

Multiple Agency Fiscal Note Summary

Bill Number: 5500 SB	Title: Aircraft maintenance/tax
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Estimated Cash Receipts

NONE

Agency Name	2023-25		2025-27		2027-29	
	GF- State	Total	GF- State	Total	GF- State	Total
Local Gov. Courts						
Loc School dist-SPI						
Local Gov. Other		(396,000)				
Local Gov. Total		(396,000)				

Estimated Operating Expenditures

Agency Name	2023-25				2025-27				2027-29			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Department of Revenue	.1	14,100	14,100	14,100	.0	0	0	0	.0	0	0	0
Total \$	0.1	14,100	14,100	14,100	0.0	0	0	0	0.0	0	0	0

Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Total \$	0.0	0	0	0.0	0	0	0.0	0	0

Estimated Capital Budget Breakout

Prepared by: Cheri Keller, OFM	Phone: (360) 584-2207	Date Published: Final
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Department of Revenue Fiscal Note

Bill Number: 5500 SB	Title: Aircraft maintenance/tax	Agency: 140-Department of Revenue
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.2		0.1		
Account					
GF-STATE-State 001-1	14,100		14,100		
Total \$	14,100		14,100		

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Alia Kennedy	Phone: 60-786-7405	Date: 01/20/2023
Agency Preparation: Anna Yamada	Phone: 60-534-1519	Date: 01/22/2023
Agency Approval: Valerie Torres	Phone: 60-534-1521	Date: 01/22/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 01/23/2023

Request # 5500-1-1

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

CURRENT LAW:

To perform work on aircrafts in the United States an entity must be licensed by part 145 of the Code of Federal Regulations (CFR Part 145). Repair stations meeting the criteria are often called FAR Part 145 repair stations.

FAR Part 145 certificated repair stations engaged in the repair of airplanes receive sales and use tax exemptions on:

- Charges for the construction of new buildings,
- Charges for tangible personal property that is incorporated as an ingredient or component of such buildings, and
- Charges for labor and services rendered in respect to installing building fixtures that do not qualify for the machinery and equipment exemption (RCW 82.08.02565).

The exemption takes the form of a remittance from the Department of Revenue (department) for taxes paid. Applications for remittance of the state sales and use tax may only be made four years after the repair facility has become operationally complete, but not prior to December 1, 2021. To qualify for the state portion of the retail sales and use tax exemption, the applicant must have reported to the Employment Security Department an average of at least 100 employment positions, with an average wage of \$80,000 annually, for the period of October 1, 2020, through September 30, 2021. Applications are made on a quarterly basis, but the requestor must maintain and provide adequate records for the department to verify the claim.

Requests for remittance of the local portions of the sales and use tax can be made at any time after the effective date of this legislation.

To be eligible for the specific exemptions under this law, a maintenance and repair operator must be located in an international airport owned by a county having a population greater than 1.5 million persons.

A person claiming the exemption must file a complete annual report with the department.

A repair facility's construction is operationally complete when the facility is capable of hosting the repair and maintenance of airplanes.

The sales tax exemption expires on January 1, 2027.

PROPOSAL:

This bill expands the exemption to include eligible construction locations for FAR Part 145 repair stations to municipal airports, operated under chapter 14.08, and located in a county east of the Cascade mountains with a population greater than 500,000.

The new tax preference performance provisions do not apply to this bill.

EFFECTIVE DATE:

The bill takes effect 90 days after final adjournment of the session.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

ASSUMPTIONS

Request # 5500-1-1

- A new commercial airplane maintenance and operations facility will be built at Spokane International Airport and operationally complete prior to July 1, 2024.
- The total qualifying cost of construction of this new facility will be \$16 - \$17 million.
- Remittance for local retail sales taxes will be requested and granted in fiscal year 2025.
- A facility operates for four years before applying for a remittance for state retail sales and use tax. For this new facility, operations begin July 1, 2024, so the four-year period ends June 30, 2028; however, this bill expires January 1, 2027. Thus, the facility cannot qualify for a remittance of state sales and use tax.
- The new facility construction cost will grow at the pace with price index for sector using output of nonresidential construction.
- Local revenue estimates use the Spokane local sales and use tax rate of 2.5%.

DATA SOURCES

- Economic and Revenue Forecast Council, November 2022 forecast
- Gensteel.com, Airplane hanger costs

REVENUE ESTIMATES

This bill results in no revenue impact to state taxes.

This bill decreases local revenues by an estimated \$400,000 in fiscal year 2025, the first full year of impacted collections.

TOTAL REVENUE IMPACT:

State Government, if applicable (cash basis, \$000): None

Local Government, if applicable (cash basis, \$000):

FY 2024 -	\$	0
FY 2025 -	\$	(400)
FY 2026 -	\$	0
FY 2027 -	\$	0
FY 2028 -	\$	0
FY 2029 -	\$	0

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

ASSUMPTIONS:

This bill affects less than 10 taxpayers.

