

SENATE BILL REPORT

ESHB 2880

As of February 29, 2020

Title: An act relating to sales and use tax exemptions for aircraft fuel used for research and development purposes.

Brief Description: Concerning sales and use tax exemptions for aircraft fuel used for research and development purposes.

Sponsors: House Committee on Finance (originally sponsored by Representatives Dent, Chandler and Barkis).

Brief History: Passed House: 2/27/20, 98-0.

Committee Activity: Ways & Means: 3/02/20.

Brief Summary of Bill

- Creates a state sales and use tax exemption, in the form of a remittance, for sales of aircraft fuel used for research and development purposes if the taxpayer meets certain employment standards.

SENATE COMMITTEE ON WAYS & MEANS

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. 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 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 depending on the location.

Taxation of Aircraft Fuel. Aircraft fuel is subject to retail sales and use tax, except for fuel used for agricultural purposes or in interstate or foreign commerce by common or private carriers. In addition, an aircraft fuel tax is imposed on each gallon of aircraft fuel that is sold, delivered, or used in the state. The rate of the aircraft fuel tax is 11 cents per gallon.

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.

Tax Preference Performance Requirements. State law provides for a range of tax preferences that confer reduced tax liability for certain designated taxpayers. Tax preferences include tax exclusions, deductions, exemptions, preferential tax rates, deferrals, and credits. Unless specifically exempted otherwise, legislation establishing or expanding a tax preference must include a tax preference performance statement identifying its public policy objective and provide certain metrics used by the Joint Legislative Audit and Review Committee (JLARC) in evaluating the effectiveness of the preference. If an exemption or specific expiration date is not provided in the enacting legislation, all new tax preferences automatically expire after ten years.

Summary of Bill: The state portion of the sales and use tax does not apply to sales of aircraft fuel used to operate an aircraft used in research and development of that aircraft or its components. The research and development must be conducted as part of a test-flight program using a test-bed aircraft that is based in this state to test new aircraft-engine designs that advance new technologies or clean fuels.

To claim the exemption, taxpayers must pay the tax on the fuel at the time of purchase and then request a remittance from the Department of Revenue (DOR). The request must include information and documentation as required by DOR, which may include the sales price and amount of aircraft fuel purchased, and the amount of sales tax paid. A taxpayer may only file one request for remittance per calendar year.

To be eligible, taxpayers must, in the 12 months before requesting the remittance, hire and retain at least 20 new full-time equivalent research and development employees. Taxpayers must retain at least 20 research and development employees for each year the exemption is claimed.

The exemption applies only to the state portion of the sales tax. The state portion of the sales tax is not reduced by any local sales tax that is deducted or credited against the state sales tax.

The sales and use tax exemption on aircraft fuel is subject to review by JLARC and expires January 1, 2032.

Appropriation: None.

Fiscal Note: Available.

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

Effective Date: The bill takes effect on July 1, 2021.