

# SENATE BILL REPORT

## 2SHB 2839

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As Reported by Senate Committee On:  
Ways & Means, March 9, 2016

**Title:** An act relating to providing a sales and use tax exemption for certain new building construction to be used by maintenance repair operators for airplane repair and maintenance.

**Brief Description:** Providing a sales and use tax exemption for certain new building construction to be used by maintenance repair operators for airplane repair and maintenance.

**Sponsors:** House Committee on Appropriations (originally sponsored by Representatives Springer and Nealey).

**Brief History:** Passed House: 3/04/16, 84-13.

**Committee Activity:** Ways & Means: 3/09/16, 3/09/16 [DP, DNP, w/oRec].

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass.

Signed by Senators Hill, Chair; Braun, Vice Chair; Dammeier, Vice Chair; Honeyford, Vice Chair, Capital Budget Chair; Keiser, Assistant Ranking Member on the Capital Budget; Ranker, Ranking Minority Member, Operating; Bailey, Becker, Brown, Hewitt, O'Ban, Schoesler and Warnick.

**Minority Report:** Do not pass.

Signed by Senators Hargrove, Ranking Member; Billig, Darneille, Hasegawa, Nelson, Pedersen and Rolfes.

**Minority Report:** That it be referred without recommendation.

Signed by Senators Conway and Parlette.

**Staff:** Dean Carlson (786-7305)

**Background:** Sales and Use Tax. Retail sales taxes are imposed on retail sales of most articles of tangible personal property, digital products, and some services (including construction). A retail sale is a sale to the final consumer or end user of the property, digital product, or service. If retail sales taxes were not collected when the user acquired the property, digital products, or services, then use taxes apply to the value of property, digital product, or service when used in this state. The state, most cities, and all counties levy retail

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sales and use taxes. The state sales and use tax rate is 6.5 percent; local sales and use tax rates vary from 0.5 percent to 3.1 percent, depending on the location.

Aircraft Repair Station. The National Air Transportation Association defines the term "repair station" as a maintenance facility that has a certificate issued by the Federal Aviation Administration (FAA) under Title 14 of the Code of Federal Regulations (14 CFR) Part 145 and is engaged in the maintenance, preventive maintenance, inspection, and alteration of aircraft and aircraft products. Maintenance facilities must apply to the FAA for a repair station certificate; at the end of the application process, the FAA may issue a certificate and a rating that describes the tasks that the repair station is capable of performing.

**Summary of Bill:** An exemption from the sales and use tax, in the form of a remittance, is provided for all charges for construction of a new building that will be owned or leased by an eligible aircraft maintenance repair operator. The exemption also applies to any charges made for the installation in the building of any machinery and equipment that is not otherwise exempt from sales tax.

An eligible maintenance repair operator is a person classified by the FAA as a Part 145 certified repair station, and located in an airport owned by a county with a population of more than 1.5 million.

The exemption is in the form of a remittance. Remittance of local sales and use tax is immediate; remittance of the state sales and use tax would not occur until after the facility has been operationally complete for four years, but not earlier than December 1, 2021.

The Department of Revenue may not refund the state sales and use tax unless the purchaser reports at least 100 average employment positions to the Employment Security Department for the period from September 1, 2020, to September 1, 2021, with average annualized wages of \$80,000.

Any person claiming the exemption is required to file an annual report with the Department of Revenue.

The tax preference is categorized as one intended to create jobs, and the tax preference performance statement requires the JLARC to evaluate, three years after a maintenance and repair station is operationally complete, whether or not a taxpayer claiming the exemption is on target to meet the employment levels specified in the bill by the fourth year of operation, and whether or not the annualized wages for the employees are on a par with industry standards for the sector.

The act expires on January 1, 2027.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** The bill takes effect on July 1, 2016.

**Staff Summary of Public Testimony:** PRO: This bill will help us bring a lot of well paying jobs to this state rather than those jobs going to a border state.

**Persons Testifying:** PRO: Steve Gano, Gano and Assoc, representing Gateway Aviation; Chuck Kegley , Gateway Aviation.

**Persons Signed In To Testify But Not Testifying:** No one.