

Multiple Agency Fiscal Note Summary

Bill Number: 5989 SB	Title: Aircraft fuel tax distrib.
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Estimated Cash Receipts

Agency Name	2025-27			2027-29			2029-31		
	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total
Department of Revenue	(900,000)	(900,000)	0	(8,300,000)	(8,300,000)	0	(9,000,000)	(9,000,000)	0
Total \$	(900,000)	(900,000)	0	(8,300,000)	(8,300,000)	0	(9,000,000)	(9,000,000)	0

Estimated Operating Expenditures

Agency Name	2025-27				2027-29				2029-31			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Department of Revenue	1.2	454,300	454,300	454,300	.6	162,600	162,600	162,600	.6	162,600	162,600	162,600
Department of Transportation	Fiscal note not available											
Total \$	1.2	454,300	454,300	454,300	0.6	162,600	162,600	162,600	0.6	162,600	162,600	162,600

Estimated Capital Budget Expenditures

Agency Name	2025-27			2027-29			2029-31		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Department of Transportation	Fiscal note not available								
Total \$	0.0	0	0	0.0	0	0	0.0	0	0

Estimated Capital Budget Breakout

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Department of Revenue Fiscal Note

Bill Number: 5989 SB	Title: Aircraft fuel tax distrib.	Agency: 140-Department of Revenue
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

Account	FY 2026	FY 2027	2025-27	2027-29	2029-31
GF-STATE-State 01 - Taxes 01 - Retail Sales Tax		(200,000)	(200,000)	(1,600,000)	(1,700,000)
GF-STATE-State 01 - Taxes 10 - Compensating Tax		(700,000)	(700,000)	(6,700,000)	(7,300,000)
Aeronautics Account-State 01 - Taxes 01 - Retail Sales Tax		200,000	200,000	1,600,000	1,700,000
Aeronautics Account-State 01 - Taxes 10 - Compensating Tax		700,000	700,000	6,700,000	7,300,000
Total \$					

Estimated Expenditures from:

Account	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years		2.3	1.2	0.6	0.6
GF-STATE-State 001-1		454,300	454,300	162,600	162,600
Total \$		454,300	454,300	162,600	162,600

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.

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Request # 5989-1-1

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.

This fiscal note only addresses section 1(3) of the bill, which impacts the Department of Revenue (department).

CURRENT LAW:

The General Fund receives all state sales and use taxes collected on aircraft fuel.

PROPOSAL:

The bill changes how the state divides state sales and use taxes on aircraft fuel.

From July 1, 2026, to June 30, 2027, of the 6.5% collected:

- The Aeronautics Account would receive 0.5%.
- The General Fund would receive 6%.

Beginning July 1, 2027, of the 6.5% collected:

- The Aeronautics Account would receive 1%.
- The General Fund would receive 5.5%.

EFFECTIVE DATE:

The bill takes effect July 1, 2026. However, due to the time it will take to program this bill's changes, the department cannot implement the bill until January 1, 2027.

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:

- The estimate reflects the amount of retail sales tax and use tax that taxpayers pay on aviation fuel. Aviation fuel primarily consists of jet fuel and aviation gasoline.
- This bill will not impact the sales and use taxes going to the following two accounts:
 - The Performance Audits of Government Account receives 0.16% of retail sales and use taxes.
 - The Multimodal Transportation Account receives 0.1% of the taxable amount for sales and use taxes.
- The department will implement this legislation on January 1, 2027, impacting five months of collections in fiscal year 2027.

USE TAX

- Air transportation businesses consume most aviation fuel used in Washington.
- These businesses include scheduled passenger airlines and air cargo carriers. They hold direct pay permits and pay use tax directly to the department, rather than paying retail sales tax. They pay this tax only on the fuel they use in Washington. Aviation fuel accounts for about 90% of all use tax collected.
- The annual growth rate reflects federal forecasts for air travel activity and jet fuel prices.

RETAIL SALES TAX

- General aviation users—such as private jets and planes, flight schools, and foreign commercial airlines—purchase aviation fuel at retail.
- Licensed aircraft fuel distributors likely sell aviation fuel at retail, and the state imposes these sales to both the aircraft fuel tax and retail sales tax.
- Jet fuel generates about 91% of aircraft fuel tax revenue, while aviation gasoline generates 9%.

