

Department of Planning and Budget 2021 Fiscal Impact Statement

1. **Bill Number:** SB1144

House of Origin Introduced Substitute Engrossed
Second House In Committee Substitute Enrolled

2. **Patron:** Stuart

3. **Committee:** Transportation

4. **Title:** Aircraft; registration and licensing.

5. **Summary:** Requires that a civil aircraft be registered with the Department of Aviation if it is based in the Commonwealth for more than 90 consecutive days during a calendar year. Current law requires registration if the aircraft is based in the Commonwealth for more than 90 days total during a calendar year. An owner of a civil aircraft who registered the aircraft on or after January 1, 2018, but whose aircraft was not based in the Commonwealth for more than 90 consecutive calendar days shall be entitled to a refund of the taxes and fees associated with the registration. The bill also directs that the sales and use tax collected from any civil aircraft required to be licensed in the Commonwealth be deposited in the general fund of the state treasury.

6. **Budget Amendment Necessary:** Yes, Items 432, 433, 444, and 445

7. **Fiscal Impact Estimates:** Preliminary, see Item 8.

8. **Fiscal Implications:** This bill would require a refund of all Aircraft Sales and Use Tax revenue and fees to aircraft owners whose registered aircraft were not based in the Commonwealth for 90 consecutive days since January 1, 2018. The Department of Aviation does not currently have exact records of when registered aircraft were based in the Commonwealth in these years; but, the agency assumes that any aircraft with a value of \$500,000 or more would be flown out of state regularly, at least once per 90 days, and would qualify for the refund. A refund of the Aircraft Sales and Use taxes paid for just these aircraft from December 2018 to November 2020 would be more than \$14.5 million. It is likely that many smaller value planes did not spend 90 consecutive days based in the Commonwealth in these years and also would qualify for the refund, increasing the total value of the refund. The Department of Aviation does not have sufficient cash reserves to provide a refund of this magnitude.

The Department of Aviation estimates that the provisions of this bill would cause revenue from the Aircraft Sales and Use Tax to decrease by at least 70 percent in future years. In addition to the large number of aircraft that are currently flown out of state regularly, many additional aircraft that are currently registered likely will be flown out of state at least every 90 days and will be exempt from registration and tax.

The actual value of revenue varies year to year. In Fiscal Year 2019, the revenue from the Aircraft Sales and Use Tax was \$12,577,339, and a 70 percent reduction would be about \$8.8 million. In Fiscal Year 2020, the tax revenue was \$7,557,161 and a 70 percent reduction would be about \$5.3 million.

Currently, the revenue from the Aircraft Sales and Use Tax is credited to a special fund that is dedicated to the Department of Aviation's operations. This bill would redirect all Aircraft Sales and Use Tax revenue to the general fund. This would eliminate funding for the majority of the Department of Aviation's operations. The Aircraft Sales and Use Tax typically makes up about 60-75 percent of the Department's operational funding, with the rest made up of mostly Aviation Fuel Tax revenue.

The following operations are currently funded by Aircraft Sales and Use Tax revenue and would need to be reduced if this revenue is not deposited to the special fund: operation of the state aircraft, administration of the Commonwealth Aviation Fund and other grants to airports, maintenance work at airports, and aviation communications and education. The Department estimates that at least 15 of the 37 positions at the Department are funded by Aircraft Sales and Use Tax revenue and would be eliminated without the special fund dedication.

9. Specific Agency or Political Subdivisions Affected: Department of Aviation

10. Technical Amendment Necessary: No

11. Other Comments: None