

SENATE BILL REPORT

SB 6454

As Reported by Senate Committee On:
Trade & Economic Development, February 3, 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 [DP-WM, DNP].

SENATE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

Majority Report: Do pass and be referred to Committee on Ways & Means.
Signed by Senators Brown, Chair; Braun, Vice Chair; Angel and Ericksen.

Minority Report: Do not pass.
Signed by Senators Chase, Ranking Minority Member; McCoy.

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

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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 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.

Staff Summary of Public Testimony: PRO: Creating tax exemptions can bring in new work and generate jobs and revenue for the state. The aircraft maintenance field is highly competitive. Aircraft manufacturers of smaller, business class airplanes have a strong demand for service in the region. However, the location is dependent on the tax environment, which is currently better in Oregon. The new 70,000 square feet facility would generate between 75 to 135 family-wage jobs that pay between \$85,000 to \$125,000 per year.

Persons Testifying: PRO: Senator Fain, prime sponsor; Charles Kegley, President/General Manager Gateway USA,LLC; steve gano, Gateway USA.

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