

**The Florida Senate**  
**BILL ANALYSIS AND FISCAL IMPACT STATEMENT**

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

---

Prepared By: The Professional Staff of the Committee on Transportation

---

BILL: SB 844

INTRODUCER: Senator Flores

SUBJECT: Aviation Fuel Taxes

DATE: January 7, 2016

REVISED: \_\_\_\_\_

|    | ANALYST | STAFF DIRECTOR | REFERENCE | ACTION             |
|----|---------|----------------|-----------|--------------------|
| 1. | Price   | Eichin         | TR        | <b>Pre-meeting</b> |
| 2. |         |                | FT        |                    |
| 3. |         |                | AP        |                    |

---

**I. Summary:**

SB 844, effective July 1, 2019, reduces the excise tax rate imposed on aviation fuel, kerosene, and aviation gasoline, and repeals the existing credit or refund of the tax paid for aviation fuel used by an air carrier that has increased the air carrier's Florida work force by certain amounts. The bill also revises the duration of eligibility for the existing credit or refund, effective July 1, 2016.

The bill is estimated to have a total \$0 cash impact in FYs 2016-17 through 2018-19 but a \$9.5 million negative cash impact in FY 2019-20 and an \$11.5 million negative cash impact in 2020-21. The estimated negative recurring impact to general revenue is \$900,000 for FYs 2016-17 through 2020-21.

The estimated total recurring negative fiscal impact is:

- \$10.8 million in FY 2016-17.
- \$11.0 million in FY 2017-18.
- \$11.1 million in FY 2018-19.
- \$11.3 million in FY 2019-20.
- \$11.5 million in 2020-21.

See Section V., "Fiscal Impact Statement," for further fiscal impact information.

The bill takes effect July 1, 2016, except as indicated above.

## II. Present Situation:

Section 206.9825(1)(a), F.S., generally imposes an excise tax of 6.9 cents per gallon on every gallon of aviation fuel, kerosene, and aviation gasoline sold or brought into this state.<sup>1</sup> State taxes are imposed on net gallons when aviation fuel is:

- Removed from the terminal at the rack.
- Imported into Florida by means other than the bulk transfer system (e.g., pipelines and vessels) or by means of the bulk transfer system, and the importer of record is not licensed as a terminal supplier or importer.
- Sold to an unlicensed person unless there was a prior taxable removal, entry, or sale of the fuel.<sup>2</sup>

Section 206.9825(1)(b), F.S., authorizes any licensed wholesaler or terminal supplier that delivers aviation fuel to an air carrier offering transcontinental jet service and increases its Florida workforce by more than 1,000 percent, and by 250 or more full-time equivalent employee positions after January 1, 1996, to receive a credit or refund of the 6.9 cents per gallon tax. This credit or refund results in certain air carriers being able to buy aviation fuel tax free. If the number of full-time equivalent employees created or added to the air carrier's Florida workforce falls below 250 before July 1, 2001, the exemption taken by credit or refund does not apply during the period in which the carrier has fewer than the 250 additional employees.

This credit or refund was first authorized in 1996<sup>3</sup> and expired by its terms on July 1, 2001. Following the events of September 11, 2001, the Legislature re-enacted the exemption but did not include a sunset provision.<sup>4</sup>

### Aviation Fuel Taxes in Other States

Almost all states impose a tax on aviation fuel. The Tax Foundation, using data of Airlines for America as of June 25, 2014, reflects, for example, that the *effective* tax rates<sup>5</sup> for Florida and Georgia, respectively, were \$0.0897 cents per gallon and \$0.15 cents per gallon. The Tax Foundation summarizes the all-states data as follows:

There are 19 states that don't include any jet fuel in their sales tax base, 16 that tax private jet fuel purchases but exempt commercial airlines, and 15 states that apply the sales tax to commercial jet fuel (though sometimes at a reduced rate).

---

<sup>1</sup> Certain exemptions are authorized for kerosene used for home heating or cooking purposes. See subsection (2)(b),(c), and (d), and subsections (4) and (5), of s. 206.9825, F.S. Aviation fuel purchased by the United States is also exempt from the tax under s. 206.9875, F.S.

<sup>2</sup> See the FDOR website, "Tax on Fuel" heading, "Aviation Fuel" subheading: <http://dor.myflorida.com/dor/taxes/fuel/>. Last visited January 6, 2016.

<sup>3</sup> Chapter 1996-323, s. 21, Laws of Fla.

<sup>4</sup> Chapter 2002-218, s. 10, Laws of Fla.

<sup>5</sup> Note that the Airlines for America (A4A) rates assume a wholesale price of \$3 per gallon and do not include the federal excise tax of 4.4 cents per gallon. The rates are based on an A4A-developed methodology for determining the effective tax rate on a gallon of commercial airliner fuel and may include other taxes. See the Tax Foundation's website for a map and chart of the rates of all states, as well as additional information: <http://taxfoundation.org/blog/combined-effective-commercial-jet-fuel-tax-rates-and-fees-state>. Last visited January 7, 2015.

