

DEPARTMENT OF TAXATION

2008 Fiscal Impact Statement

1. **Patron** Mark L. Cole

3. **Committee** House Finance

4. **Title** Income Tax: Individual and Corporate
Income Tax Subtraction for Gain from the
Sale of Launch Services or the Delivery of
Payload

2. **Bill Number** HB 351

House of Origin:

X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would create two new subtractions for individual and corporate income taxpayers. The first would be for the gain from the sale of launch services to space flight participants or launch services intended to provide individuals the training or experience of a launch, without performing an actual launch. To qualify for this subtraction, the launch services would be required to be performed in Virginia or originate from an airport or spaceport in Virginia.

The second subtraction would be for the gain recognized as a result of resupply services contracts for delivering payload entered into with the Commercial Orbital Transportation Services ("COTS") division of the National Aeronautics and Space Administration ("NASA") or other space flight entity. The launch would be required to be from an airport or spaceport in Virginia.

This bill would be effective for taxable years beginning on or after January 1, 2009.

6. **Fiscal Impact Estimates are:** Preliminary. (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

The revenue impact associated with this bill is unknown, but likely minimal. At this time, only a small number of companies plan to offer commercial suborbital spaceflights, but none have taken place yet. Furthermore, at this time no company appears to be planning to offer such services from a Virginia airport or spaceport. In addition, only two companies, neither of which appears to have nexus with Virginia, have signed contracts with the COTS division of NASA. NASA has not announced any further contracts through COTS.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Proposal

This bill would create two subtractions for individual and corporate income taxpayers. The first would be for the gain from the sale of launch services to space flight participants or launch services intended to provide individuals the training or experience of a launch, without performing an actual launch. To qualify for this subtraction, the launch services would be required to be performed in Virginia or originate from an airport or spaceport in Virginia.

The second subtraction would be for the gain recognized as a result of resupply services contracts for delivering payload entered into with the COTS division of NASA or other space flight entity. The launch would be required to be from an airport or spaceport in Virginia.

"Space flight participants" would be individuals, who are not crew, carried within a launch vehicle or reentry vehicle. "Payload" would be defined as an object that a person undertakes to place in outer space by means of a launch vehicle or reentry vehicle, including components of the vehicle specifically designed or adapted for that object.

"Space flight entity" would mean any public or private entity holding, either directly or through a corporate subsidiary or parent, a license, permit, or other authorization issued by the United States Federal Aviation Administration pursuant to the Federal Space Launch Amendments Act (49 U.S.C. § 70101 et seq.), including, but not limited to, a safety approval and a payload determination. "Space flight entity" shall also include any manufacturer or supplier of components, services, or vehicles that have been reviewed by the United States Federal Aviation Administration as part of issuing such a license, permit,

or authorization. Please note that the section that provides the definition for this term, *Va. Code* § 8.01-227.8, expires on July 1, 2013.

This bill would be effective for taxable years beginning on or after January 1, 2009.

Similar Legislation

House Bill 170 and House Bill 1151 would create corporate income tax subtractions for gain from the sale of passenger tickets on a suborbital spaceflight conducted by a spaceflight entity and any gain recognized as a result of resupply services contracts entered with the COTS division of NASA. In addition, this bill would create a sales and use tax exemption for the sale of spaceflight services or activities to spaceflight participants.

House Bill 238, House Bill 874, Senate Bill 286, and Senate Bill 401 are identical to this bill.

cc : Secretary of Finance

Date: 1/12/2008 AMS
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