FIRST YEAR COSTS:

The department will incur total costs of \$14,100 in fiscal year 2024. These costs include:

- Labor Costs – Time and effort equate to 0.17 FTE.
- Amend one administrative rule.
- Assist taxpayers with filing annual performance reports and implementation.

SECOND YEAR COSTS:

The department will not incur costs in fiscal year 2025.

ONGOING COSTS:

There are no ongoing costs.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.2		0.1		
A-Salaries and Wages	8,600		8,600		
B-Employee Benefits	2,800		2,800		
E-Goods and Other Services	1,800		1,800		
J-Capital Outlays	900		900		
Total \$	\$14,100		\$14,100		

III. B - Detail: FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
EMS BAND 4	126,619	0.0		0.0		
EXCISE TAX EX 3	61,632	0.1		0.1		
MGMT ANALYST4	73,260	0.0		0.0		
TAX POLICY SP 2	75,120	0.0		0.0		
TAX POLICY SP 3	85,020	0.0		0.0		
TAX POLICY SP 4	91,524	0.0		0.0		
WMS BAND 3	107,685	0.0		0.0		
Total FTEs		0.2		0.1		

III. C - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Should this legislation become law, the department will use the expedited process to amend WAC 458-20-265, titled: "Sales and use tax exemption-Airplane maintenance repair stations."

Persons affected by this rulemaking would include certain airplane maintenance repair stations.

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 5500 SB

Title: Aircraft maintenance/tax

Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

Cities: Decreased sales tax revenue

Counties: Same as above

Special Districts: Same as above

Specific jurisdictions only:

Variance occurs due to:

Part II: Estimates

No fiscal impacts.

Expenditures represent one-time costs:

Legislation provides local option:

Key variables cannot be estimated with certainty at this time:

Estimated revenue impacts to:

Jurisdiction	FY 2024	FY 2025	2023-25	2025-27	2027-29
City		(117,941)	(117,941)		
County		(144,980)	(144,980)		
Special District		(133,079)	(133,079)		
TOTAL \$		(396,000)	(396,000)		
GRAND TOTAL \$					(396,000)

Estimated expenditure impacts to:

None

Part III: Preparation and Approval

Fiscal Note Analyst: Angie Hong	Phone: 360-725-5041	Date: 01/23/2023
Leg. Committee Contact: Alia Kennedy	Phone: 360-786-7405	Date: 01/20/2023
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 01/23/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 01/23/2023

Part IV: Analysis

A. SUMMARY OF BILL

Description of the bill with an emphasis on how it impacts local government.

This bill expands a retail sales tax exemption for a certain aircraft maintenance and repair facility.

B. SUMMARY OF EXPENDITURE IMPACTS

Expenditure impacts of the legislation on local governments with the expenditure provisions identified by section number and when appropriate, the detail of expenditures. Delineated between city, county and special district impacts.

This bill will not impact local government expenditures.

C. SUMMARY OF REVENUE IMPACTS

Revenue impacts of the legislation on local governments, with the revenue provisions identified by section number, and when appropriate, the detail of revenue sources. Delineated between city, county and special district impacts.

According to the Dept. of Revenue fiscal note, this bill will decrease local government revenue in fiscal year 2025 by \$400,000.

DOR ASSUMPTIONS

- A new commercial airplane maintenance and operations facility will be built at Spokane International Airport and operationally complete prior to July 1, 2024.
- The total qualifying cost of construction of this new facility will be \$16 - \$17 million.
- Remittance for local retail sales taxes will be requested and granted in fiscal year 2025.
- A facility operates for four years before applying for a remittance for state retail sales and use tax. For this new facility, operations begin July 1, 2024, so the four-year period ends June 30, 2028; however, this bill expires January 1, 2027. Thus, the facility cannot qualify for a remittance of state sales and use tax.
- The new facility construction cost will grow at the pace with price index for sector using output of nonresidential construction.
- Local revenue estimates use the Spokane local sales and use tax rate of 2.5%.

DOR DATA SOURCES

- Economic and Revenue Forecast Council, November 2022 forecast
- Gensteel.com, Airplane hanger costs

METHODOLOGY

The distributions for cities, counties, and special districts are based on DOR data for local sales and use tax distributions from Calendar Year 2021. Mitigation payments and distributions to hospital benefit zones are not factored into this distribution. The result is a distribution of 36.61 percent to counties, 29.78 percent to cities, and 33.61 percent to special districts. The one percent DOR administrative fee has also been deducted.

COUNTY

FY 2025 - (\$144,980)

CITY

FY 2025 - (\$117,941)

SPECIAL DISTRICTS

FY 2025 - (\$133,079)

SOURCES

Association of Washington Cities

