

SENATE BILL REPORT

SHB 1318

As of March 23, 2023

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

Committee Activity: Ways & Means: 3/23/23.

Brief Summary of Bill

- Expands 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.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Alia Kennedy (786-7405)

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 4.1 percent, depending on the location.

Aircraft Repair Station. The National Air Transportation Association defines the term

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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 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, 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 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 may not refund the state sales and use tax unless the purchaser reports at least 100 average employment positions to the Employment Security Department 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 Bill: The sales and use tax for the payment made by an eligible maintenance repair operator for construction of a new building and related machinery and equipment is expanded. An eligible maintenance repair operator may be located in an airport owned by any county.

The act is exempt from the requirements of a tax preference performance statement. The exemption expires January 1, 2031.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on March 18, 2023.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: Wildfires continue to be more impactful in Washington. The lack of large tanker aircrafts makes it hard to adequately respond to wildfires. The bill would increase the number of aircrafts capable of responding to wildfires. A new hanger at the Spokane International Airport would create new jobs and result in ten additional large tanker aircrafts. The bill would support the aerospace industry in Snohomish County and the state.

Persons Testifying: PRO: Chris Niemann; Rashma Agarwal, EASC; Jeff Gombosky, Aero-Flite Inc..

Persons Signed In To Testify But Not Testifying: No one.