

# FINAL BILL REPORT

## ESSB 5071

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Synopsis as Enacted

**Brief Description:** Revising business and occupation taxation for certain aviation businesses.

**Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senators Reardon, Schmidt, Shin, Stevens and Rasmussen).

**Senate Committee on Ways & Means**  
**House Committee on Finance**

**Background:** Sales tax is imposed on retail sales of most items of tangible personal property and some services, including construction and repair services. Sales and use taxes are imposed by the state, counties and cities. Sales and use tax rates vary between 7 and 8.9 percent, depending on location.

Washington's major business tax is the business and occupation (B&O) tax. The B&O tax is imposed on the gross receipts of business activities conducted within the state, without any deduction for the costs of doing business.

The sale and repair of goods is taxable under the sales tax and the B&O tax, but there are some exemptions. The sale and repair of boats, airplanes, railroad cars, and locomotives, or their components, that are used in instate or foreign commerce are exempt from sales tax. The B&O rate for these sales and repairs is 0.484 percent rather than the 0.471 retailing rate.

**Summary:** The B&O tax rate is reduced from 0.484 percent to 0.275 percent on the sale and repair of equipment used in interstate or foreign commerce by a person classified by the Federal Aviation Administration as a FAR part 145 certificated repair station with airframe and instrument ratings and limited ratings for nondestructive testing, radio, class 3 accessory, and specialized services. The lower rate ends July 1, 2006.

Businesses using this special tax rate are required to report information on job creation/retention goals, actual jobs created/retained, average wages, average wages for employees hired after using the reduced rate, and the dollar value of the reduced rate.

### **Votes on Final Passage:**

Senate 34 11

### First Special Session

Senate 34 10

House 89 3

**Effective:** August 1, 2003