

SENATE BILL REPORT

SB 5281

As of February 13, 2023

Title: An act relating to modifying the aircraft fuel excise tax.

Brief Description: Modifying the aircraft fuel excise tax.

Sponsors: Senators Saldaña, Keiser and Nguyen.

Brief History:

Committee Activity: Transportation: 2/13/23.

Brief Summary of Bill

- Repeals the aircraft fuel excise tax exemption for fuel associated with domestic commercial aircraft operators.
- Imposes a \$0.05 aircraft fuel excise tax on fuel associated with domestic commercial aircraft operators.
- Deposits all the aircraft fuel excise tax generated from domestic commercial aircraft operators into the newly created Commercial Aviation Mitigation Account.

SENATE COMMITTEE ON TRANSPORTATION

Staff: Bryon Moore (786-7726)

Background: Aircraft fuel is gasoline, or any other inflammable liquid chiefly used as a fuel for the propulsion of aircraft. An aircraft fuel excise tax, and a sales and use tax are collected on aircraft fuel used in Washington.

The aircraft fuel excise tax of \$0.18 is levied on distributors for each gallon of aircraft fuel sold, delivered, or used in Washington. This aircraft fuel excise tax is collected by the Department of Licensing and remitted to the State Treasurer for deposit into the

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Aeronautics Account. The Aeronautics Account supports the Washington State Department of Transportation Aviation Division's airport preservation and improvement programs, education outreach, and air search and rescue operations.

Fuel associated with commercial domestically flagged air carriers and local service commuters is exempt from the aircraft fuel excise tax. This exemption does not include fuel associated with foreign air carriers.

A sales or use tax of 6.5 percent of the selling price of aircraft fuel is collected from purchasers and users of aircraft fuel in Washington. The sales and use tax is collected by a seller of aircraft fuel. The seller of aircraft fuel then remits the collected sales and use tax amount to the Department of Revenue (DOR), and DOR remits the moneys to the treasurer for deposit into the state general fund.

Summary of Bill: The exemption from the aircraft fuel excise tax for fuel sold, delivered, or used by domestic commercial air operators is repealed. Five cents of the \$0.18 aircraft fuel tax is imposed on fuel sold, delivered, or used by domestic commercial air operators.

The revenue generated from the aircraft fuel excise tax that is imposed on fuel associated with domestic commercial aircraft operators is deposited into the newly created Commercial Aviation Mitigation Account (CAMA), and the account is allowed to retain its own interest. Moneys in the CAMA may be spent only after appropriation. Expenditures from CAMA must be used only for addressing environmental and other impacts associated with airports.

The act includes a variety of legislative findings regarding the impact of airports on communities, and regarding the imposition of the \$0.05 aircraft fuel excise tax.

Appropriation: None.

Fiscal Note: Available.

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

Effective Date: The bill takes effect on October 1, 2023.

Staff Summary of Public Testimony: PRO: There are many benefits from having airports in communities, but there are also unintended consequences. This includes disparate health impacts from air pollution and other issues. Many of the workers in the airports are putting their lives at risk with many lacking health insurances. This modest tax will allow airlines to contribute to the health and well-being of the people in airport communities. While providing resources for addressing negative health impacts in the cities and towns around airports, this also provides for more equitable taxation and the ability to address environmental justice.

CON: Jet fuel is one of the major cost centers for airlines and this will cause significant cost increases on this part of our business. This impact will fall disproportionately on in-state aircraft operators and will put us at a competitive disadvantage. The commercial air operators are already trying to achieve net-zero emission and have made great strides in improving fuel efficiency. Airlines have made sustainable aviation the long-term goal, and this tax will impair our ability to make investments to get to that goal. Airlines saw decreased revenue during the pandemic and revenues still have not recovered to pre-pandemic levels. This cost increase will exacerbate the pandemic effects and will have significant impacts on all aspects of the aerospace industry in the state. This taxation policy violates federal law and Federal Aviation Administration requirements on the use of aircraft related taxes.

Persons Testifying: PRO: Senator Rebecca Saldaña, Prime Sponsor; Sandra Toussaint, SEIU6.

CON: Dana Debel, Delta Air Lines; Scott Kennedy, Alaska Air Group; Emily Wittman, Aerospace Futures Alliance; Mike Ennis, Association of Washington Business.

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