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**Finance Committee**

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**HB 3053**

**Brief Description:** Extending expiring tax incentives for certain clean alternative fuel vehicles, producers of certain biofuels, and federal aviation regulation part 145 certificated repair stations.

**Sponsors:** Representatives Kenney and Liias; by request of Department of Revenue.

**Brief Summary of Bill**

- Extends expiration dates of tax preferences for Federal Aviation Regulation part 145 aircraft repair stations, alternative fuel vehicles, and alternative fuel manufacturing facilities.

**Hearing Date:** 2/2/10

**Staff:** Rick Peterson (786-7150).

**Background:**

In 2003 the Legislature reduced the business and occupation (B&O) tax rate from 0.484 percent to 0.275 percent for firms that repair equipment used in interstate or foreign commerce. The exemption was limited to firms classified by the Federal Aviation Administration (FAA) as a Federal Aviation Regulation (FAR) part 145 certified repair stations with airframe and instrument ratings and limited ratings for nondestructive testing, radio, class three accessory, and specialized services. The lower rate was scheduled to end July 1, 2006.

In 2006 the reduced B&O tax rate for FAA certified repair stations was extended to July 1, 2011 and the tax rate was changed from 0.275 percent to 0.2904 percent. In 2008 the lower B&O rate was extended to all repair stations that engage in the repair of equipment used in interstate or foreign commerce.

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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.*

New passenger cars, light duty trucks, and medium duty passenger vehicles exclusively powered by a clean alternative fuel are exempt from sales and use tax. Clean alternative fuel includes natural gas, propane, hydrogen, or electricity. The exemption expires January 1, 2011.

Buildings, machinery, equipment, and other personal property used primarily for a new or expanded manufacturing facility producing alcohol fuel, wood biomass fuel, biodiesel fuel, or biodiesel feedstock is eligible for a six-year property tax exemption or a six-year leasehold excise tax exemption. Applications must be submitted by December 31, 2009.

**Summary of Bill:**

The expiration date for FAR part 145 certified repair stations is extended to from July 1, 2011 to July 1, 2024.

The sales and use tax exemption for new passenger cars, light duty trucks, and medium duty passenger vehicles exclusively powered by a clean alternative fuel is extended from January 1, 2011 to July 1, 2015.

The application deadline for the six year property tax and leasehold excise tax exemptions for new or expanded manufacturing facilities producing alternative fuels extended from December 31, 2009 to December 31, 2015.

**Appropriation:** None.

**Fiscal Note:** Available.

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