

STORAGE NAME: h3171s1z.ft
DATE: May 18, 1998

****FINAL ACTION****
****SEE FINAL ACTION STATUS SECTION****

**HOUSE OF REPRESENTATIVES
AS REVISED BY THE COMMITTEE ON
FINANCE AND TAXATION
FINAL BILL RESEARCH & ECONOMIC IMPACT STATEMENT**

BILL #: CS/HB 3171, First Engrossed
RELATING TO: Tax on Sales, Use and Other Transactions
SPONSOR(S): Representatives Starks and others

COMPANION BILL(S): Similar CS/SB 328; Compare 1st Eng. HB 2109

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:

- (1) FINANCE AND TAXATION YEAS 10 NAYS 0
- (2) TRANSPORTATION & ECONOMIC DEVELOPMENT APPROP. YEAS 8 NAYS 0
- (3)
- (4)
- (5)

I. FINAL ACTION STATUS:

The bill was approved by the Governor on May 15, 1998 and became law. (Chapter No. 98-60, Laws of Florida)

II. SUMMARY:

This bill creates an exemption from the sales and use tax, levied pursuant to part I of ch. 212, F.S., for all labor charges for repair and maintenance of aircraft of more than 15,000 pounds maximum certified takeoff weight and for rotary wing aircraft of more than 10,000 pounds maximum certified takeoff weight. An exemption is also created for replacement engines, parts, and equipment used in the repair or maintenance of aircraft with certified maximum take-off weights of more than 15,000 pounds and for rotary wing aircraft of more than 10,300 pounds maximum certified takeoff weight, if such parts or equipment are installed on an aircraft that is being repaired or maintained in this state.

The sale or lease of an aircraft of more than 15,000 pounds maximum certified takeoff weight for use by a common carrier would be exempt from sales tax. A "common carrier" is defined as an airline operating under Federal Aviation Administration regulations contained in Title 14, chapter I, part 121 or part 129 of the Code of Federal Regulations.

The total estimated fiscal impact upon General Revenue is (\$4.4) million for FY 98-99 and (\$4.9) million for FY 99-2000. There will be an insignificant impact on the Solid Waste Management Trust Fund. The estimated fiscal impact upon local governments is (\$.5) million for FY 98-99 and (\$0.6) million for FY 99-2000.

III. SUBSTANTIVE RESEARCH:

A. PRESENT SITUATION:

Part I of ch. 212, F.S., provides for the imposition of a 6 percent state sales and use tax on all parts and equipment installed in connection with the major repair, alteration, rebuilding or maintenance of an aircraft. Current law provides exemptions for the following aircraft parts and maintenance:

- 1) parts and services for aircraft modifications resulting in a major change to the aircraft's design and performed under the authority of a supplemental type certificate issued by the Federal Aviation Administration (See s. 212.08(5)(l), F.S.);
- 2) parts and equipment installed on foreign registered aircraft (See s. 212.06(5)(a)1., F.S.); and
- 3) repairs and maintenance for air carriers using mileage apportionment for corporate income tax and electing to be taxed on an apportioned basis (See s. 212.0598, F.S.)

In 1994, the Legislature granted an exemption for labor charges for the repair and maintenance of aircraft of more than 20,000 pounds maximum certified take-off weight. Charges for parts and equipment furnished in connection with such labor charges are taxable. (See s. 212.08(7)(ff), F.S.).

The sale or lease of an aircraft for use by a common carrier is subject to sales tax except for:

- 1) the sales of airplanes being removed from the state or exported outside the United States (See ss. 212.05(1)(a)2. and 212.06(5)(a), F.S.); and
- 2) air carriers using mileage apportionment for corporate income tax and electing to be taxed on an apportioned basis (See s. 212.0598, F.S.)

B. EFFECT OF PROPOSED CHANGES:

This bill creates an exemption from the sales and use tax, levied pursuant to part I of ch. 212, F.S., for all labor charges for repair and maintenance of aircraft of more than 15,000 pounds maximum certified takeoff weight and for rotary wing aircraft of more than 10,000 pounds maximum certified takeoff weight. An exemption is also created for replacement engines, parts, and equipment used in the repair or maintenance of aircraft with certified maximum take-off weights of more than 15,000 pounds and for rotary wing aircraft of more than 10,300 pounds maximum certified takeoff weight, if such parts or equipment are installed on an aircraft that is being repaired or maintained in this state.

The sale or lease of an aircraft of more than 15,000 pounds maximum certified takeoff weight for use by a common carrier would be exempt from sales tax. A "common carrier" is defined as an airline operating under Federal Aviation Administration regulations contained in Title 14, chapter I, part 121 or part 129 of the Code of Federal Regulations.

C. APPLICATION OF PRINCIPLES:

1. Less Government:

a. Does the bill create, increase or reduce, either directly or indirectly:

(1) any authority to make rules or adjudicate disputes?

N/A

(2) any new responsibilities, obligations or work for other governmental or private organizations or individuals?

N/A

(3) any entitlement to a government service or benefit?

