

SENATE BILL REPORT

SB 5200

As Passed Senate, March 9, 1995

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: Ways & Means: 2/2/95, 2/9/95 [DP].
Passed Senate, 3/9/95, 45-1.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Rinehart, Chair; Loveland, Vice Chair; Bauer, Drew, Finkbeiner, Hochstatter, Johnson, Long, Moyer, Pelz, Roach, Sheldon, Snyder, Strannigan, Sutherland, West, Winsley and Wojahn.

Staff: Terry Wilson (786-7715)

Background: The state sales tax is paid on each retail sale of most articles of tangible personal property and certain services. Taxable services include construction, repair, telephone, lodging of less than 30 days, physical fitness, and some recreation and amusement services. The use tax is imposed on the use of articles of tangible personal property when the sale or acquisition has not been subject to the sales tax. The use tax commonly applies to purchases made from out-of-state firms, including purchases by mail order.

The federal supremacy clause and the doctrine of intergovernmental immunity prevent the state from taxing the federal government directly. However, a contractor who installs property for the federal government is liable for use tax on the value of the materials used in the installation, including materials supplied to the contractor by the government.

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

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 equipments because the Navy personnel do not have the necessary expertise. The Navy, however, did not take into account the state's high 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. These closures would cost the state much more money than the bill.

Testimony Against: None.

Testified: Senator Haugen, prime sponsor (pro); Representative Sehlin (pro); Len McComb, Director of Revenue (pro); Mac McDowell, Island County Commissioner (pro).