

SENATE BILL REPORT

SHB 1318

As Reported by Senate Committee On:
Ways & Means, April 4, 2023

Title: An act relating to retail sales tax exemptions for certain aircraft maintenance and repair.

Brief Description: Concerning retail sales tax exemptions for certain aircraft maintenance and repair.

Sponsors: House Committee on Finance (originally sponsored by Representatives Ormsby, Springer, Volz, Graham, Riccelli, Reeves and Leavitt).

Brief History: Passed House: 3/16/23, 95-0.

Committee Activity: Ways & Means: 3/23/23, 4/04/23 [DPA, DNP, w/oRec].

Brief Summary of Amended Bill

- Modifies the sales and use tax exemption for the construction of new aircraft repair stations certified by the Federal Aviation Administration.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.

Signed by Senators Rolfes, Chair; Robinson, Vice Chair, Operating & Revenue; Mullet, Vice Chair, Capital; Wilson, L., Ranking Member, Operating; Gildon, Assistant Ranking Member, Operating; Rivers, Assistant Ranking Member, Capital; Warnick, Assistant Ranking Member, Capital; Billig, Boehnke, Braun, Conway, Dhingra, Hunt, Keiser, Muzzall, Nguyen, Torres, Van De Wege, Wagoner and Wellman.

Minority Report: Do not pass.

Signed by Senator Hasegawa.

Minority Report: That it be referred without recommendation.

Signed by Senators Schoesler, Ranking Member, Capital; Pedersen and Saldaña.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Staff: Alia Kennedy (786-7405)

Background: Sales and Use Tax. Retail sales taxes are imposed on retail sales of most articles of tangible personal property, digital products, and some services—including construction. 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 property, digital product, or service when used in this state. The state, most 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 from 0.5 percent to 4.1 percent, depending on the location.

Aircraft Repair Station. The National Air Transportation Association defines the term repair station as a maintenance facility that has a certificate issued by the Federal Aviation Administration (FAA) under Title 14 of the Code of Federal Regulations Part 145 and is engaged in the maintenance, preventive maintenance, inspection, and alteration of aircraft and aircraft products. Maintenance facilities must apply to the FAA for a repair station certificate. At the end of the application process, FAA may issue a certificate and a rating that describes the tasks that the repair station is capable of performing. According to the FAA, there are more than 100 repair stations in Washington.

Sales and Use Tax Exemption for the Construction of Qualified Aircraft Maintenance and Repair Stations. Payment by an eligible maintenance repair operator for construction of a new building is exempt from sales and use tax. The exemption also applies to any charges made for the installation in the building of any machinery and equipment that is not otherwise exempt from sales tax.

The exemption is in the form of a remittance. Remittance of local sales and use tax is immediate; remittance of the state sales and use tax would not occur until after the facility has been operationally complete for four years, but not earlier than December 1, 2021. The Department of Revenue may not refund the state sales and use tax unless the purchaser reports at least 100 average employment positions to the Employment Security Department (ESD) from September 1, 2020, to September 1, 2021, with average annualized wages of \$80,000.

An eligible maintenance repair operator is a person classified by the FAA as a Part 145 certified repair station and must be located in an airport owned by a county with a population of more than 1.5 million. 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 maintenance repair operator.

This sales and use tax exemption expires on January 1, 2027.

Summary of Amended Bill: The sales and use tax exemption for the construction of an eligible aircraft maintenance and repair facility is modified to apply only to eligible

facilities located in a commercial services airport owned by a county with a population less than 1 million or a commercial services airport jointly owned by a city and county. The sales and use tax exemption no longer applies to an eligible facility built in an international airport owned by a county with a population greater than 1.5 million.

An eligible facility operator may request a remittance of the state sales and use tax once the facility is operationally complete for four years and reports to ESD that it has maintained 100 employment positions with an average wage of \$80,000 for any consecutive four calendar quarters.

The sales and use tax exemption expires January 1, 2031.

The exemption is not subject to the tax preference performance statement requirements.

EFFECT OF WAY & MEANS COMMITTEE AMENDMENT(S):

- Extends the expiration date for the corresponding use tax exemption on the construction of an eligible aircraft maintenance and repair facility.
- Removes the requirement that to qualify for a remittance of the state sales and use tax an aircraft maintenance and repair facility must report certain employment and wage information to ESD for the period of October 1, 2020, through September 30, 2021, and instead allows an aircraft maintenance and repair facility to report that information for any period of four consecutive calendar quarters.
- Removes language allowing an international airport in any county to qualify for the tax exemption.
- Adds language specifying that the tax exemption applies to either a commercial services airport owned by a county with a population less than 1 million or a commercial services airport jointly owned by a city and county.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Substitute House Bill: *The committee recommended a different version of the bill than what was heard.* PRO: Wildfires continue to be more impactful in Washington. The lack of large tanker aircrafts makes it hard to adequately respond to wildfires. The bill would increase the number of aircrafts capable of responding to wildfires. A new hanger at the Spokane International Airport would create new jobs and result in ten additional large tanker aircrafts. The bill would support the aerospace industry in Snohomish County and the state.

Persons Testifying: PRO: Chris Niemann; Rashma Agarwal, EASC; Jeff Gombosky, Aero-Flite Inc..

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