

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1876-01
Bill No.: Perfected SB 377
Subject: Aircraft and Airports; Taxation and Revenue - Sales and Use
Type: Original
Date: April 21, 2015

Bill Summary: This proposal would authorize a sales and use tax exemption for aircraft sold to nonresidents or to corporations not incorporated in the state.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)
Total Estimated Net Effect on General Revenue	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
School District Trust	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)
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)
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 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Local Government	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume this proposal would reduce Total State Revenue (TSR), as well as impacting the calculation required under Article X, Section 18(e) of the state constitution.

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 officials stated that the following amounts of taxable sales were reported by DOR for 2014.

Industry Code:	Amount in \$millions
558 AIRCRAFT DEALERS	\$140.9
372 AIRCRAFT AND PARTS	<u>\$ 25.2</u>
Total	<u>\$166.1</u>

BAP officials stated they were unable to determine how much of these sales may have been for qualifying aircraft or parts, or if there are other aircraft-related sales that may be coded to other SIC codes. Therefore, BAP officials estimated this proposal would reduce TSR by less than \$7.1 million and General Revenue by less than \$5.0 million beginning in FY 2017. For FY 2016, this proposal would be expected to reduce TSR by less than \$2.5 million and General Revenue by less than \$1.7 million.

Oversight assumes the sales tax reduction on the \$166.1 million in sales reported by DOR would be calculated as shown below.

<u>Fund or entity</u>	<u>Sales Tax Rate</u>	<u>Revenue Reduction</u>	
		<u>Ten months</u>	<u>Full year</u>
General Revenue	3.000%	\$4,152,500	\$4,983,000
School District Trust	1.000%	\$1,384,167	\$1,661,000
Conservation Commission	0.125%	\$173,021	\$207,625
Parks, and Soil and Water	0.100%	\$138,417	\$166,100
Local Governments *	3.880%	\$5,370,567	\$6,444,680

* The 3.88% 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 to corporations not incorporated in the state, and assumes the exemption would be effective in August, 2015 (FY 2016), and would continue to have an impact in FY 2017 and FY 2018. Oversight has no information as to the number or amounts of aircraft sales to nonresidents or foreign corporations 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 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 also 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.

Officials from the **Department of Conservation (MDC)** assumed this proposal would have an unknown negative fiscal impact to their organization, but greater than \$100,000. MDC officials deferred to the Department of Revenue for an estimate of the anticipated fiscal impact for this proposal.

Officials from the **Department of Natural Resources (DNR)** deferred to the Department of Revenue and Office of Administration - Division of Budget and Planning for a more detailed account of the fiscal impact of this proposal.

Officials from the **Office of the Secretary of State (SOS)** stated that 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.

ASSUMPTION (continued)

Officials from the **Joint Committee on Administrative Rules** and the **Department of Revenue** assume this proposal would have no fiscal impact to their organizations.

Not responding

Officials from the following cities: Ashland, Belton, Bernie, Bonne Terre, Boonville, California, Cape Girardeau, Clayton, Columbia, Dardenne Prairie, Excelsior Springs, Florissant, Frontenac, Fulton, Gladstone, Grandview, Harrisonville, Independence, Jefferson City, Joplin, Kansas City, Kearney, Knob Noster, Ladue, Lake Ozark, Lee Summit, Liberty, Louisiana, Maryland Heights, Maryville, Mexico, Monett, Neosho, O'Fallon, Pacific, Peculiar, Pineville, Popular Bluff, Raytown, Republic, Richmond, Rolla, Sedalia, Springfield, St. Charles, St. Louis, St. Robert, Sugar Creek, Sullivan, Warrensburg, Warrenton, Webb City, Weldon Spring and West Plains did not respond to our request for information.

Officials from the following counties: Andrew, Atchison, Audrain, Barry, Bollinger, Boone, Buchanan, Callaway, Camden, Cape Girardeau, Carroll, Cass, Clay, Cole, Cooper, DeKalb, Dent, Franklin, Greene, Holt, Jackson, Jefferson, Johnson, Knox, Laclede, Lawrence, Lincoln, Marion, McDonald, Miller, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Perry, Pettis, Phelps, Platte, Pulaski, St. Louis, Scott, Shelby, St. Charles, St. Francois, Taney, Warren, Wayne and Worth did not respond to our request for information.

Amendments

Senate Amendment 1 would make this sales tax exemption applicable to aircraft purchased by a corporation that is not incorporated in Missouri.

Oversight notes the estimate of revenue reduction is based on reported sales by dealers, and assumes sales to corporate owners would be included in that estimate. Accordingly, Oversight assumes the amendment would not change the fiscal impact of this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
GENERAL REVENUE FUND			
<u>Revenue reduction</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>)
SCHOOL DISTRICT TRUST FUND			
<u>Revenue reduction</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>)
CONSERVATION COMMISSION FUND			
<u>Revenue reduction</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>)

<u>FISCAL IMPACT - State Government</u> (Continued)	FY 2016 (10 Mo.)	FY 2017	FY 2018
--	---------------------	---------	---------

**PARKS, AND SOIL AND WATER
 FUND**

<u>Revenue reduction</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>)
---	---	---	---

<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
---	---------------------	---------	---------

LOCAL GOVERNMENTS

<u>Revenue reduction</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 LOCAL GOVERNMENTS	(More than <u>\$100,000</u>)	(More than <u>\$100,000</u>)	(More than <u>\$100,000</u>)
--	---	---	---

FISCAL IMPACT - Small Business

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

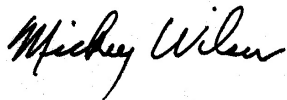
FISCAL DESCRIPTION

The proposed legislation would create a sales and use tax exemption for aircraft sold to non-Missouri residents or to corporations not incorporated in the state. To be eligible for the exemption, the aircraft could not be based in the state, and must be removed from the state within 10 days of the later of transfer of title or a return to service associated with a transfer of title.

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 Conservation
Department of Natural Resources
Department of Revenue



Mickey Wilson, CPA
Director
April 21, 2015

Ross Strope
Assistant Director
April 21, 2015