

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6283-01
Bill No.: Perfected SB 958
Subject: Aircraft and Airports; Taxation and Revenue - Sales and Use
Type: Original
Date: April 23, 2014

Bill Summary: This proposal would extend a sales and use tax exemption for sales of aircraft to nonresidents.

FISCAL SUMMARY

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

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

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
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)
Total Estimated Net Effect on <u>Other</u> State Funds	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)

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

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

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).

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

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 create a new sales and use 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 create a new sales and use tax exemption for the sale of aircraft to non residents, and assumes the exemption 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 which might be included in other industry categories.

For fiscal note purposes, Oversight will assume that this proposal would result in a revenue reduction greater than \$100,000 per year for the General Revenue Fund, School District Trust Fund, and local governments; 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
GENERAL REVENUE FUND			
<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>)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	(More than <u>\$100,000</u>)	(More than <u>\$100,000</u>)	(More than <u>\$100,000</u>)

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

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

This proposal could have an impact on small businesses which have aircraft sales.

FISCAL DESCRIPTION

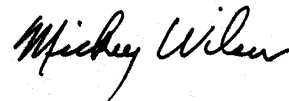
This proposal would create a sales and use tax exemption for sales of aircraft to nonresidents.

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

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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



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Director
April 23, 2014

Ross Strobe
Assistant Director
April 23, 2014