N/A

b. If an agency or program is eliminated or reduced:

(1) what responsibilities, costs and powers are passed on to another program, agency, level of government, or private entity?

N/A

(2) what is the cost of such responsibility at the new level/agency?

N/A

(3) how is the new agency accountable to the people governed?

N/A

2. Lower Taxes:

a. Does the bill increase anyone's taxes?

N/A

b. Does the bill require or authorize an increase in any fees?

N/A

c. Does the bill reduce total taxes, both rates and revenues?

Yes.

d. Does the bill reduce total fees, both rates and revenues?

N/A

e. Does the bill authorize any fee or tax increase by any local government?

N/A

3. Personal Responsibility:

a. Does the bill reduce or eliminate an entitlement to government services or subsidy?

N/A

b. Do the beneficiaries of the legislation directly pay any portion of the cost of implementation and operation?

N/A

4. Individual Freedom:

a. Does the bill increase the allowable options of individuals or private organizations/associations to conduct their own affairs?

N/A

b. Does the bill prohibit, or create new government interference with, any presently lawful activity?

N/A

5. Family Empowerment:

a. If the bill purports to provide services to families or children:

(1) Who evaluates the family's needs?

N/A

(2) Who makes the decisions?

N/A

(3) Are private alternatives permitted?

N/A

(4) Are families required to participate in a program?

N/A

(5) Are families penalized for not participating in a program?

N/A

b. Does the bill directly affect the legal rights and obligations between family members?

N/A

c. If the bill creates or changes a program providing services to families or children, in which of the following does the bill vest control of the program, either through direct participation or appointment authority:

(1) parents and guardians?

N/A

(2) service providers?

N/A

(3) government employees/agencies?

N/A

D. STATUTE(S) AFFECTED:

Section 212.08, Fla. Stat.

E. SECTION-BY-SECTION RESEARCH:

N/A

IV. FISCAL RESEARCH & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

N/A

2. Recurring Effects:

	<u>FY 98-99</u>	<u>FY 99-00</u>
General Revenue	(\$4.4M)	(\$4.9M)
Trust Fund	(*)	(*)
Local Government	(\$0.5M)	(\$0.6M)

3. Long Run Effects Other Than Normal Growth:

N/A

4. Total Revenues and Expenditures:

N/A

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

N/A

2. Recurring Effects:

See III. A. 2.

3. Long Run Effects Other Than Normal Growth:

N/A

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

N/A

2. Direct Private Sector Benefits:

The aviation industry will have a reduced cost of doing business in Florida.

3. Effects on Competition, Private Enterprise and Employment Markets:

The reduced cost of doing business in Florida should make Florida more attractive to the aviation industry.

D. FISCAL COMMENTS:

None.

V. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require counties or municipalities to spend funds or to take an action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

Although the bill will reduce the authority of municipalities and counties to raise revenues, the impact is expected to be insignificant and the bill is therefore exempt from the provisions of Article VII, Section 18(b), Florida Constitution.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

While the bill will reduce the amount of the Local Government Half Cent Sales Tax shared with municipalities and counties, it does not reduce the percentage of a state tax shared with municipalities and counties. Therefore, Article VII, Section 18(b), Florida Constitution does not apply.

VI. COMMENTS:

The bill was amended on the House floor to add the exemption for all labor charges for repair and maintenance of rotary wing aircraft of more than 10,000 pounds maximum certified takeoff weight. An exemption was also created for replacement engines, parts, and equipment used in the repair or maintenance of rotary wing aircraft of more than 10,300 pounds maximum certified takeoff weight, if such parts or equipment are installed on an aircraft that is being repaired or maintained in this state. This discrepancy in weights for rotary wing aircraft could result in administrative problems for both the Department of Revenue and the aviation industry since there would be no sales tax on the labor to repair

rotary wing aircraft weighting between 10,001 and 10,300 pounds, but there would be sales tax on the replacement parts.

VII. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

The original bill provided a sales and use tax exemption for replacement engines, parts, and equipment used in the repair or maintenance of aircraft of more than 20,000 pounds maximum certified takeoff weight when such parts or equipment are installed on aircraft that is being repaired or maintained in this state. Also a sales and use tax exemption was provided for the sale or lease of an aircraft of more than 20,000 certified takeoff weight for use as a common carrier. The Committee Substitute lowers the aircraft weight to 15,000 pounds certified takeoff weight for the exemptions. The Committee Substitute also amends §212.08(&)(ff), Fla. Stat., to lower the weight requirement to 15,000 to qualify for the sales tax exemption for labor charges for maintenance and repair of aircraft.

VIII. SIGNATURES:

COMMITTEE ON FINANCE AND TAXATION:

Prepared by:

Legislative Research Director:

Lynne Overton

Keith G. Baker, Ph.D.

AS REVISED BY THE COMMITTEE ON TRANSPORTATION & ECONOMIC DEVELOPMENT APPROPRIATIONS:

Prepared by:

Legislative Research Director:

Barry G. Brooks

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FINAL RESEARCH PREPARED BY COMMITTEE ON FINANCE AND TAXATION:

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