

FINAL BILL REPORT

SSB 5359

C 302 L 97
Synopsis as Enacted

Brief Description: Clarifying the exemption from sales and use taxation of the materials used by small companies in the design and development of aircraft parts, auxiliary equipment, and aircraft modification.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Swecker, Fraser, West and Winsley).

Senate Committee on Ways & Means
House Committee on Finance

Background: The sales tax is imposed on retail sales of most items of tangible personal property and some services. The state tax rate is 6.5 percent and is applied to the selling price of the article or service. In addition, local sales taxes apply. These range from 0.5 percent to 1.7 percent. The total rate is between 7.0 percent and 8.2 percent, depending on the location.

Exempt from these taxes are purchases by businesses for resale and purchases of components and ingredients that become part of another product for sale.

Purchases of components and ingredients that are incorporated into prototypes are not exempt from sales and use tax because the prototype itself is generally not for sale.

Summary: An existing sales and use tax exemption is clarified for materials used in the design and development of aircraft parts, auxiliary aircraft equipment or aircraft modification for businesses with annual gross sales of less than \$20 million.

The exemption is capped at \$100,000 in state and local taxes per taxpayer per year.

Votes on Final Passage:

Senate	47	0	
House	97	0	(House amended)
Senate	43	1	(Senate concurred)

Effective: July 1, 1997