

Multiple Agency Fiscal Note Summary

Bill Number: 1318 S HB PL	Title: Aircraft maintenance/tax
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Estimated Cash Receipts

Agency Name	2023-25			2025-27			2027-29		
	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total
Department of Revenue	0	0	0	0	0	0	(2,100,000)	(2,100,000)	(2,103,000)
Total \$	0	0	0	0	0	0	(2,100,000)	(2,100,000)	(2,103,000)

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		(1,089,000)				
Local Gov. Total		(1,089,000)				

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	.2	91,000	91,000	91,000	.0	0	0	0	.1	9,400	9,400	9,400
Total \$	0.2	91,000	91,000	91,000	0.0	0	0	0	0.1	9,400	9,400	9,400

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 5/ 3/2023
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Department of Revenue Fiscal Note

Bill Number: 1318 S HB PL	Title: Aircraft maintenance/tax	Agency: 140-Department of Revenue
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

Account	FY 2024	FY 2025	2023-25	2025-27	2027-29
GF-STATE-State 01 - Taxes 01 - Retail Sales Tax					(1,900,000)
GF-STATE-State 01 - Taxes 10 - Compensating Tax					(200,000)
Performance Audits of Government Account-State 01 - Taxes 01 - Retail Sales Tax					(3,000)
Total \$					(2,103,000)

Estimated Expenditures from:

Account	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.3	0.1	0.2		0.1
GF-STATE-State 001-1	81,600	9,400	91,000		9,400
Total \$	81,600	9,400	91,000		9,400

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:	Phone:	Date: 04/26/2023
Agency Preparation: Anna Yamada	Phone: 60-534-1519	Date: 04/28/2023
Agency Approval: Valerie Torres	Phone: 60-534-1521	Date: 04/28/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 05/02/2023

Request # 1318-4-1

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.

Note: This fiscal note reflects language in SHB 1318 as passed in the 2023 Legislative Session.

CURRENT LAW:

To perform work on aircraft 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 is in the form of a remittance from the Department of Revenue (department) for taxes paid.

Applications for the remittance of state sales and use tax may only be made four years after the repair facility becomes 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.

The entity may request the remittance of the local sales and use tax after July 1, 2016.

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

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

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

The sales tax exemption expires on January 1, 2027.

PROPOSAL:

To be eligible for the exemptions, construction locations for a maintenance and repair facility must be in a commercial services airport owned by a county with a population less than 1 million, or a commercial services airport jointly owned by a city and a county.

To qualify for the state portion of the retail sales and use tax exemption, the applicant must report to the Employment Security Department at least 100 average employment positions, with an average annualized wage of \$80,000 for a period of four consecutive calendar quarters, beginning with the first calendar quarter after the date the facility is issued an occupancy permit by the local permit issuing authority.

The bill extends the expiration date of the sales and use tax exemptions to January 1, 2031.

The new tax preference reporting requirements do not apply to this bill (see Section 3).

Recipients of a remittance must file an annual tax performance report.

EFFECTIVE DATE:

The bill takes effect 90 days after final adjournment of the legislative 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

- Two new commercial airplane maintenance and operations facilities will be built. One at the Spokane International Airport, and another at Paine Field Airport.
- Both facilities will be operationally complete prior to July 1, 2024.
- The total qualifying cost of construction of the two new facilities will be approximately \$31.2 million, or \$15.6 million each (in 2023 dollars).
- The facilities request remittance of the local retail sales taxes and the department grants remittance in fiscal year 2025.
- Each facility will qualify for remittance of the state retail sales and use tax remittance by reporting to ESD with at least 100 average employment positions with an average annualized wage of \$80,000 for four consecutive quarters, from the quarter 3 of 2024 to the quarter 2 of 2025.
- Each facility operates for four years before applying for a remittance for state retail sales and use tax. The operations begin July 1, 2024, and the four-year period ends June 30, 2028.
- Of the qualified state portion of the remittance amount, 10% would be for use tax and the remaining 90% would be for the retail sales tax.
- Construction costs grow at the pace of the price index for the sector using output of nonresidential construction.
- Local revenue estimates use the local sales and use tax rate of 2.5% for Spokane and 4.0% for Everett.

