

---

**Finance Committee**

---

**HB 1096**

**Brief Description:** Revising business and occupation taxation for certain aviation businesses.

**Sponsors:** Representatives Berkey, Pearson, Morris, Kristiansen, Sullivan, Buck, Dunshee, Cooper, Lovick, Sehlin, Bailey, Kessler and Nixon.

**Brief Summary of Bill**

- Reduces business and occupation tax rate from 0.484 percent to 0.275 percent on the sale and repair of equipment used in interstate or foreign commerce by certain FAA certificated aircraft repair facilities.
- Ends the lower rate on June 30, 2006.
- Requires businesses using the special tax rate to report information on jobs and wages.

**Hearing Date:** 1/28/03

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

**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, 2006.

Businesses using this special tax rate are required to 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:** Requested on January 21, 2003.

**Effective Date:** The bill takes effect on August 1, 2003.