
**Technology & Economic Development
Committee**

HB 1707

Brief Description: Concerning the taxation of large airplanes.

Sponsors: Representatives Springer, Warnick, Parker, Lias, Manweller and Lytton.

Brief Summary of Bill

- Exempts large private airplanes from registration requirements when in the state for the purpose of repairs, alterations, reconstruction, or long-term storage.
- Exempts large private airplane sales and certain related labor and service charges from the retail sales and use tax, when the plane is also exempt from the registration requirement.
- Narrows the existing exemption from the excise tax for interstate or foreign commercial aircraft, removing the exemption when such aircraft are in the state exclusively for the purpose of continual storage of one full calendar year or longer.

Hearing Date: 2/13/13

Staff: Jasmine Vasavada (786-7301).

Background:

Washington is home to Boeing as well as more than 300 aerospace companies and hundreds of suppliers and service firms. Together, these firms manufacture a wide variety of parts and supplies and market to aerospace companies throughout the world.

Aircraft Registration.

Under current law, the owners of aircraft operated or based in Washington must register with the Department of Transportation and pay a \$15 registration fee. Aircraft owned by nonresidents and registered in another state are not required to register in Washington, unless the aircraft remains in or is based in Washington for a period of 90 days or longer.

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.

Retail Sales and Use Taxes.

Retail sales and use taxes are imposed by the state, most cities, and all counties. Retail sales taxes are imposed on retail sales of most goods and some services. If retail sales taxes are not collected when the goods or services are first acquired, then use taxes are often applied, at the same rate as the retail sales tax, when the goods or services are used. The state sales tax rate is 6.5 percent. State sales and use taxes are deposited in the State General Fund.

In 2007 Washington enacted legislation to conform to the National Streamlined Sales and Use Tax Agreement (SSUTA). The legislation took effect on July 1, 2008. The SSUTA is a voluntary multi-state effort to simplify and modernize sales and use tax administration for member states in order to substantially reduce the burden of tax compliance.

Excise Taxation of Aircraft.

Aircraft are subject to either the property tax or the aircraft excise tax, depending on the type of aircraft. General aviation aircraft (all aircraft except those owned by the government or by commercial airlines) must pay the aircraft excise tax, but are exempt from the personal property tax. This tax, an in-lieu of property tax, consists of an annual fee based on the type of aircraft, ranging from \$20 to \$125.

Interstate commercial aircraft are exempt from the excise tax, and as a result, the tax applies mainly to private owners of small planes used for personal or business purposes. Funds are deposited into the State General Fund. A portion is used for administrative expenses for the aeronautics' account within the General Fund.

Summary of Bill:

Registration With the Department of Transportation.

The current exemption from registration with the Department of Transportation (Department) for large private airplanes owned by nonresidents and registered in another state, when the aircraft are located in the state for less than 90 days, is extended beyond the 90-day limit when: (1) the airplane is in the state exclusively for the purpose of continual storage (not less than one full calendar year) or repairs, alterations, or reconstruction; and (2) within 90 days of the airplane's arrival in the state, the nonresident files a written statement with the Department indicating that the airplane is exempt from registration.

An airplane that is present in the state for flight testing related to the repairs, alterations, or reconstruction can still qualify for the exemption, so long as an employee of the facility providing these services is on board the airplane during any flight testing.

Retail Sales and Use Tax Exemptions.

When a large private airplane is exempt from registration with the Department, the nonresident owner or lessee may also claim an exemption from the retail sales tax. This exemption applies to the sale of the airplane and to sales of or charges made for labor and services in repairing, cleaning, altering, or improving the airplane. A seller wishing to make a tax-exempt sale must obtain an exemption certificate from the buyer, or capture the relevant data as allowed under the Streamlined Sales and Use Tax Agreement (SSUTA).

Excise Tax Exemption.

Commercial aircraft engaged in interstate or foreign commerce that are in the state exclusively for the purpose of continual storage of one full calendar year or more are subject to the excise tax, and therefore exempt from property tax.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The act generally takes effect January 1, 2014. The excise tax exemption initially goes into effect on January 1, 2014 and expires January 1, 2020; a new excise tax exemption goes into effect January 1, 2020.