

DEPARTMENT OF TAXATION

2002 Fiscal Impact Statement

1. **Patron** Parrish

3. **Committee** House Finance

4. **Title** Aircraft Sales and Use Tax: Provides Options
for Charter Aircraft Operators or Owners for
Paying the Tax

2. **Bill Number** HB 418

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would allow the owner or operator of an aircraft used in the charter service business the option of paying the aircraft sales and use tax on the sale price of the aircraft, or the gross receipts derived from the charter service business.

The effective date of this bill is not specified.

6. **Fiscal Impact Estimates are:** Not available. (See Line 8.)

7. **Budget amendment necessary:** No.

8. **Fiscal implications:**

Administrative

There is minimal administrative cost associated with the passage of this bill. TAX currently processes aircraft sales and use tax returns for both the sale of aircraft and the gross receipts derived from aircraft used in charter air service. The passage of this bill would not entail any systems development cost or form revision cost.

Revenue

The revenue impact associated with this bill is unknown. It is not known how many aircraft are currently leased or chartered, how these charters are priced, and the amount of time an aircraft is used in a charter service operation.

9. **Specific agency or political subdivisions affected:**

10. Technical amendment necessary: None.

11. Other comments:

Under current law, with the exception of a common carrier aircraft operating in intrastate, interstate, or foreign commerce, an aircraft owner or operator who also provides charter air service is required to prorate the use of the aircraft between personal use and charter use. The 2 percent aircraft sales and use tax is due on the personal use portion at the time purchase, and the gross receipts from the charter service are subject to the 2 percent aircraft tax at the time they are collected.

This bill would allow the aircraft owner or operator the option of paying the tax on the sales price of the aircraft at the time of purchase, or paying the 2 percent aircraft tax on the gross receipts derived from the charter service business. The taxes applicable to the charter service business are the liability of the aircraft owner or operator and are not passed through to the customer.

This bill also provides that if the aircraft owner or operator elects the option of paying the tax on the gross receipts from the charter service operation, the aircraft tax would be applicable to the sales price of the aircraft immediately upon removing the aircraft from the charter business.

All funds collected from the aircraft sales and use tax are paid into the state treasury and, after deducting refunds, are credited to a special fund within the Commonwealth Transportation Fund for the administration of the aviation laws.

cc : Secretary of Finance

Date: 01/17/02/WBS

Document : S:\2002\WorkInProgress\OTPwork\HB0418F161.doc