

# HOUSE BILL REPORT

## ESSB 5071

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### As Passed House:

June 10, 2003

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

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

**Sponsors:** By Senate Committee on Ways & Means (originally sponsored by Senators Reardon, Schmidt, Shin, Stevens and Rasmussen).

### Brief History:

#### Committee Activity:

Finance: 4/16/03 [DP].

#### First Special Session

#### Floor Activity:

Passed House: 6/10/03, 89-3.

### Brief Summary of Engrossed Substitute 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 Federal Aviation Administration certificated aircraft repair facilities.
- Requires businesses using the special tax rate to report information on jobs and wages.
- Ends the lower rate on July 1, 2006.

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## HOUSE COMMITTEE ON FINANCE

**Majority Report:** Do pass. Signed by 9 members: Representatives Gombosky, Chair; McIntire, Vice Chair; Cairnes, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Ahern, Conway, Morris, Roach and Santos.

**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 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 interstate or foreign commerce are exempt from sales tax. The B&O tax rate for these sales and repairs is 0.484 percent rather than the 0.471 percent retailing rate.

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**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 a person classified by the Federal Aviation Administration as a Federal Aviation Regulation (FAR) part 145 certificated repair station with airframe and instrument ratings and limited ratings for nondestructive testing, radio, Class 3 Accessory, and specialized services. The lower rate ends July 1, 2006.

Businesses using this special tax rate are required to report information on the number of production workers, average wage for production workers, total wages for production workers, total sales, and total wages as a percent of total sales.

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**Appropriation:** None.

**Fiscal Note:** Available.

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

**Testimony For:** This bill is similar to HB 1096 which passed the committee earlier. Last year it passed the House floor. It is a job maker. It has sunsets. It is good tax policy. The Senate added language that will include another repair facility.

**Testimony Against:** None.

**Testified:** Senator Reardon, prime sponsor; and Steve Gano, Goodrich Aviation.