FINAL BILL REPORT
SHB 1318

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Synopsis as Enacted

Brief Description: Concerning retail sales tax exemptions for certain aircraft maintenance and repair.

Sponsors: House Committee on Finance (originally sponsored by Representatives Ormsby, Springer, Volz, Graham, Riccelli, Reeves and Leavitt).

House Committee on Finance
Senate Committee on Ways & Means

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 (including construction). 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 of property, digital product, or service 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 from 0.5 percent to 3.1 percent, depending on the location.

Aircraft Repair Station.
The National Air Transportation Association defines the term "repair station" as a maintenance facility that has a certificate issued by the Federal Aviation Administration (FAA) under Title 14 of the Code of Federal Regulations (14 CFR) Part 145 and is engaged in the maintenance, preventive maintenance, inspection, and alteration of aircraft and aircraft products. Maintenance facilities must apply to the FAA for a repair station certificate; at the end of the application process, the FAA may issue a certificate and a rating that describes the tasks that the repair station is capable of performing. According to the FAA, there are more than 100 repair stations in Washington.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Sales and Use Tax Exemption for the Construction of Qualified Aircraft Maintenance and Repair Stations.
Payments made by an eligible maintenance repair operator related to the construction of a new building is exempt from sales and use tax. The exemption also applies to any charges made for the installation in the building of any machinery and equipment that is not otherwise exempt from sales tax.

The exemption is in the form of a remittance. Remittance of local sales and use tax is immediate; remittance of the state sales and use tax would not occur until after the facility has been operationally complete for four years, but not earlier than December 1, 2021. The Department of Revenue (DOR) may not refund the state sales and use tax unless the purchaser reports at least 100 average employment positions to the Employment Security Department for the period from September 1, 2020, to September 1, 2021, with average annualized wages of $80,000.

An eligible maintenance repair operator is a person classified by the FAA as a Part 145 certified repair station and must be located in an airport owned by a county with a population of more than 1.5 million. The exemption also applies to construction of a new building paid for by a port district, political subdivision, or municipal corporation, if the building will be leased to an eligible maintenance repair operator.

This sales and use tax exemption expires on January 1, 2027.

Summary:

The sales and use tax exception for the payment made by an eligible maintenance repair operator for the construction of a new building and related machinery and equipment is changed. An eligible maintenance repair operator may be located in a commercial services airport owned by a county with a population less than 1 million or a commercial services airport jointly owned by a city and county. The definition of an eligible facility no longer contains the requirement to be built in an international airport owned by a county with a population greater than 1.5 million.

The sales and use tax exemption is in the form of a remittance that the operator of an eligible facility may request from the DOR once the facility is operationally complete for four years and has reported to the Employment Security Department that it has maintained 100 employment positions with an average wage of $80,000 for any four consecutive quarters.

This act is exempt from the requirements of a tax preference performance statement, including a review by the Joint Legislative Audit and Review Committee.

The exemption expires January 1, 2031.

Votes on Final Passage:

House	95	0	
Senate	46	2	(Senate amended)
House	96	0	(House concurred)

Effective: July 23, 2023