show the Navy that we are committed to the military installations in this state. Without this exemption, certain facilities may become more vulnerable to future closures.

**Testimony Against:** None.

**Testified:** Representative Barney Beeksma, prime sponsor; Representative Barry Sehlin, sponsor; Bill Massey, NAS Whidbey Island Task Force; Mac McDowell, Island County Commissioner; and Len McComb, Department of Revenue.