Furthermore, 28 states apply fuel excise taxes, and many states also apply various other taxes such as environmental taxes. ...

The highest total tax rates for commercial jet fuel are in Illinois (\$0.3275 per gallon), California (\$0.27), and Connecticut (\$0.2643). The lowest rates are in Delaware, Ohio, and Texas, none of whom tax jet fuel ...<sup>6</sup>

North Carolina recently extended a full exemption for jet fuel and aviation gasoline from its sales and use tax when sold to an interstate air business for use in a commercial aircraft.<sup>7, 8</sup>

**Florida Sales of Aviation Fuel to Commercial Air Carriers**

The Florida Department of Revenue (FDOR) provided the following information<sup>9</sup> relating to aviation fuel sales and tax due for 2014/2015, showing as shaded those carriers that currently qualify for the exemption:

| Sales of Aviation Fuel to Commercial Air Carriers (2014/2015) |                |                  |   |
|---|----------------|------------------|---|
|   | Sum of Gallons | % of Total Sales | Tax Due (Includes Tax Exempt Disbursements) |
| AMERICAN AIRLINES   | 298,649,092    | 33.42%           | \$20,606,787.35                             |
| DELTA AIR LINES INC   | 129,635,299    | 14.51%           | \$8,944,835.63                              |
| JETBLUE AIRWAYS   | 113,293,136    | 12.68%           | \$7,817,226.38                              |
| SOUTHWEST AIRLINES  | 108,026,647    | 12.09%           | \$7,453,838.64                              |
| CONTINENTAL AIRLINES INC                                      | 72,505,569     | 8.11%            | \$5,002,884.26                              |
| ALLEGiant AIR LLC   | 49,966,012     | 5.59%            | \$3,447,654.83                              |
| SPIRIT AIRLINES INC   | 41,414,492     | 4.63%            | \$2,857,599.95                              |
| US AIRWAYS INC  | 34,688,081     | 3.88%            | \$2,393,477.59                              |
| FEDERAL EXPRESS   | 18,187,079     | 2.04%            | \$1,254,908.45                              |
| FRONTIER AIRLINES   | 5,568,293      | 0.62%            | \$384,212.22                                |
| SILVER AIRWAYS CORP   | 3,984,321      | 0.45%            | \$274,918.15                                |
| DHL EXPRESS (USA)   | 3,578,371      | 0.40%            | \$246,907.60                                |
| VIRGIN AMERICA INC  | 3,425,117      | 0.38%            | \$236,333.07                                |
| NATIONAL JETS INC   | 3,096,216      | 0.35%            | \$213,638.90                                |
| UNITED PARCEL   | 2,725,184      | 0.30%            | \$188,037.70                                |
| ENVOY AIR INC   | 1,675,693      | 0.19%            | \$115,622.82                                |

<sup>6</sup> *Id.*

<sup>7</sup> See the Charlotte Observer article: <http://www.charlotteobserver.com/news/business/article35681102.html>. Last visited January 7, 2016.

<sup>8</sup> This exemption expires in 2020. See the North Carolina Department of Revenue overview of changes enacted by the 2015 Session of the North Carolina General Assembly. (On file in the Senate Transportation Committee.)

<sup>9</sup> E-mail from the FDOR to House committee staff dated November 24, 2015. (On file in the Senate Transportation Committee.) The FDOR advises the table does not include sales from fixed based operators or jobbers to commercial air carriers, fuel sold for export, or bulk sales in the terminal. All returns have not been processed through 06/2015. Sales reported on unworked returns is not listed on the table. Finally, the tax due does not include reduction due to collection allowance.

|                     |             |         |                 |
|---------------------|-------------|---------|-----------------|
| AIRTRAN AIRWAYS INC | 1,398,434   | 0.16%   | \$96,491.95     |
| MIAMI AIR           | 1,038,493   | 0.12%   | \$71,656.02     |
| UNITED AIRLINES INC | 343,751     | 0.04%   | \$23,718.82     |
| ATLAS AIR INC       | 298,737     | 0.03%   | \$20,612.85     |
| ABX AIR INC         | 69,280      | 0.01%   | \$4,780.32      |
| TEM ENTERPRISES INC | 57,719      | 0.01%   | \$3,982.61      |
| AMERIJET            | 53,518      | 0.01%   | \$3,692.74      |
| PRESIDENTIAL        | 14,277      | 0.00%   | \$985.11        |
| REVA INC            | 10,337      | 0.00%   | \$713.25        |
| PROFESSIONAL        | 5,018       | 0.00%   | \$346.24        |
| Grand Total         | 893,708,166 | 100.00% | \$61,665,863.45 |

After deducting the General Revenue service charge, administrative costs, and the air carrier credits or refunds under s. 206.9855, F.S.,<sup>10</sup> the proceeds are ultimately distributed monthly to the State Transportation Trust Fund.<sup>11</sup> Deposits into the State Transportation Trust Fund from this source for the last five years were:

- \$37.6 million in 2011.
- \$13.4 million in 2012.
- \$40.7 million in 2013.
- \$35.5 million in 2014.
- \$30.4 million in 2015.<sup>12</sup>

**III. Effect of Proposed Changes:**

Effective July 1, 2019, the bill:

- Reduces the excise tax rate imposed on aviation fuel, kerosene, and aviation gasoline, from 6.9 cents to 3.3 cents per gallon.
- Eliminates the existing credit or refund of the current 6.9 cents per gallon excise tax paid for aviation fuel delivered by a licensed wholesaler or terminal supplier to an air carrier that offers transcontinental jet service and increases the air carrier’s Florida workforce by more than 1,000 percent and by 250 or more FTE positions since January 1, 1996.

