

**DEPARTMENT OF TAXATION
2007 Fiscal Impact Statement**

1. **Patron** Kenneth W. Stolle

2. **Bill Number** SB 1172

3. **Committee** House Finance

House of Origin:

 Introduced

 Substitute

 Engrossed

4. **Title** Aircraft Sales and Use Tax: Exemptions for
Certain Aircraft

Second House:

 X **In Committee**

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would provide an aircraft sales and use tax exemption for aircraft that are (i) considered Warbirds, manufactured and intended for military use, excluding those manufactured after 1954, and (ii) used only for (a) exhibit or display to the general public (including such flights as are necessary for testing, maintaining, or preparing such aircraft for safe operation), or (b) air show and flight demonstrations (including such flights as are necessary for testing, maintaining, or preparing such aircraft for safe operation). Aircraft used for commercial purposes, including transportation or other purposes for a fee, would not qualify for this exemption. Aircraft sales and use taxes on such aircraft would be deferred for ten years, and abated after the ten years has elapsed, unless the Director of the Department of Aviation determines that the aircraft was used for purposes not allowed under the exemption.

This bill would be applicable to transactions that occur on or after July 1, 2007.

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

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

8. Fiscal implications:

Administrative Costs

TAX considers implementation of this bill as routine, and does not require additional funding.

Revenue Impact

As the number and value of qualifying aircraft sold each year are unknown, the revenue loss of this bill is unknown.

9. Specific agency or political subdivisions affected:

Department of Taxation
Department of Aviation

10. Technical amendment necessary: No.

11. Other comments:

Background

Under current law, the aircraft sales and use tax is imposed at the rate of 2% on the retail sale of every aircraft sold in Virginia and upon the use in Virginia of any aircraft required to be licensed by the Department of Aviation. Revenues from the tax are deposited into a special fund within the Commonwealth Transportation Fund for the administration of aviation laws by the Department of Aviation, for the construction, maintenance and improvement of airports and landing fields, and for the promotion of aviation. The purchaser must file a return with TAX and pay the tax prior to filing for a license with the Department of Aviation. Upon receipt of payment, TAX will certify the payment to the Department of Aviation.

Proposal

This bill would provide an aircraft sales and use tax exemption for aircraft that are (i) considered Warbirds, manufactured and intended for military use, excluding those manufactured after 1954, and (ii) used only for (a) exhibit or display to the general public (including such flights as are necessary for testing, maintaining, or preparing such aircraft for safe operation), or (b) air show and flight demonstrations (including such flights as are necessary for testing, maintaining, or preparing such aircraft for safe operation). Aircraft used for commercial purposes, including transportation or other purposes for a fee, would not qualify for this exemption. Aircraft sales and use taxes on such aircraft would be deferred for ten years, and abated after the ten years has elapsed, unless the Director of the Department of Aviation determines that the aircraft was used for purposes not allowed under the exemption.

Similar Legislation

House Bill 2013 would provide a separate classification of tangible personal property for any aircraft that is at least 50 years old and is used only for (i) exhibit or display to the general public (including such flights as are necessary for testing, maintaining, or preparing such aircraft for safe operation), or (ii) air show and flight demonstrations (including such flights as are necessary for testing, maintaining, or preparing such aircraft for safe operation). Aircraft used for commercial or private general transportation are not included in this classification.

Senate Bill 1171 would create a separate classification of tangible personal property for aircraft that are (i) considered Warbirds, manufactured and intended for military use, excluding those manufactured after 1954, and (ii) used only for (a) exhibit or display to the

general public (including such flights as are necessary for testing, maintaining, or preparing such aircraft for safe operation), or (b) air show and flight demonstrations (including such flights as are necessary for testing, maintaining, or preparing such aircraft for safe operation). Aircraft used for commercial purposes, including transportation or other purposes for a fee, are not included in this classification.

cc : Secretary of Finance

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