

HOUSE BILL REPORT

SB 5200

As Reported By House Committee On:
Finance

Title: An act relating to use tax on aircraft training equipment transferred to Washington state as a result of base closure.

Brief Description: Exempting from use tax naval equipment transferred due to base closure.

Sponsors: Senators Haugen, Winsley, Spanel, Sheldon, West, Roach and Oke; by request of Governor Lowry.

Brief History:

Committee Activity:

Finance: 4/3/95 [DP].

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 11 members: Representatives B. Thomas, Chairman; Boldt, Vice Chairman; Carrell, Vice Chairman; Dickerson, Ranking Minority Member; Hymes; Mason; Mulliken; Pennington; Schoesler; Sheldon and Van Loven.

Minority Report: Without recommendation. Signed by 1 member: Representative Morris, Ranking Minority Member.

Staff: Rick Peterson (786-7150).

Background: Sales tax applies when items are purchased at retail in the state. Sales tax is paid by the purchaser and collected by the seller. Use tax is imposed on the use of an item in this state, when the acquisition of the item has not been subject to sales tax. Use tax applies to items purchased from sellers who do not collect sales tax, items acquired from out of state, and items produced by the person using the item. The state sales tax rate is 6.5 percent of the selling price. Local governments may levy additional sales taxes. The total state and local rate varies from 7 percent to 8.2 percent, depending on the location. Use tax is equal to the sales tax rate multiplied by the value of the property used.

States cannot tax the federal government. However, a contractor who installs property for the federal government is liable for use tax on the value of materials used in the installation, including materials supplied to the contractor by the government.

Summary of Bill: A use tax exemption is created for naval aircraft training equipment transferred to Washington state from another naval installation in another state as a result of the federal base closure act.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Testimony For: The US Navy would like to move aircraft training equipment to Washington. They use private contractors to install the equipment because the Navy personnel do not have the necessary expertise. The Navy, however, does not have the funds to pay the use tax on the equipment. Washington needs to show the Navy that we are committed to the military installations in this state. Without this exemption, certain facilities may become more vulnerable to future closures.

There is concern about an amendment, made to companion measure HB 1132, to expand to military aircraft training equipment. This bill should be passed without an amendment.

Testimony Against: None.

Testified: Senator Mary Margaret Haugen, prime sponsor; and Representative Barney Beeksma (prime sponsor companion measure HB 1132).