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**HOUSE BILL 1331**

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**State of Washington 68th Legislature 2023 Regular Session**

**By** Representatives Christian, Dent, Low, Graham, and Barkis

AN ACT Relating to providing tax incentives for development at public use airports; adding a new section to chapter 82.08 RCW; adding a new section to chapter 82.12 RCW; adding a new section to chapter 82.14 RCW; adding a new section to chapter 82.29A RCW; creating new sections; providing an effective date; providing expiration dates; and declaring an emergency.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

NEW SECTION. **Sec.**  The legislature finds that Washington state's 132 public use airports contribute over 400,000 jobs, $26,800,000,000 in labor income, and $107,000,000,000 in total economic impact to our state's economy and communities. The legislature also finds that in order to maintain and expand the economic benefits Washington state derives from aviation and aerospace, the state must remain competitive nationally and globally to attract and retain new businesses and encourage investment at public use airports. The preferences in this act will assist both the existing mature aerospace industry and also emerging aviation technology companies leading the next era of aircraft propulsion and sustainability.

NEW SECTION. **Sec.**  A new section is added to chapter 82.08 RCW to read as follows:

(1) The tax levied by RCW 82.08.020 does not apply to sales of labor, services, materials, and equipment related to eligible new construction at public use airports.

(2) The definitions in this subsection apply to this section:

(a) "Eligible new construction" means construction of commercial facilities at public use airports intended to be used for aviation and aerospace businesses, research and development, and educational training, including construction to expand or add to current commercial facilities used for aviation or aerospace business, research and development, and educational training.

(b) "Public use airport" means any airport, public or private, open for public use and eligible to receive state and federal grants.

(3) This section expires June 30, 2033.

NEW SECTION. **Sec.**  A new section is added to chapter 82.12 RCW to read as follows:

(1) This chapter does not apply with respect to the use of labor, services, materials, and equipment related to new construction at public use airports.

(2) The definitions in section 2 of this act apply to this section.

(3) This section expires June 30, 2033.

NEW SECTION. **Sec.**  A new section is added to chapter 82.14 RCW to read as follows:

(1) The exemptions in sections 2 and 3 of this act are for the state and local sales and use taxes and include the sales and use taxes imposed under the authority of this chapter.

(2) This section expires June 30, 2033.

NEW SECTION. **Sec.**  A new section is added to chapter 82.29A RCW to read as follows:

(1) Subject to the limitations of this section all leasehold interests held by private operators of public use airports on new leases signed are exempt from taxes imposed under RCW 82.29A.030 and 82.29A.040 for the first six years of the lease.

(2) There is levied and collected a leasehold excise tax on leasehold interests held by private operators of public use airports on new leases signed by private operators of public airports as follows:

|  |  |
| --- | --- |
| Year of new lease | Tax rate |
| 1 | 0 percent |
| 2 | 2.19 percent |
| 3 | 4.33 percent |
| 4 | 6.47 percent |
| 5 | 8.61 percent |
| 6 | 10.75 percent |

(3) No new leases signed after June 30, 2033, qualify for the rates under this section, except leases that are being carried forward from prior years.

(4) "Public use airport" means any airport, public or private, open for public use and eligible to receive state and federal grants.

(5) This section expires June 30, 2039.

NEW SECTION. **Sec.**  (1) This section is the tax preference performance statement for the tax preferences contained in chapter . . ., Laws of 2023 (this act). This performance statement is only intended to be used for subsequent evaluation of the tax preferences. It is not intended to create a private right of action by any party or to be used to determine eligibility for preferential tax treatment.

(2) The legislature categorizes these tax preferences as one intended to improve industry competitiveness, as indicated in RCW 82.32.808(2)(b).

(3) It is the legislature's specific public policy objective to provide short-term relief from taxes to incentivize new business development at public use airports. The objective is also to maintain Washington state's national competitiveness in the aviation and aerospace markets, to encourage the construction of hangars and associated infrastructure to assist in addressing the backlog for general aviation, and to attract and retain emerging aeronautics technology companies to the state and bring business to underutilized airports and rural communities.

(4) If the review finds that new business development has occurred at public use airports, then the legislature intends to extend the expiration date of this tax preference.

(5) In order to obtain the data necessary to perform the

review in subsection (4) of this section, the joint legislative

audit and review committee may refer to any data collected by

the state, including the aviation economic impact study conducted by the department of transportation.

NEW SECTION. **Sec.**  This act is necessary for the immediate preservation of the public peace, health, or safety, or support of the state government and its existing public institutions, and takes effect July 1, 2023.

**--- END ---**