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## Finance Committee

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### HB 1816

**Brief Description:** Making permanent the tax preferences for aircraft owned by nonprofit organizations to provide emergency medical transportation services.

**Sponsors:** Representatives Dent, Peterson, Dye, Orcutt, Klippert, Caldier, Sutherland and McCaslin.

<p style="text-align: center;"><b>Brief Summary of Bill</b></p> <ul style="list-style-type: none"><li>• Makes the personal property tax and aircraft excise tax exemptions for aircraft owned by nonprofit organizations to provide emergency medical transportation services permanent.</li></ul>
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**Hearing Date:** 2/26/19

**Staff:** Richelle Geiger (786-7139).

**Background:**

Aircraft Taxation.

Unless otherwise exempt, an aircraft in Washington is subject to either the aircraft excise tax or personal property tax. General aviation aircraft is subject to the aircraft excise tax and exempt from personal property tax. General aviation aircraft is all aircraft except those owned by the government or by commercial airlines. Aircraft that operate in an airplane company which transports people or property for compensation are subject to personal property tax and exempt from aircraft excise tax. Aircraft owned by the government are exempt from both the personal property tax and aircraft excise tax.

During the 2010 Legislative Session, the Legislature enacted personal property tax and aircraft excise tax exemptions for aircrafts that are owned by nonprofit organizations and to provide emergency medical transportation services.

Property Tax - Personal Property.

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*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.*

All real and tangible personal property is subject to a tax each year based on the highest and best use, unless a specific exemption is provided by law. Personal property is subject to the same levy rate as real property.

Most personal property owned by individuals is exempt. For example, household goods and personal effects are not subject to property tax. However, if these items are used in a business, property tax applies. The major categories of taxable personal property are: machinery and equipment, fixtures and furniture, leased equipment, farm equipment, machinery, supplies, tools, watercraft, and licensed or unlicensed vehicles used off-road that are not primarily designed for use on public streets or highways.

#### Aircraft Excise Tax.

Aircraft excise tax applies to private owners of small planes used for personal or business purposes, unless otherwise exempt. The tax is an annual fee based on the type of aircraft, except for aircraft owned and operated by a commuter air carrier that is not an airplane company, who are required to pay an annual fee based on weight.

The fee schedule for aircrafts taxed by type is as follows:

- \$20 for home built, lighter than air, and sail planes;
- \$50 for single engine fixed wing;
- \$65 for small multi-engine fixed wing;
- \$75 for helicopter;
- \$80 for large multi-engine fixed wing;
- \$100 for turboprop multi-engine fixed wing; and
- \$125 for turbojet multi-engine fixed wing.

Commuter air carriers pay the tax based on the gross maximum take-off weight of the aircraft. The weight based fee schedule is as follows:

- \$500 for less than 4,001 pounds (lbs);
- \$1,000 for 4,001-6,000 lbs;
- \$2,000 for 6,001-8,000 lbs;
- \$3,000 for 8,001-9,000 lbs; and
- \$4,000 for 9,001-12,000 lbs.

All receipts from this tax are deposited into the Aeronautics Account. An aircraft must be registered for each calendar year it is operated in the state. The tax is collected when the aircraft is first registered. The fee is then due each January thereafter.

Nonprofit, emergency medical air transport providers are exempt from the aircraft excise tax until January 1, 2020.

#### Tax Preference Performance Statement.

State law provides for a range of tax preferences that confer reduced tax liability upon a designated class of taxpayer. Tax preferences include tax exclusions, deductions, exemptions, preferential tax rates, deferrals, and credits. Currently, Washington has over 650 tax preferences, including a variety of sales and use tax exemptions. Unless otherwise exempt, legislation that establishes or expands a tax preference must include a Tax Preference Performance Statement (TPPS) that identifies the public policy objective of the preference, as well as specific metrics

that the Joint Legislative Audit and Review Committee (JLARC) can use to evaluate the effectiveness of the preference. All new tax preferences automatically expire after 10 years unless an alternative expiration date is provided.

**Summary of Bill:**

The personal property tax and aircraft excise tax exemptions for aircraft owned by nonprofit organizations to provide emergency medical transportation services are made permanent.

The bill includes language to exempt the legislation from the TPPS and expiration date requirements for new tax preferences.

**Appropriation:** None.

**Fiscal Note:** Preliminary fiscal note available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.