

BILL SUMMARY
1st Session of the 56th Legislature

Bill No.:	SB 442
Version:	ENGR
Request Number:	NA
Author:	Rep. Brumbaugh
Date:	4/3/2017
Impact:	Tax Commission: Unknown

Research Analysis

Engrossed SB442 modifies the definition of commercial airline, as it relates to aircraft excise tax, to exclude air carriers that operate under Part 135 of the Code of Federal Regulation for less than 50 percent of its annual operations. The measure also modifies the aircraft excise tax exemption by requiring that an exempt aircraft purchased by a commercial airline not operate under CFR, Part 91 for more than 50 percent of its annual operations.

Prepared By: Quyen Do

Fiscal Analysis

The measure provides more specificity as to the use of aircraft related to exemptions to the aircraft excise tax. In particular, the provisions are directed toward the actual use of aircraft for charter activities. With a limited number of airports in the state hosting charter activities, it is anticipated that audit efforts will be manageable and increased compliance with the aircraft excise tax are possible.

The Incentive Evaluation Commission indicated in its November, 2016 report that all exempt sales of aircraft resulted in foregone revenue on excess of \$3.7 million to the state

From the Tax Commission:

Due to the timing of the imposition of aircraft excise tax, there is no effective procedure in which to determine the future use of an aircraft for exemption purposes. Further, no specific statutory authority exists to tax an aircraft which is no longer utilized in an exempt manner under circumstances where the aircraft properly qualified for exemption at the time of imposition of the excise tax. Additionally the reference to the Code of Federal Regulations is too broad and does not definitively outline the parameters of the restricted use of the aircraft for purposes of exemption qualification.

Consequently, the impact on aircraft excise tax revenues occurring as a result of this measure is unknown.

Prepared By: Mark Tygret

Other Considerations

None.

