

# DEPARTMENT OF TAXATION

## 2022 Fiscal Impact Statement

1. **Patron** Terry L. Austin

3. **Committee** Senate Finance and Appropriations

4. **Title** Sales and Use Tax Exemption; Aircraft Components

2. **Bill Number** HB 462

**House of Origin:**

           **Introduced**

           **Substitute**

           **Engrossed**

**Second House:**

  X   **In Committee**

           **Substitute**

           **Enrolled**

**5. Summary/Purpose:**

This bill would extend from July 1, 2022 to July 1, 2026 the sunset date for the Retail Sales and Use Tax exemption for parts, engines, and supplies used for maintaining, repairing, or reconditioning aircraft or any aircraft's avionics system, engine, or component parts. For manned systems, the term "aircraft" would include only aircraft with a maximum takeoff weight of at least 2,400 pounds.

If enacted during the regular session of the 2022 General Assembly, this bill would become effective July 1, 2022.

**6. Budget amendment necessary:** No

**7. No Fiscal Impact:** (See Line 8.)

**8. Fiscal implications:**

Administrative Costs

The Department of Taxation considers implementation of this bill as routine and does not require additional funding.

Revenue Impact

Because the extension of expiring Retail Sales and Use Tax exemptions is assumed in the official revenue forecast, this bill would have no impact on state revenue.

**9. Specific agency or political subdivisions affected:** Department of Taxation

**10. Technical amendment necessary:** No

**11. Other comments:**

Current Law

Legislation enacted during the 2017 General Assembly exempted from the Retail Sales and Use Tax parts, engines, and supplies used for maintaining, repairing, or reconditioning aircraft or any aircraft's avionics system, engine, or component parts. The exemption covers both manned and

unmanned systems but does not cover tools or equipment. The exemption does not restrict the sales tax exemption available to scheduled common carriers under current law.

Since most common carrier airlines already qualify for the exemption enumerated in *Va. Code* § 58.1-609.3(6), the two identifiable groups of taxpayers who benefit from this exemption are unscheduled common carriers and owners of private planes. This exemption allows those two groups of aircraft owners to purchase parts, engines, and supplies used to maintain, repair, and recondition their aircraft and avionic systems exempt from the Retail Sales and Use Tax. The inclusion of unmanned systems within the law means that drones are eligible for the exemption as well.

Pursuant to Item 3-5.14 of the 2020 Appropriation Act, the Department published a report regarding the revenue impact of every sales tax exemption and income tax credit scheduled to expire on or before June 30, 2025. This report included information regarding the sales tax exemption for aircraft components. See 2020 Report Document 487.

In addition, Item 3-5.14 of the 2021 Appropriation Act prohibits the General Assembly from advancing the sunset date of any existing sales tax exemption beyond June 30, 2025.

#### Proposal

This bill would extend from July 1, 2022 to July 1, 2026 the sunset date for the Retail Sales and Use Tax exemption for parts, engines, and supplies used for maintaining, repairing, or reconditioning aircraft or any aircraft's avionics system, engine, or component parts. For manned systems, the term "aircraft" will include only aircraft with a maximum takeoff weight of at least 2,400 pounds.

If enacted during the regular session of the 2022 General Assembly, this bill would become effective July 1, 2022.

#### Similar Legislation

**Senate Bill 701** is identical to this bill except that it has a sunset date of July 1, 2025.

cc : Secretary of Finance

Date: 2/14/2022 SK  
HB462FH1161