

SENATE BILL REPORT

SB 6454

As of February 1, 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: Senators Fain and Takko.

Brief History:

Committee Activity: Trade & Economic Development: 2/03/16.

SENATE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

Staff: Jeff Olsen (786-7428)

Background: Airplane repair facilities must apply to the Federal Aviation Administration (FAA) to obtain a repair station certificate. The National Air Transportation Association defines the term "repair station" as a maintenance facility that has a certificate issued by the FAA that is engaged in the maintenance, inspection, and alteration of aircraft. Repair stations that meet the criteria of part 145 of the Code of Federal Regulations are called FAR - Federal Aviation Regulation - Part 145 repair stations.

A certificated FAR Part 145 repair station is eligible for certain aerospace tax incentives including a sales and use tax exemption on computer products, a preferential business and occupation (B&O) tax rate of 0.2904%, an aerospace product development B&O tax credit, and a property and leasehold excise tax B&O tax credit.

A retail sales and use tax exemption applies to new or replacement machinery and equipment (M&E) used in a manufacturing, testing, or research and development operation by a manufacturer or processor for hire. The exemption also applies to services on M&E, such as installation or repair services. The exemption applies to industrial fixtures and devices as well as pollution control equipment that is used in the manufacturing operation. The exemption does not apply to short-lived tools, hand tools, and consumable supplies.

Summary of Bill: Payment by an eligible airplane maintenance repair operator for the construction of a new building is exempt from sales tax. An eligible airplane maintenance

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repair operator is a person classified by the FAA as a FAR Part 145 certified repair station. The exemption also applies to construction of a new building paid for by a port district, political subdivision, or municipal corporation, if the building will be leased to an eligible airplane maintenance repair operator.

The exemption also applies to any charges made for the installation in the building of any M&E that is not otherwise exempt from sales tax. Construction of a new building that will be used by an eligible airplane maintenance repair operator is exempt from use tax.

Sellers making tax-exempt sales must obtain an exemption certificate from the purchaser. Any person claiming the exemption is required to file an annual report with the Department of Revenue.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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