

SENATE BILL REPORT

SB 5358

As of February 9, 2009

Title: An act relating to sales and use tax exemptions in respect to aircraft used in intrastate commuter operations.

Brief Description: Concerning sales and use tax exemptions in respect to aircraft used in intrastate commuter operations.

Sponsors: Senators Hobbs, Hewitt, Marr, King, Fairley, Zarelli and Benton.

Brief History:

Committee Activity: Ways & Means: 2/04/09.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Dean Carlson (786-7305)

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.

Sales of transportation equipment, including airplanes, locomotives, or watercraft, for use in conducting interstate commerce are exempt from the retail sales and use tax.

Federal law exempts airlines that do not utilize large aircraft in air transportation from a number of regulatory requirements. These airlines are referred to as commuter air carriers.

Summary of Bill: The sale of airplanes for use in providing intrastate air transportation by a commuter air carrier is exempt from the sales and use tax.

A commuter air carrier is defined as an air carrier that is licensed as such by federal regulations, and that carries passengers on at least five round trips per week on at least one route between two or more points according to its published flight schedules that specify the times, days of the week, and places between which those flights are performed.

Appropriation: None.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: We have two scheduled airlines, each is affected adversely by the tax. A sea-plane airline and a land-plane airline. The sea-plane airline is not assessed the sales tax because we have more than 50 percent of flights that are interstate. But in order to maintain our exempt status, we cannot add more intrastate routes or have increased flights. If we had more, we would be subject to the sales tax. With the land-plane side, we are currently subject to the tax. This creates an unfair competition from an airline outside the state located in Portland. They are not subject to the sales tax, even though they will fly the same routes as us. We are the only commuter airline that brings people into the air national flight system. A lot of communities have lost air service in this state, including Olympia and others. Our model is a big part of the answer to air service, but it is something that is difficult with the tax inequity.

Persons Testifying: PRO: Todd Banks, Tim Brooks, Gregg Munro, Marcia Ingersoll, Kenmore Air.