

# SENATE BILL REPORT

## HB 2971

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As of February 28, 2002

**Title:** An act relating to establishing a business and occupation tax rate for certain FAR part 145 certificated repair stations.

**Brief Description:** Establishing a business and occupation tax rate for certain FAR part 145 certificated repair stations.

**Sponsors:** Representatives Reardon, Pearson, Lovick, Cooper, Dunshee, Sehlin, Edwards, O'Brien and Sullivan.

**Brief History:**

**Committee Activity:** Ways & Means: 2/28/02.

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### SENATE COMMITTEE ON WAYS & MEANS

**Staff:** Terry Wilson (786-7433)

**Background:** Sales tax is imposed on retail sales of most items of tangible personal property and some services, including construction and repair services. Sales and use taxes are imposed by the state, counties and cities. Sales and use tax rates vary between 7 and 8.9 percent, depending on location.

Washington's major business tax is the business and occupation (B&O) tax. The B&O tax is imposed on the gross receipts of business activities conducted within the state, without any deduction for the costs of doing business. The tax is imposed on the gross receipts from all business activities conducted within the state.

The sale and repair of goods is taxable under the sales tax and the B&O tax but there are some exemptions. The sale and repair of boats, airplanes, railroad cars, and locomotives or their components that are used in instate or foreign commerce is exempt from sales tax. However, the sales tax exemption does not extend to the B&O tax. The B&O rate for these sales and repairs is 0.484 percent.

**Summary of Bill:** The B&O tax rate is reduced from 0.484 percent to 0.275 percent on the sale and repair of equipment used in interstate or foreign commerce by persons classified by the Federal Aviation Administration as a FAR part 145 certificated repair station with an airframe class 4 rating and limited capabilities in instruments, radio equipment, and specialized services. The lower rate ends June 30, 2005.

Businesses using this special tax rate must report information on job creation/retention goals, actual jobs created/retained, average wages, average wages for employees hired after using the reduced rate, and the dollar value of the reduced rate.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect on August 1, 2002.

**Testimony For:** The downturn in the economy has caused a loss in business. There is intense competition from other companies lowering their rates to get business. Revenues have decreased 30 percent. The rate is unfair and not indicative of the service provided. This bill will result in re-employment and expansion.

**Testimony Against:** None.

**Testified:** PRO: Mike Zubovic, Steve Gano, Goodrich Aviation; Concerns: John Titus, Mary Ann Burns, Aero Controls, Inc.