

**DEPARTMENT OF TAXATION
2007 Fiscal Impact Statement**

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| <p>1. Patron Terry G. Kilgore</p> <p>3. Committee House Courts of Justice</p> <p>4. Title Spaceflight Liability and Immunity Act; Corporate Tax Exemptions for Spaceflight Entities</p> | <p>2. Bill Number <u>HB 3184</u> House of Origin: <u> X </u> Introduced <u> </u> Substitute <u> </u> Engrossed</p> <p>Second House: <u> </u> In Committee <u> </u> Substitute <u> </u> Enrolled</p> |
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5. Summary/Purpose:

This bill would provide a corporate income tax exemption for any gain recognized as a result the sale of passenger tickets on a suborbital spaceflight conducted by a spaceflight entity. The bill would also exempt from corporate income tax any gain recognized as a result of resupply services contracts entered with the Commercial Orbital Transportation Services division of the National Aeronautics and Space Administration (NASA).

The bill would be effective for taxable years beginning on and after January 1, 2008 but before January 1, 2013.

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

7. Budget amendment necessary: No.

8. Fiscal implications:

Administrative Costs

TAX has not assigned any administrative costs to this bill because the changes required by a single bill such as this can be implemented as part of the annual changes to our systems and forms. As stand-alone legislation, TAX considers implementation of this bill as "routine," and does not require additional funding.

TAX will provide specific administrative costs on any legislation that is not "routine." Additionally, TAX will review all state tax legislation likely to be enacted prior to the passage by each house. If the aggregate number of routine bills likely to pass either house is unusually large, it is possible that additional resources will be required. If so, TAX will identify the costs at that time.

Revenue Impact

This bill would have a negative general fund impact of unknown magnitude. There is no data available forecasting revenue from suborbital space flights in Virginia.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Commercial Orbital Transportation Services Division of NASA

Commercial Orbital Transportation Services is a NASA program to coordinate commercial delivery of crewmembers and cargo to the International Space Station. Instead of flying crew and cargo to the space station using a NASA-owned vehicle this program would use orbital transportation services from commercial suppliers.

Current Law

The starting point for Virginia corporate income tax is federal taxable income (FTI). In calculating FTI corporations involved in commercial space flight would be required to include such profits. Thus, profits derived from commercial space flight are taxable income to Virginia corporations, as are profits derived from resupply services contracts entered with the Commercial Orbital Transportation Services division of NASA.

Proposal

This bill would provide a subtraction from FTI for gain attributable to corporate spaceflight. In effect it would exempt any profit derived from commercial spaceflight in Virginia from Virginia corporate tax. The bill would also exempt any profit derived from resupply services contracts with the Commercial Orbital Transportation Services division of NASA from Virginia corporate tax.

cc : Secretary of Finance

Date: 1/26/2007 JOC
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