

SENATE BILL REPORT

SB 5972

As Reported By Senate Committee On:
Ways & Means, March 7, 2005

Title: An act relating to the business and occupation tax credit for property tax payments related to the manufacture of commercial airplanes.

Brief Description: Modifying the business and occupation tax credit for property tax payments related to the manufacture of commercial airplanes.

Sponsors: Senators Prentice, Zarelli, Rasmussen and Schmidt; by request of Department of Revenue.

Brief History:

Committee Activity: Ways & Means: 3/04/05, 3/7/05 [DPS].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5972 be substituted therefor, and the substitute bill do pass.

Signed by Senators Prentice, Chair; Doumit, Vice Chair; Fraser, Vice Chair; Zarelli, Ranking Minority Member; Brandland, Fairley, Hewitt, Pflug, Rasmussen, Regala, Roach, Rockefeller and Schoesler.

Staff: Terry Wilson (786-7433)

Background: In 2003, the legislature authorized various tax incentives for manufacturers of commercial airplanes or commercial airplane components. One of these incentives was a credit against the state business and occupation (B&O) tax for a manufacturer of commercial airplanes or commercial airplane components for property taxes paid. Eligible property taxes include:

- 1) property taxes paid on new buildings and the land upon which the buildings are located, or on renovations or expansions to existing buildings, if the buildings are used in the manufacturing of commercial airplanes or their components; and
- 2) property taxes paid on new machinery and equipment that is used in manufacturing commercial airplanes or components of such airplanes.

Summary of Substitute Bill: Property taxes paid with respect to newly acquired or constructed real property are eligible only if the building is used exclusively in the manufacturing of airplanes or airplane components.

Property taxes paid with respect to newly acquired machinery and equipment are eligible to the extent that the manufacturer conducts aerospace manufacturing activity relative to other manufacturing activity. The credit is calculated by multiplying the property tax by a fraction. The numerator of the fraction is the total taxable amount subject to the reduced B&O tax rate

for aerospace manufacturing and the denominator of the fraction is the total taxable amount subject to the tax imposed under all B&O tax manufacturing classifications. If the fraction equals nine-tenths or more, the fraction is rounded to one.

Substitute Bill Compared to Original Bill: The original bill was not considered.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill takes effect on January 1, 2006.

Testimony For: This credit is difficult to administer. There are many ways to determine majority use. Taxpayers want certainty. This is easy to administer and easy for the taxpayer to determine.

Testimony Against: None.

Who Testified: PRO: Julie Sexton, Department of Revenue.