

HOUSE BILL REPORT

HB 3053

As Reported by House Committee On: Finance

Title: An act relating to extending expiring tax incentives for certain clean alternative fuel vehicles, producers of certain biofuels, and federal aviation regulation part 145 certificated repair stations.

Brief Description: Extending expiring tax incentives for certain clean alternative fuel vehicles, producers of certain biofuels, and federal aviation regulation part 145 certificated repair stations.

Sponsors: Representatives Kenney and Liias; by request of Department of Revenue.

Brief History:

Committee Activity:

Finance: 2/2/10, 2/9/10 [DPS].

Brief Summary of Substitute Bill

- Extends expiration dates of tax preferences for Federal Aviation Regulation part 145 aircraft repair stations, alternative fuel vehicles, and alternative fuel manufacturing facilities.

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 8 members: Representatives Hunter, Chair; Orcutt, Ranking Minority Member; Parker, Assistant Ranking Minority Member; Condotta, Conway, Ericks, Santos and Springer.

Minority Report: Without recommendation. Signed by 1 member: Representative Hasegawa, Vice Chair.

Staff: Rick Peterson (786-7150).

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:

In 2003 the Legislature reduced the business and occupation (B&O) tax rate from 0.484 percent to 0.275 percent for firms that repair equipment used in interstate or foreign commerce. The exemption was limited to firms classified by the Federal Aviation Administration (FAA) as a Federal Aviation Regulation (FAR) part 145 certified repair stations with airframe and instrument ratings and limited ratings for nondestructive testing, radio, class three accessory, and specialized services. The lower rate was scheduled to end July 1, 2006.

In 2006 the reduced B&O tax rate for FAA certified repair stations was extended to July 1, 2011, and the tax rate was changed from 0.275 percent to 0.2904 percent. In 2008 the lower B&O rate was extended to all repair stations that engage in the repair of equipment used in interstate or foreign commerce.

New passenger cars, light duty trucks, and medium duty passenger vehicles exclusively powered by a clean alternative fuel are exempt from sales and use tax. Clean alternative fuel includes natural gas, propane, hydrogen, or electricity. The exemption expires January 1, 2011.

Buildings, machinery, equipment, and other personal property used primarily for a new or expanded manufacturing facility producing alcohol fuel, wood biomass fuel, biodiesel fuel, or biodiesel feedstock is eligible for a six-year property tax exemption or a six-year leasehold excise tax exemption. Applications must be submitted by December 31, 2009.

Summary of Substitute Bill:

The expiration date for FAR part 145 certified repair stations is extended from July 1, 2011, to July 1, 2024.

The sales and use tax exemption for new passenger cars, light duty trucks, and medium duty passenger vehicles exclusively powered by a clean alternative fuel is extended from January 1, 2011, to July 1, 2011.

The application deadline for the six year property tax and leasehold excise tax exemptions for new or expanded manufacturing facilities producing alternative fuels extended from December 31, 2009, to December 31, 2015.

Certified aviation repair stations and manufacturers of alternative fuels are required to file an annual survey with the Department of Revenue.

Substitute Bill Compared to Original Bill:

The substitute bill changes the expiration date for the sales and use tax exemption on clean alternative fuel vehicles. Rather than extending the exemption to July 1, 2015, the exemption is extended to July 1, 2011. It also requires certified aviation repair stations

claiming this exemption, and manufacturers of alternative fuels claiming a property tax or leasehold excise tax exemption, to file an annual survey.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) This bill helps support the aerospace industry, which is a major industry in Washington. Previous tax preferences have been given to the aerospace industry, which have benefited the state greatly, and these incentives will help local aerospace companies stay competitive. It will help move Washington closer to its greenhouse gas emission reduction goals. The incentives for clean alternative fuels vehicle will help promote the green economy.

(Opposed) None.

Persons Testifying: Representative Kenney, prime sponsor; Alyson Fouts, Department of Revenue; Nick Demerice, Department of Commerce; Steve Gano and Michael Zubovic, Aviation Technical Services; and Randall Julin, Absolute Aviation Services.

Persons Signed In To Testify But Not Testifying: None.