- To estimate taxable retail sales of jet fuel, the analysis multiplies the volume of aviation fuel sold by the average jet fuel price reported by the U.S. Energy Information Administration.
- National fuel price outlooks provide fuel price growth rates for future years.
- Because aviation gasoline prices are not readily available, the analysis uses Washington’s conventional retail gasoline price as a substitute due to its similar composition.
- The annual growth rate for aviation gasoline reflects the Economic and Revenue Forecast Council’s November 2025 forecast for the weighted average price of crude received in refinery inventories.

DATA SOURCES:

- Transportation Economic & Revenue Forecast Council, Vol. II, November 2025 Aircraft Fuel Tax Forecast
- U.S. Energy Information Administration, Refinery and Blender Net Production December 2025
- U.S. Energy Information Administration, Wholesale Petroleum Product Prices, December 2025
- Statista, U.S. price outlook of select fuels 2018-2050
- Department of Revenue, Excise tax data
- Department of Licensing, Aircraft Fuel Return Summary Report by FY2023-FY2025
- Bureau of Transportation Statistics, U.S. Air Carrier Traffic Statistics through October 2025

REVENUE ESTIMATES:

This legislation decreases the General Fund by distributing a portion of state sales and use taxes on aircraft fuel to the Aeronautics Account.

This bill redirects an estimated \$900,000 in the five months of collections in fiscal year 2027 to the Aeronautics Account, and an estimated \$4.1 million in fiscal year 2028, the first full year of impacted collections.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

- FY 2026 - \$ 0
- FY 2027 - \$ 0
- FY 2028 - \$ 0
- FY 2029 - \$ 0
- FY 2030 - \$ 0
- FY 2031 - \$ 0

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

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.

FIRST YEAR COSTS:

The department will not incur any costs in fiscal year 2026.

SECOND YEAR COSTS:

The department will incur total costs of \$454,300 in fiscal year 2027. These costs include:

- Labor Costs – Time and effort equate to 2.3 FTEs.
 - Gather requirements, attend implementation meetings, and document system changes.
 - Set up, program, and test computer system changes.
 - Respond to data requests and questions, compile statistics, and manage data.
 - Process tax return work items, assist taxpayers with reporting questions, and respond to inquiries via email, web message, and paper correspondence.

- Examine accounts and make corrections as necessary.

Object Costs - \$133,500.

- Computer system changes, including contract programming.

THIRD YEAR COSTS:

The department will incur total costs of \$81,300 in fiscal year 2028. These costs include:

Labor Costs – Time and effort equate to 0.6 FTE.

- Continued computer system testing, monitoring, and maintenance.

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

- Examine accounts and make corrections as necessary.

- Respond to data requests and questions, compile statistics, and manage data.

FOURTH YEAR COSTS:

The department will incur total costs of \$81,300 in fiscal year 2029. These costs include:

Labor Costs – Time and effort equate to 0.6 FTE.

- Continued computer system testing, monitoring, and maintenance.

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

- Examine accounts and make corrections as necessary.

- Respond to data requests and questions, compile statistics, and manage data.

ONGOING COSTS:

Ongoing costs for the 2029-31 biennium equal \$162,600 and include similar activities described in the fourth-year costs. Time and effort equate to 0.6 FTE.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years		2.3	1.2	0.6	0.6
A-Salaries and Wages		202,900	202,900	105,200	105,200
B-Employee Benefits		73,100	73,100	37,800	37,800
C-Professional Service Contracts		133,500	133,500		
E-Goods and Other Services		35,600	35,600	18,400	18,400
J-Capital Outlays		9,200	9,200	1,200	1,200
Total \$		\$454,300	\$454,300	\$162,600	\$162,600

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 2026	FY 2027	2025-27	2027-29	2029-31
EXCISE TAX EX 3	67,992		0.5	0.3	0.2	0.2
IT B A-JOURNEY	97,570		0.7	0.4	0.2	0.2
IT SYS ADM-JOURNEY	102,427		0.3	0.2		
MGMT ANALYST4	80,822		0.5	0.3		
TAX POLICY SP 3	93,800		0.1	0.1	0.1	0.1
WMS BAND 2	100,662		0.2	0.1	0.1	0.1
Total FTEs			2.3	1.2	0.6	0.6

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