

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5406-01  
Bill No.: SB 777  
Subject: Aircraft and Airports; Taxation and Revenue - Sales and Use  
Type: Original  
Date: February 26, 2014

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Bill Summary: This proposal would extend a sales tax exemption for aircraft replacement parts, and would create an exemption for sales of aircraft to nonresidents.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
General Revenue	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(More than \$100,000)</b>	<b>(More than \$100,000)</b>	<b>(More than \$100,000)</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 8 pages.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
Conservation Commission	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
Parks, and Soil and Water	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
School District Trust	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(More than \$100,000)</b>	<b>(More than \$100,000)</b>	<b>(More than \$100,000)</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
<b>Local Government</b>	<b>(More than \$100,000)</b>	<b>(More than \$100,000)</b>	<b>(More than \$100,000)</b>

### **FISCAL ANALYSIS**

#### ASSUMPTION

Officials from the **Office of the Secretary of State (SOS)** assume many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the Secretary of State's Office for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume this proposal would have a statewide impact, as well as impacting the calculation under Article X, Section 18(e).

BAP officials noted this proposal would extend the existing sales tax exemption for replacement parts and associated equipment for aircraft. The proposal would also create a new sales tax exemption for sales of aircraft to non-state residents.

ASSUMPTION (continued)

BAP noted the following amounts of taxable sales as reported in the Department of Revenue 2012 Annual Report:

<u>Industry Category</u>	<u>Sales, in Millions</u>
Aircraft dealers	\$101.0
Aircraft and parts	\$ 24.1

BAP officials stated they are unable to determine how much of these sales may have been for qualifying aircraft or parts, or if there are aircraft-related sales that may be coded to other categories.

Officials from the **Department of Revenue** assume this proposal would have no fiscal impact on their organization but would reduce state revenues.

Officials from the **Joint Committee on Administrative Rules** assume this proposal would not have a fiscal impact to their organization.

**Oversight** notes the total reported sales by the Department of Revenue are (\$101.0 million + \$24.1 million) = \$125.1 million. Sales tax on those amounts would be as shown below.

<u>Fund or entity</u>	<u>Sales Tax Rate</u>	<u>Revenue Reduction</u>
General Revenue	3.000%	\$3,753,000
School District Trust	1.000%	\$1,251,000
Conservation Commission	0.125%	\$156,375
Parks, and Soil and Water	0.100%	\$125,100
Local Governments *	3.700%	\$4,628,700

\* The 3.7% average rate for local governments was computed by Oversight based on collections reported by the Department of Revenue.

ASSUMPTION (continued)

**Oversight** notes this proposal would extend the current sales tax exemption for materials, replacement parts, and equipment for aircraft which would expire January 1, 2015 (FY 2015) under existing provisions. Oversight assumes at least part of the reported sales by aircraft dealers could be for materials, replacement parts, and equipment. This provision would make the exemption permanent and would have a fiscal impact in FY 2015, FY 2016, and FY 2017.

Oversight assumes the provision exempting sales of new and used aircraft to nonresidents would be effective in August, 2014 (FY 2015), and would continue to have an impact in FY 2016 and FY 2017. Oversight has no information as to the number or amounts of aircraft sales to nonresidents which might be included in the reported sales of aircraft dealers reported above or might be included in other industry categories.

For fiscal note purposes, Oversight will assume that the General Revenue Fund, School District Trust Fund, and local governments would have a revenue reduction greater than \$100,000 per year, and the Conservation Commission Fund and the Parks, and Soil and Water Fund would have a revenue reduction less than \$100,000 per year.

Oversight notes the revenue reduction for the School District Trust Fund would result in reduced transfers to local school districts but will not include those transfers in this fiscal note.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
<b>GENERAL REVENUE FUND</b>			
<u>Revenue reduction - DOR</u>			
Sales Tax exemption Section 144.030	(More than <u>\$100,000</u> )	(More than <u>\$100,000</u> )	(More than <u>\$100,000</u> )
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b>(More than <u>\$100,000</u>)</b>	<b>(More than <u>\$100,000</u>)</b>	<b>(More than <u>\$100,000</u>)</b>

<u>FISCAL IMPACT - State Government</u> (Continued)	FY 2015 (10 Mo.)	FY 2016	FY 2017
<b>CONSERVATION COMMISSION FUND</b>			
<u>Revenue reduction - DOR</u>			
Sales Tax exemption Section 144.030	(Less than <u>\$100,000</u> )	(Less than <u>\$100,000</u> )	(Less than <u>\$100,000</u> )
<b>ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND</b>	<b>(Less than <u>\$100,000</u>)</b>	<b>(Less than <u>\$100,000</u>)</b>	<b>(Less than <u>\$100,000</u>)</b>
<b>PARKS, AND SOIL AND WATER FUND</b>			
<u>Revenue reduction - DOR</u>			
Sales Tax exemption Section 144.030	(Less than <u>\$100,000</u> )	(Less than <u>\$100,000</u> )	(Less than <u>\$100,000</u> )
<b>ESTIMATED NET EFFECT ON PARKS, AND SOIL AND WATER FUND</b>	<b>(Less than <u>\$100,000</u>)</b>	<b>(Less than <u>\$100,000</u>)</b>	<b>(Less than <u>\$100,000</u>)</b>
<b>SCHOOL DISTRICT TRUST FUND</b>			
<u>Revenue reduction - DOR</u>			
Sales Tax exemption Section 144.030	(More than <u>\$100,000</u> )	(More than <u>\$100,000</u> )	(More than <u>\$100,000</u> )
<b>ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND</b>	<b>(More than <u>\$100,000</u>)</b>	<b>(More than <u>\$100,000</u>)</b>	<b>(More than <u>\$100,000</u>)</b>

<u>FISCAL IMPACT - Local Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
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**LOCAL GOVERNMENTS**

Revenue reduction - DOR

Sales Tax exemption Section 144.030	(More than <u>\$100,000</u> )	(More than <u>\$100,000</u> )	(More than <u>\$100,000</u> )
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<b>ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS</b>	<b>(More than <u>\$100,000</u>)</b>	<b>(More than <u>\$100,000</u>)</b>	<b>(More than <u>\$100,000</u>)</b>
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FISCAL IMPACT - Small Business

This proposal would have an impact on small businesses which have aircraft sales, or aircraft parts and equipment sales.

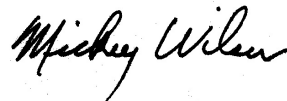
FISCAL DESCRIPTION

This proposal would extend a sales tax exemption for replacement parts to aircraft, and would create an exemption for sales of aircraft to nonresidents.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Secretary of State  
Joint Committee on Administrative Rules  
Office of Administration  
    Division of Budget and Planning  
Department of Revenue



Mickey Wilson, CPA  
Director  
February 26, 2014

Ross Strobe  
Assistant Director  
February 26, 2014