

HOUSE BILL REPORT

SSB 5137

As Reported by House Committee On:
Transportation

Title: An act relating to modifying the aircraft excise tax.

Brief Description: Modifying the aircraft excise tax.

Sponsors: Senate Committee on Transportation (originally sponsored by Senators Honeyford and Wagoner).

Brief History:

Committee Activity:

Transportation: 3/25/19, 4/3/19 [DPA].

**Brief Summary of Substitute Bill
(As Amended by Committee)**

- Modifies the aircraft excise tax categories and amounts of the tax.
- Adds electric aircraft to the types of aircraft that are subject to the excise tax.

HOUSE COMMITTEE ON TRANSPORTATION

Majority Report: Do pass as amended. Signed by 21 members: Representatives Fey, Chair; Slatter, 2nd Vice Chair; Valdez, 2nd Vice Chair; Wylie, 1st Vice Chair; Barkis, Ranking Minority Member; Walsh, Assistant Ranking Minority Member; Boehnke, Chapman, Doglio, Dufault, Entenman, Eslick, Goehner, Gregerson, Kloba, Lovick, Mead, Ortiz-Self, Pellicciotti, Riccelli and Van Werven.

Minority Report: Do not pass. Signed by 5 members: Representatives McCaslin, Orcutt, Paul, Ramos and Shea.

Minority Report: Without recommendation. Signed by 4 members: Representatives Young, Assistant Ranking Minority Member; Chambers, Irwin and Shewmake.

Staff: Patricia Hasan (786-7292).

Background:

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.

Aircraft Excise Tax.

Owners of general aviation aircraft, which are most aircraft except those owned by the government or by commercial airlines, annually pay a registration fee and an aircraft excise tax. The aircraft excise tax is based on the type of aircraft and ranges from \$20 to \$125.

Aircraft Category	Current Excise Tax
Single engine, fixed wing	\$50
Small multi-engine, fixed wing	\$65
Turboprop multi-engine fixed wing	\$100
Large multi-engine, fixed wing	\$80
Turbojet multi-engine, fixed wing	\$125
Helicopter	\$75
Sailplane, lighter-than-air, home built	\$20

These rates and aircraft categories have been in place since 1983. Since 2013 certain commuter air carriers are also subject to the aircraft excise tax, and pay the tax based upon the gross maximum take-off weight of the aircraft, in the following manner:

- a weight of less than 4,001 pounds requires an excise tax of \$500;
- a weight between 4,001 and 6,000 pounds requires an excise tax of \$1,000;
- a weight between 6,001 and 8,000 pounds requires an excise tax of \$2,000;
- a weight between 8,001 and 9,000 pounds requires an excise tax of \$3,000; and
- a weight between 9,001 and 12,500 pounds requires an excise tax of \$4,000.

The Washington State Department of Transportation (WSDOT) collects the annual excise tax at the same time as collecting the aircraft registration fee. Revenues from the aircraft excise tax are deposited into the state Aeronautics Account, which is used by the WSDOT Aviation Division for aviation-related grants and activities. The Aeronautics Account funds are also used to leverage additional federal grant funds.

New Types of Aircraft.

Manned electric-powered aircraft are not common, but it is an area of developing research. The 2018 state transportation budget directed the WSDOT to convene an electric aircraft work group and report findings and recommendations to the transportation committees of the Legislature by June 30, 2019.

Summary of Amended Bill:

Aircraft Excise Tax.

New subsets of existing categories of aircraft are added to the aircraft excise tax schedule, including electric equivalent aircraft. Aircraft excise tax amounts for all categories of aircraft are adjusted and range from \$25 to \$150.

Aircraft Category	Current Excise Tax	SSB 5137	Proposed Excise Tax
Single engine, fixed wing	\$50	Single engine fixed wing, piston 200 horsepower and less	\$55
		Electric equivalent – single engine fixed wing 149 kw (200 horsepower) or less	\$45
		Single engine fixed wing, piston greater than 200 horsepower	\$65
		Electric equivalent – single engine fixed wing greater than 149 kw (200 horsepower)	\$50
		Single engine fixed wing turboprop	\$70
Small multi-engine, fixed wing	\$65	Multi-engine fixed wing, piston less than 12,500 lbs.	\$85
Turboprop multi-engine fixed wing	\$100	Multi-engine fixed wing, turboprop less than 12,500 lbs.	\$100
		Multi-engine fixed wing, turboprop more than 12,500 lbs.	\$120
Large multi-engine, fixed wing	\$80	Multi-engine fixed wing, piston more than 12,500 lbs.	\$110
Turbojet multi-engine, fixed wing	\$125	Turbojet, single-engine fixed wing	\$135
		Turbojet, multi-engine fixed wing	\$150
Helicopter	\$75	Helicopter, piston engine	\$65
		Helicopter, single engine, turbine	\$100
		Helicopter, multi-engine, turbine	\$120
Sailplane, lighter-than-air, home built	\$20	Lighter-than-air, sailplane, experimental amateur-built, gyrocopter	\$25

New Types of Aircraft.

Electric aircraft are added to the list of aircraft that are subject to the aircraft excise tax.

Definitions.

The following definitions are made for use in the aircraft excise tax statutes:

- "Commercial" means an aircraft, manned or unmanned, not used exclusively for hobby or recreation.
- "Electric equivalent" means an aircraft fully powered and propelled electrically or hybrid-powered, which includes a combination of combustion and electric propulsion.

Amended Bill Compared to Substitute Bill:

The amended bill removes unmanned aircraft, or "drones," from the aircraft excise tax schedule and removes the definitions for "small unmanned aircraft" and "large unmanned aircraft."

Appropriation: None.

Fiscal Note: Available.

Effective Date of Amended Bill: The bill takes effect on January 1, 2020.

Staff Summary of Public Testimony:

(In support) These are very minor increases in the aviation excise tax, and there has not been an increase since 1983. The revenue from this tax goes to the Aeronautics Account, and the WSDOT is in need of more funding for the aviation program and for the airports in the state.

Companies bring drones into the state for maintenance and repairs and for use during emergencies, so a date-related residency clause and an exemption for emergency use would be helpful in the bill.

(Opposed) The bill creates a brand new tax for drones, and the revenue that would be raised by the excise tax on drones would be used to fund operations and maintenance of airports. Drones are not allowed by law to be at or near airports, so the nexus around the tax on drones and the use of the revenue from the tax is unclear. The increase in the excise tax on other aircraft that actually do use airports makes sense. Revenue estimates for an excise tax on drones cannot be made at this time because no department is collecting data on drone sales or ownership.

The Federal Aviation Administration (FAA) is currently meeting with several stakeholders, including state governments, local governments, and individuals, to figure out how the space between the ground and where the FAA regulates airspace, where drones generally fly, will be regulated. Taxes and registrations on drones is part of that discussion, so it is premature to set a tax on drones at the state level before the FAA has made any conclusions.

Persons Testifying: (In support) Senator Honeyford, prime sponsor.

(Opposed) Charlie Brown, Consumer Technology Association; and Jean Leonard, DJI and National Association of Mutual Insurance Companies.

Persons Signed In To Testify But Not Testifying: None.