The bill also limits eligibility for the existing tax exemption for those carriers that increased their workforce by more than 1000 percent and by 250 or more full-time equivalent employee positions *between* January 1, 1996, and July 1, 2016.

<sup>10</sup> That section authorizes a refund to for-hire air carriers of not more than 0.6 percent of the wages paid by the carrier to employees located or based within Florida and who are covered by the provisions of ch. 443, F.S., relating to reemployment assistance.

<sup>11</sup> See s. 206.9845, F.S.

<sup>12</sup> E-mail from FDOT staff to Senate Transportation Committee staff dated January 6, 2016. (On file in the Senate Transportation Committee.)

**IV. Constitutional Issues:**

**A. Municipality/County Mandates Restrictions:**

The bill does not require counties or municipalities to spend funds or to take an action requiring expenditure, does not reduce the authority of municipalities and counties to raise revenues, and does not reduce the percentage of a state tax shared with municipalities and counties. Therefore, the bill is exempt from the provisions of Article VII, Section 18(b), Florida Constitution, and the provisions of Article VII, Section 18(c), of the Florida Constitution do not apply to the bill.

**B. Public Records/Open Meetings Issues:**

None.

**C. Trust Funds Restrictions:**

None.

**V. Fiscal Impact Statement:**

**A. Tax/Fee Issues:**

The Revenue Estimating Conference adopted the following estimate of the impact of the bill language on November 12, 2015, with distributions to the Florida Department of Transportation (FDOT) impacted beginning September 2019:

|         | GR    |           | Trust  |           | Local/Other |           |
|---------|-------|-----------|--------|-----------|-------------|-----------|
|         | Cash  | Recurring | Cash   | Recurring | Cash        | Recurring |
| 2016-17 | 0.0   | (0.9)     | 0.0    | (0.9)     | 0.0         | 0.0       |
| 2017-18 | 0.0   | (0.9)     | 0.0    | (10.1)    | 0.0         | 0.0       |
| 2018-19 | 0.0   | (0.9)     | 0.0    | (10.2)    | 0.0         | 0.0       |
| 2019-20 | (0.8) | (0.9)     | (8.7)  | (10.4)    | 0.0         | 0.0       |
| 2020-21 | (0.9) | (0.9)     | (10.6) | (10.6)    | 0.0         | 0.0       |

|         | Total  |           |
|---------|--------|-----------|
|         | Cash   | Recurring |
| 2016-17 | (0.0)  | (10.8)    |
| 2017-18 | (0.0)  | (11.0)    |
| 2018-19 | (0.0)  | (11.1)    |
| 2019-20 | (9.5)  | (11.3)    |
| 2020-21 | (11.5) | (11.5)    |

**B. Private Sector Impact:**

Air carriers that are or become eligible to receive the existing aviation fuel tax credit or refund will continue to, or will, realize a positive fiscal impact until the credit or refund is repealed.

Air carriers paying the current aviation fuel tax rate of 6.9 cents per gallon will realize a positive fiscal impact as a result of the reduction of that rate to 3.3 cents per gallon. Those carriers currently receiving the credit or refund will realize a negative fiscal impact, offset by the reduced tax rate.

**C. Government Sector Impact:**

The FDOT advises, “This bill would also abolish the tax exemption but would reduce the tax rate further down to 3.3 cents per gallon. Thus, it can be assumed that this bill would have an indeterminate negative impact to FDOT revenue.”<sup>13</sup>

The FDOR noted only insignificant expenditures.<sup>14</sup>

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Statutes Affected:**

This bill substantially amends the following sections of the Florida Statutes: 206.9825.

**IX. Additional Information:**

**A. Committee Substitute – Statement of Changes:**

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

**B. Amendments:**

None.

---

This Senate Bill Analysis does not reflect the intent or official position of the bill’s introducer or the Florida Senate.

---

<sup>13</sup> See the FDOT’s HB 551 Legislative Bill Analysis, the language of which is identical to that in SB 844, dated July 1, 2016, prepared prior to the REC’s analysis. (On file in the Senate Transportation Committee.)

<sup>14</sup> See the FDOR’s HB 551 Legislative Bill Analysis, the language of which is identical to that in SB 844, also dated July 1, 2016. (On file in the Senate Transportation Committee.)