DATA SOURCES

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

REVENUE ESTIMATES

This bill decreases state revenue by an estimated \$2.1 million in fiscal year 2029.

This bill decreases local revenues by an estimated \$1.1 million in fiscal year 2025.

TOTAL REVENUE IMPACT:

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

FY 2024 -	\$	0
FY 2025 -	\$	0
FY 2026 -	\$	0
FY 2027 -	\$	0
FY 2028 -	\$	0
FY 2029 -	\$	(2,103)

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

FY 2024 -	\$	0
FY 2025 -	\$	(1,100)
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 12 taxpayers.

FIRST YEAR COSTS:

The department will incur total costs of \$81,600 in fiscal year 2024. These costs include:

Labor Costs – Time and effort equate to 0.27 FTE.

- Amend one administrative rule.

- Process sales tax refund work items, assist taxpayers with questions and respond to inquiries via email and web message and paper correspondence.

- Set up, program and test computer system changes for refund claim account.

Object Costs - \$52,800.

- Computer system changes, including contract programming.

SECOND YEAR COSTS:

The department will incur total costs of \$9,400 in fiscal year 2025. These costs include:

Labor Costs – Time and effort equate to 0.1 FTE.

- Process sales tax refund work items, assist taxpayers with questions and respond to inquiries via email and web message and paper correspondence.

ONGOING COSTS:

Ongoing costs for the 2027-29 biennium equal \$9,400 and include similar activities described in the second-year costs. Time and effort equate to 0.05 FTE.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.3	0.1	0.2		0.1
A-Salaries and Wages	17,900	6,200	24,100		6,200
B-Employee Benefits	5,900	2,000	7,900		2,000
C-Professional Service Contracts	52,800		52,800		
E-Goods and Other Services	3,400	900	4,300		900
J-Capital Outlays	1,600	300	1,900		300
Total \$	\$81,600	\$9,400	\$91,000		\$9,400

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	0.1		0.1
IT SYS ADM-JOURNEY	92,844	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		0.3	0.1	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: 1318 S HB PL

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		(324,338)	(324,338)		
County		(398,696)	(398,696)		
Special District		(365,966)	(365,966)		
TOTAL \$		(1,089,000)	(1,089,000)		
GRAND TOTAL \$					(1,089,000)

Estimated expenditure impacts to:

None

Part III: Preparation and Approval

Fiscal Note Analyst: Tammi Alexander	Phone: 360-725-5038	Date: 05/02/2023
Leg. Committee Contact:	Phone:	Date: 04/26/2023
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 05/02/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 05/03/2023

Part IV: Analysis

A. SUMMARY OF BILL

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

Note: This fiscal note reflects language in SHB 1318 as passed in the 2023 Legislative Session.

This bill modifies the sales and use tax exemption for the construction of new aircraft repair stations certified by the Federal Aviation Administration.

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 because no action is required.

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 Department of Revenue (DOR) this bill will decrease local government revenue in fiscal year 2025 by \$1.1 million. Please the DOR fiscal note for all their assumptions and data sources.

LOCAL GOVERNMENT LOSS REVENUE BREAKDOWN

Counties:

FY 2025 -\$398,696

Cities:

FY 2025 -\$324,338

Special Districts:

FY 2025 -\$365,966

METHODOLOGY:

The distributions in this note 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.

SOURCES:

Association of Washington Cities

Department of Revenue Fiscal Note, 1318 SHB.PL (2023)

Department of Revenue Local Tax Distributions (2021)

House Bill Report, HB 1318, Finance Committee (2/2/2023)

Local Government Fiscal Note program, Local Sales Tax model 2023

Local Government Fiscal Note program, Sales and Use Tax Distribution model 2023

Senate Bill Report, SHB 1318 AMS WM S2831.1, Ways and Means Committee (4/4/2023)