

Commuter Air Carrier Airplanes (Property Tax)

2019 JLARC TAX PREFERENCE REVIEW

Estimated 2021-23 beneficiary savings: \$186,000 - \$254,000

Property tax



COMMUTER AIR CARRIERS:

- Operate aircraft with 60 or fewer seats
- Carry passengers on at least 5 round-trip flights per week
- Fly according to published flight schedules

Qualifying commuter air carriers are exempt from property tax on airplanes if they pay special aircraft excise tax

Preference is limited to commuter air carriers primarily located on privately owned property – **1 of the 3 Washington commuter air carriers qualify.**



The Legislature enacted this preference in 2013.



The preference has no expiration date.

Preference has two inferred objectives:

Streamline reporting and collect similar amount that would be collected in property tax.

Tax reporting is streamlined and simplified for the one commuter air carrier that qualifies

The preference established **special aircraft excise tax rates** in lieu of property tax to simplify and streamline a complicated process for determining market values for airplanes.

Kenmore Air and the Department of Revenue have benefited. **Kenmore Air is the only qualifying carrier** because it is located primarily on private property.

AIRCRAFT EXCISE TAX:

- Paid in lieu of property tax for airplanes used in Washington.
- Special rates for commuter air carriers, ranging from \$500 to \$4,000, are based on the airplane's weight.

However, the qualifying carrier pays an estimated 50% to 63% less than it would have paid in property tax

Aircraft excise tax fees are based on an airplanes' weight and remain the same each year. In contrast, airplane market values and property tax rates fluctuate from year to year. While the amount may have been similar when the preference was passed, they no longer align.

The special aircraft excise tax **was intended to be an alternative** to property tax that resulted in a similar amount of tax being paid.



The one qualifying commuter air carrier is estimated to have **paid less in aircraft excise tax than it would have paid in property tax** in fiscal year 2018.

LEGISLATIVE AUDITOR'S RECOMMENDATION

Modify

The preference is meeting one of two inferred objectives. While it is simplifying reporting for one taxpayer and the Department of Revenue, it is not providing an alternative to property tax that results in a similar amount of tax paid. The Legislature should modify the preference to:

- Provide a method to equalize commuter air carrier excise tax fees on airplanes with property taxes over time.
- Clarify why the preference is limited to commuter air carriers primarily located on private property.
- Provide a performance statement with stated objectives and metrics to determine if objectives are met.

The complete report is on the JLARC web site: www.leg.wa.gov/jlarc

For more information, contact: Keenan Konopaski, Washington State Legislative Auditor
keenan.konopaski@leg.wa.gov • (360) 786-5187

Follow us on Twitter
[@WaLegAuditor](https://twitter.com/WaLegAuditor)
July 2019

