

SENATE BILL REPORT

SB 5627

As Passed Senate, March 11, 2013

Title: An act relating to the taxation of commuter air carriers.

Brief Description: Concerning the taxation of commuter air carriers.

Sponsors: Senators Eide, Parlette, Ranker, Shin and Litzow.

Brief History:

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

Ways & Means: 2/21/13, 2/28/13 [DP, DNP].

Passed Senate: 3/11/13, 41-8.

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

Majority Report: Do pass.

Signed by Senators Hill, Chair; Honeyford, Capital Budget Chair; Hargrove, Ranking Member; Nelson, Assistant Ranking Member; Bailey, Becker, Braun, Conway, Dammeier, Fraser, Hasegawa, Hatfield, Hewitt, Keiser, Kohl-Welles, Murray, Parlette, Ranker, Rivers, Schoesler and Tom.

Minority Report: Do not pass.

Signed by Senator Padden.

Staff: Dean Carlson (786-7305)

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.

Background: There are currently three separately owned airplane operations in Washington that meet the federal definition of a commuter air carrier, which is a company that transports people, property, or mail on aircraft that have less than 60 seats and have a least five scheduled flights a week. One of these companies is located primarily on private property.

Aircraft subject to the state aircraft excise tax are exempt from paying personal property tax. The aircraft excise tax varies by the type of aircraft and ranges from \$20 for a home-built aircraft up to \$125 for a turbojet multi-engine fixed wing plane. Under current law, commercial aircraft engaged principally in commercial flying that constitutes interstate or foreign commerce are subject to Washington State personal property taxes, and not the aircraft excise tax.

Personal property taxes are deposited into the general fund, while the aviation excise tax is split 10 percent to the aeronautics account and 90 percent to the general fund.

Summary of Bill: A commuter air carrier is defined to be consistent with the federal definition of a commuter air carrier. The definition includes carrying passengers on at least five scheduled round trips per week, with the details of time, day, and route being part of a published schedule. Commuter air carriers that are located primarily on private property are excluded from the definition of an airplane company.

A separate schedule for commuter air carriers that are not considered airplane companies is added to the excise tax statutes, with payment amounts based on weight and ranging from \$500 to \$4,000 per year.

An aircraft that is owned and operated by a commuter air carrier which is located primarily on private property, and is subject to and has paid the aircraft excise tax, is exempt from property tax.

Appropriation: None.

Fiscal Note: Available.

[OFM requested ten-year cost projection pursuant to I-960.]

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony (Transportation): PRO: This is a streamlining proposal to make tax collection easier. This will remove ambiguity and make the tax collection process easier.

OTHER: The Department of Revenue (DOR) is neutral on this bill, however this would streamline DOR's collection process.

Persons Testifying (Transportation): PRO: Senator Eide, prime sponsor; Todd Banks, Kenmore Air.

OTHER: Drew Shirk, DOR.

Staff Summary of Public Testimony (Ways & Means): PRO: This bill changes the property tax designation to aircraft excise tax. It simplifies the process and eliminates evaluation debates. Kenmore Air is family owned and operated. This solves a problem for our company DOR. The current process takes mountains of paperwork. We usually end up negotiating and settling on the value of our planes. Currently, Kenmore Air is centrally assessed by DOR. We only have 25 planes but are treated like Alaska Airlines. This process does not fit Kenmore Air. The process takes many weeks for us. This new tax method streamlines the tax process while providing a revenue-neutral result from us.

Persons Testifying (Ways & Means): PRO: Allison Russell, Marcia Ingersoll, Kenmore Air; Drew Shirk, DOR.