

SENATE BILL REPORT

SB 5622

As of March 1, 2013

Title: An act relating to the taxation of large airplanes.

Brief Description: Concerning the taxation of large airplanes.

Sponsors: Senators Hewitt, Hobbs, Eide, Fain, Holmquist Newbry and Harper.

Brief History:

Committee Activity: Transportation: 2/13/13, 2/14/13 [DP-WM, DNP].
Ways & Means: 2/21/13.

SENATE COMMITTEE ON TRANSPORTATION

Majority Report: Do pass and be referred to Committee on Ways & Means.

Signed by Senators Eide, Co-Chair; King, Co-Chair; Benton, Vice Co-Chair; Hobbs, Vice Co-Chair; Fain, Budget Leadership Cabinet; Billig, Brown, Ericksen, Harper, Mullet, Schlicher, Sheldon and Smith.

Minority Report: Do not pass.

Signed by Senator Rolfes.

Staff: Hayley Gamble (786-7452)

SENATE COMMITTEE ON WAYS & MEANS

Staff: Dean Carlson (786-7305)

Background: Aircraft used in Washington for longer than 90 days must be registered and a fee of \$15 is due to the Department of Transportation. Certain aircraft are exempt from the \$15 registration fee, such as un-airworthy aircraft and commercial aircraft engaged principally in commercial flying constituting an act of interstate or foreign commerce.

The aircraft excise tax varies by type of aircraft and ranges from \$20 for a home-built aircraft up to \$125 for a turbojet multi-engine fixed wing plane and currently does not apply to commercial aircraft engaged principally in commercial flying that constitutes interstate or foreign commerce.

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.

Generally, large private airplanes are subject to state sales or use tax, as is any modification or repair work to the aircraft.

In addition to the \$15 registration fee, private aircraft in the state for longer than 90 days, if not subject to the aircraft excise tax, are subject to state personal property taxes.

Summary of Bill: Large private airplanes that are in Washington longer than 90 days, but are here either for: storage of longer than a year; or repairs, alterations, or reconstruction, are exempt from the state's \$15 registration fee. Large private airplanes are defined as weighing more than 41,000 pounds and not used primarily in interstate commerce or used by a government entity, and also as being assigned a weight designation applied to aircraft over 41,000 pounds by the Federal Aviation Authority.

When sold to nonresidents of Washington, large private aircraft are exempt from state sales and use tax. Labor and services for repairing, cleaning, altering, or improving large private aircraft owned by a nonresident are exempt from sales and use tax.

Commercial aircraft engaged principally in commercial flying that constitutes interstate or foreign commerce, that are in Washington State longer than one year for the purpose of continual storage, are subject to the aircraft excise tax, which automatically makes them not subject to personal property tax.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill takes effect on January 1, 2014.

Staff Summary of Public Testimony (Transportation): PRO: This will create thousands of jobs for Washington. Businesses that complete planes would like to expand in Washington and this tax exemption would allow that. Projects can take 12-24 months. Currently, customers purchasing planes in Washington do not want their plane finished here due to the current tax structure. There would be a lot of support work that could be generated from this proposal. This would develop the aerospace cluster in Washington.

Persons Testifying (Transportation): PRO: Linda Lanham, Aerospace Future Alliance; Pat Jones, Port of Moses Lake; Gabe Doleac, Aviation and Technical Services; Nima Seyedali, Green Point Technologies.

Staff Summary of Public Testimony (Ways & Means): PRO: This is a bill about creating jobs and revenue for the state of Washington. Washington should be one of the world leaders of retrofitting aircraft with the skilled workforce we have. We are not because of our tax structure. There is a fiscal note and it says we are currently not getting sales tax from this. We have taken four 747s outside of the state to work on. The tax structure in Washington is the reason for this. We would like to keep the jobs here. We would like to work with

companies like Greenpoint to work on planes. We could get two to four of these per year. We can employ 30-100 people on one aircraft project. Each plane takes about 12-24 months.

Persons Testifying (Ways & Means): PRO: Alex Pietsch, Office of Aerospace, Governor Inslee; Nima Seyedali, GreenPoint Technologies; Gabe Doleac, Aviation Technical Services.