

DEPARTMENT OF TAXATION

2018 Fiscal Impact Statement

1. **Patron** John A Cosgrove

3. **Committee** Senate Finance

4. **Title** Aircraft Sales and Use Tax; Maximum Tax

2. **Bill Number** SB 814

House of Origin:

X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would limit the maximum amount of Aircraft Sales and Use tax due on the sale or use of any aircraft to \$25,000.

Under current law, the tax is imposed at the rate of two percent and there is no limit to the amount of tax due on an aircraft.

The effective date of this bill is not specified.

6. **Budget amendment necessary:** Yes.

Item(s): Page 1, Revenue Estimates

7. **Fiscal Impact Estimates are:** Preliminary. (See Line 8.)

7b. **Revenue Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2017-18	\$0	NGF
2018-19	(\$2.7 million)	NGF
2019-20	(\$2.9 million)	NGF
2020-21	(\$2.9 million)	NGF
2021-22	(\$2.9 million)	NGF
2022-23	(\$2.9 million)	NGF
2023-24	(\$2.9 million)	NGF

8. **Fiscal implications:**

Administrative Costs

The Department of Taxation ("the Department") 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, the Department considers implementation of this bill as "routine," and does not require additional funding.

The Department will provide specific administrative costs on any legislation that is not “routine.” Additionally, the Department 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, the Department will identify the costs at that time.

Revenue Impact

Based on sales subject to the Aircraft Sales and Use Tax during the four prior years, this bill would result in an estimated loss to the Commonwealth Transportation Fund of \$2.7 million in Fiscal Year 2019, and \$2.9 million per fiscal year thereafter. This is equal to approximately 71 percent of the average annual revenue from the Aircraft Sales and Use Tax. The chart below shows the total amount of revenues generated by the Aircraft Sales and Use Tax during Fiscal Years 2014 through 2017.

Fiscal Year	Revenues
2014	\$ 3,309,352
2015	\$ 3,652,942
2016	\$ 6,048,811
2017	\$ 3,464,951
Average	\$4,119014

9. Specific agency or political subdivisions affected:

Department of Taxation
Department of Aviation

10. Technical amendment necessary: No.

11. Other comments:

Aircraft Sales and Use Tax

Under current law, the Aircraft Sales and Use Tax is generally imposed at the rate of 2 percent 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. There is currently no limit to the amount of sales and use tax due on an aircraft.

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 the Department and pay the tax prior to filing for a license with the Department of Aviation. Upon receipt of payment, the Department will certify the payment to the Department of Aviation.

Proposal

This bill would limit the maximum amount of Aircraft Sales and Use tax due on the sale or use of any aircraft to \$25,000.

The effective date of this bill is not specified.

cc : Secretary of Finance

Date: 1/21/2018 VB
SB814F161