

# FINAL BILL REPORT

## SSB 6068

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Synopsis as Enacted

**Brief Description:** Concerning sales and use tax exemptions for large private airplanes.

**Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senators Warnick, Mullet, Wilson, L., Takko, Short, Lias and Honeyford).

**Senate Committee on Ways & Means**  
**House Committee on Finance**

**Background:** Retail Sales Taxes. Retail sales taxes are imposed on retail sales of most articles of tangible personal property, digital products, and some services, including repair services. 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 the property, digital product, or service when used in this state. The state, cities, and all counties levy retail sales and use taxes. The state sales and use tax rate is 6.5 percent. Local sales and use tax rates vary depending on location.

Washington provides a sales and use tax exemption for nonresidents who modify their large private airplanes in Washington. For example, when nonresidents bring their large private airplanes to Washington for modification work, such as interior customization, they do not pay sales and use tax. These private planes are the size of a Boeing 737 or larger.

The tax preference was enacted in 2013, took effect January 1, 2014, and expires July 1, 2021.

Aircraft Registration. Generally, any aircraft operated or based within Washington must be registered with the state Department of Transportation (DOT) for the calendar year in which the aircraft is operated or based within the state. A \$15 fee is charged for initial and renewal registrations.

There are several exemptions from registration. One is for any aircraft owned by a nonresident and operated or based in this state for a period less than 90 days. A second applies to nonresident-owned large private airplanes in the state for a period not less than one year for the exclusive purpose of repairs, alterations, or reconstruction. To claim this exemption from aircraft registration, the nonresident must file a written statement with DOT indicating the aircraft is exempt from registration for the purpose of repairs, alterations, or

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reconstruction. This registration exemption took effect January 1, 2014, and is scheduled to expire July 1, 2021.

Aircraft Excise Tax. Washington applies an aircraft excise tax to private owners of planes used for personal or business purposes. The tax consists of 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 aircraft excise tax is in lieu of property taxes.

Generally, aircraft engaged principally in commercial flying that constitutes interstate or foreign commerce is exempt from aircraft excise tax, but subject to personal property tax. However, legislation enacted in 2013 imposes aircraft excise tax on commercial aircraft in the state exclusively for the purpose of continual storage of not less than one full calendar year, relating to modification work. This change expires on July 1, 2021.

Joint Legislative Audit and Review Committee Tax Preference Reviews. A tax preference is any exemption, exclusion, or deduction from the base of a state tax; a credit against a state tax; a deferral of a state tax; or a preferential state tax rate. All new tax preference legislation is required to include a tax preference performance statement. The performance statement must clearly specify the public policy objectives of the tax preference, and the specific metrics and data that will be used by the Joint Legislative Audit and Review Committee (JLARC) to evaluate the efficacy of the tax preference. An automatic ten-year expiration date is applied to new tax preferences if an alternate expiration date is not provided in the new tax preference legislation.

**Summary:** The changes made in the 2013 legislation related to taxation and registration requirements for large private aircraft is extended ten years from July 1, 2021, to July 1, 2031.

Therefore, the following will apply:

- large private airplanes sold to nonresidents or sales of labor and services for the repair, cleaning, and altering of such nonresident airplanes is exempt from sales and use taxes;
- large private airplanes are not required to be registered in Washington if these airplanes are in the state for a period not less than one year for the exclusive purpose of repairs, alterations, or reconstruction; and
- large private airplanes will continue to be subject to aircraft excise tax in lieu of property tax.

By January 1, 2027, JLARC must conduct its tax preference review, which will evaluate the economic impacts on Washington from the tax preferences and, to the extent practicable, estimate job growth in the aerospace cluster resulting from the tax preferences.

**Votes on Final Passage:**

Senate	47	1
House	91	6

**Effective:** June 11, 2020  
July 1, 2021 (Sections 3 and 5)