

LEGISLATIVE FISCAL OFFICE Fiscal Note

Fiscal Note On: **SB 93** SLS 17RS

174

Bill Text Version: ORIGINAL

Opp. Chamb. Action:

Proposed Amd.: Sub. Bill For.:

Date: April 14, 2017 1:57 PM Author: MILLS

Dept./Agy.: REVENUE

Subject: Sales & Use Tax Exclusion: Aircraft Preparation & Painting

Analyst: Benjamin Vincent

TAX/TAXATION OR DECREASE GF RV See Note Page 1 of 1 Excludes from repairs to tangible personal property certain preparation and painting of aircraft for purposes of sales and use

tax. (7/1/17)

<u>Current law</u> includes repairs to tangible personal property as a taxable service for the purposes of sales and use tax.

<u>Proposed law</u> specifies that aircraft surface preparation and painting is not a repair for the purposes of state and local sales and use tax.

Effective July 1, 2017.

EXPENDITURES	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0
REVENUES	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Annual Total						

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

Current law taxes surface preparation and painting of aircraft that are delivered to a Louisiana location at a rate of 5%. This service is taxed at a rate of 2% for aircraft delivered to a location outside of the state until July 1, 2018, at which time the service will become fully exempt. Proposed law would exclude this service from the definition of taxable services, and apply a tax rate of 0% to transactions regardless of where the aircraft is delivered.

Proposed law would incur a revenue loss on aircraft delivered outside Louisiana prior to July 1, 2018. It would incur a revenue loss on aircraft delivered to Louisiana locations in all years. LA Dept. of Revenue (LDR) has no information on this type of transaction, therefore a reliable estimate of the size of the revenue loss is not available.

The Federal Aviation Administration reports that as of April 2017 there are 4,319 civil aircraft registered in Louisiana. Information published by the Aircraft Owners and Pilots Association indicates that painting on smaller private aircraft is typically performed every 10 years, and typically costs an average of \$5,500 for a small aircraft. Information gleaned from aircraft manufacturers indicates a typical painting frequency of as few as four years for airliners, at a significantly higher price. The assumption that most of the aircraft registered in the state are smaller aircraft, and that 10% are painted annually at the average price for small aircraft, yields an implied annual taxable base of approximately \$2.4M, and over \$100,000 in potential sales tax revenues for the service of aircraft painting alone. An estimate for surface preparation activities such as aircraft cleaning services- a less expensive but more frequent service- is not readily available.

 :	Dual Referral Rules 100,000 Annual Fiscal Cost {S&H}	House 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}	Dego V. alecta
 13.5.2 >= \$5	500,000 Annual Tax or Fee nange {S&H}	6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}	Gregory V. Albrecht Chief Economist