

# HOUSE BILL REPORT

## SHB 1318

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### As Passed Legislature

**Title:** An act relating to retail sales tax exemptions for certain aircraft maintenance and repair.

**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).

#### **Brief History:**

##### **Committee Activity:**

Finance: 1/24/23, 2/2/23 [DPS].

##### **Floor Activity:**

Passed House: 3/16/23, 95-0.

Senate Amended.

Passed Senate: 4/19/23, 46-2.

House Concurred.

Passed House: 4/20/23, 96-0.

Passed Legislature.

#### **Brief Summary of Substitute Bill**

- Modifies the definition of an eligible maintenance repair operator for the sales and use tax exemption for the construction of new buildings at an aircraft repair station certified by the Federal Aviation Administration.

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### HOUSE COMMITTEE ON FINANCE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 13 members: Representatives Berg, Chair; Street, Vice Chair; Orcutt, Ranking Minority Member; Jacobsen, Assistant Ranking Minority Member; Barnard, Chopp, Ramel, Santos, Springer, Stokesbary, Thai, Walen and Wylie.

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*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.*

**Staff:** Tracey Taylor (786-7152).

**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.

Sales and Use Tax Exemption for the Construction of Qualified Aircraft Maintenance and Repair Stations.

Payment by an eligible maintenance repair operator for 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 of Substitute Bill:**

The sales and use tax 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 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.

The exemption expires January 1, 2031.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.

**Staff Summary of Public Testimony:**

(In support) There needs to be a nexus between the exemption and an increase in economic activity that would not otherwise happen. This bill aligns with what we've done with data centers, allowing the construction and increase in activity in business communities to align with the tax preference. This bill would allow the deferral program to be used to help Spokane build a new airtanker facility. A new hanger would allow growth in employment, and is an important economic development tool.

(Opposed) None.

(Other) Aviation provides economic activity and jobs. Paine Field is among the potential areas for economic growth in Snohomish county, and should be added as eligible for this exemption. If this policy is good for Spokane, then it should be available for other places to offer a level playing field.

**Persons Testifying:** (In support) Representative Timm Ormsby, prime sponsor; and Jeff Gombosky, Aero-Flite Incorporated.

(Other) Stephanie Wright; and Rashma Agarwal, Economic Alliance of Snohomish County.

**Persons Signed In To Testify But Not Testifying:** None.