

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 4636-01
BILL NO.: SB 1061
SUBJECT: Aircraft and Airports; Taxation and Revenue; Transportation.
TYPE: Original
DATE: March 27, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Aviation Trust	(\$1,420,118)	(\$1,420,118)	(\$1,420,118)
School District Trust	(\$473,373)	(\$473,373)	(\$473,373)
Conservation	(\$59,172)	(\$59,172)	(\$59,172)
Parks and Soils	(\$47,337)	(\$47,337)	(\$47,337)
Total Estimated Net Effect on <u>All</u> State Funds	(\$2,000,000)	(\$2,000,000)	(\$2,000,000)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	(\$710,060)	(\$710,060)	(\$710,060)

Numbers within parentheses: () indicate costs or losses
This fiscal note contains 5 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Transportation (DHT)** state this proposal would exempt airlines headquartered in Missouri that operate planes transporting 20 or more passengers from paying state sales tax on jet fuel. Impacted airlines include TWA based at Lambert in St. Louis, Vanguard based at Kansas City, and Ozark based in Columbia.

The DHT assumes this bill would have a negative impact on all political subdivisions that own and/or operate a public use airport. The Department of Natural Resources, Linn Technical College, and Central Missouri State University will also be impacted since they own public-use airports. The Cities of Jefferson and Cape Girardeau will be specifically impacted since they receive operating assistance for their air traffic control tower from this fund. Also impacted will be Missouri schools, since a portion of the jet fuel sales tax goes for public education.

The DHT states that they administer the state airport capital improvement and maintenance programs to assist publically owned public-use airports. Funding for these programs come from a 9 cent per gallon tax on aviation gasoline (approximately \$450,000) and a percentage of the sales tax on jet fuel (approx. \$4,000,000). By far, the majority of funding for these programs comes from jet fuel revenues. The current jet fuel sales tax exemption is for airlines after they pay \$1,500,000. TWA is currently the only airline that enjoys this exemption. Assuming that Vanguard and Ozark airlines combined add an additional \$500,000, the total state loss is estimated to be \$2,000,000 annually.

Officials from the **Department of Revenue (DOR)** states at present time, the DOR administers a partial sales tax exemption for TWA on their jet fuel. The exemption requires them to pay \$1.5 million per year in sales tax on jet fuel and no more. The DOR assumes with this proposal, the state would lose this \$1.5 million. Additional airlines in Missouri may benefit from this exemption in the amount of \$600,000 or so, for a total impact of \$2.1 million. The DOR assumes their would be no administrative impact to their department.

Officials from the **Office of Administration, Budget and Planning (BAP)** state the proposed legislation would have no impact on their agency, and that they concur with the fiscal estimates provided by the Department of Transportation and the Department of Revenue.

Officials from the **Department of Natural Resources (DNR)** states the proposed legislation exempts from state and local sales and use taxes all sales of aviation jet fuel to those eligible operations. In addition, the proposed legislation limits the sales and use tax exemption for aviation fuel for certain common carriers. These provisions may impact the amount of revenue

deposited into the DNR's Parks and Soils Sales Tax Funds. The DNR assumes the Department

ASSUMPTION (continued)

of Revenue will supply the necessary sales and use tax information to estimate the impact from the proposal.

Officials from the **Department of Elementary and Secondary Education (DES)** assume as a result of this proposal, there may be a decrease to the amount of moneys deposited into the School District Trust Fund (Proposition C). The DES state that they do not have the information available to make a fiscal impact estimate.

Officials from the **Department of Higher Education (CBH)** assume this proposal will not fiscally impact their agency, but may impact some colleges and universities.

Officials from the **City of Jefferson** assume this proposal would greatly reduce the amount of funds they receive from the state's Aviation Trust Fund for Air Traffic Control Tower operation assistance as well as certain capital improvements at the Jefferson City Memorial Airport. The City of Jefferson receives \$125,000 annually for the tower operation assistance and apply for additional monies to fund necessary capital improvements.

Officials from the **City of Cape Girardeau** assume they would lose their \$125,000 annual funding source as reimbursement for local costs to fund the operation of the Control Tower. They also assume they would lose additional funding which is awarded from the state's Aviation Trust Fund for capital improvement projects.

Officials from **Central Missouri State University** and **Linn Technical College** assume the proposed legislation will not fiscally impact their respective institutions.

Oversight assumes the sales and use tax exemption in aviation jet fuel would result in a decrease in roughly \$2 million in total state revenues. This \$2 million would impact the Aviation Trust Fund (instead of the General Revenue Fund), the School District Trust Fund, the Conservation Fund and the Parks and Soils Fund. Oversight assumes that the decrease in revenue into the Aviation Trust Fund would not necessarily result in a decrease in loans and grants to local airports. The proposal would, however, decrease some local sales tax revenues by roughly \$710,060 since jet fuel for common carriers engaged in interstate air transportation which are headquartered in this state and which operates airplanes transporting twenty or more passengers would now be exempt from sales and use tax.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
AVIATION TRUST FUND			
<u>Loss</u> - decrease in sales tax revenue on jet fuel	(\$1,420,118)	(\$1,420,118)	(\$1,420,118)
SCHOOL DISTRICT TRUST FUND			
<u>Loss</u> - decrease in sales tax revenue on jet fuel	(\$473,373)	(\$473,373)	(\$473,373)
CONSERVATION FUND			
<u>Loss</u> - decrease in sales tax revenue on jet fuel	(\$59,172)	(\$59,172)	(\$59,172)
PARKS AND SOIL FUND			
<u>Loss</u> - decrease in sales tax revenue on jet fuel	(\$47,337)	(\$47,337)	(\$47,337)
<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
LOCAL POLITICAL SUBDIVISIONS			
<u>Loss</u> - decrease in sales tax revenue on jet fuel	(\$710,060)	(\$710,060)	(\$710,060)
<u>FISCAL IMPACT - Small Business</u>			

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This proposal would have a direct fiscal impact to small businesses that sell aviation jet fuel.

DESCRIPTION

This act limits the sales tax exemption on jet fuel to sales made to common carriers engaged in interstate air transportation headquartered in Missouri and operating aircraft carrying twenty or more passengers.

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

Department of Revenue
Department of Higher Education
Department of Natural Resources
Department of Transportation
Department of Elementary and Secondary Education
Office of Administration
 Budget and Planning
City of Jefferson
City of Cape Girardeau
Central Missouri State University
Linn State University



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