

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 Appropriations Subcommittee on Transportation, Tourism, and Economic
Development

BILL: CS/SB 696

INTRODUCER: Finance and Tax Committee and Senator Altman

SUBJECT: Tax on Sales, Use, and Other Transactions

DATE: February 23, 2016 REVISED: _____

ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1. <u>Gross</u>	<u>Diez-Arguelles</u>	<u>FT</u>	Fav/CS
2. <u>Gusky</u>	<u>Miller</u>	<u>ATD</u>	Recommend: Favorable
3. _____	_____	<u>AP</u>	_____

Please see Section IX. for Additional Information:

COMMITTEE SUBSTITUTE - Substantial Changes

I. Summary:

CS/SB 696 exempts all sales and leases of aircraft from the sales and use tax. The term “aircraft” means a manned vehicle capable of flight which is designed to transport persons or property.

The Revenue Estimating Conference analyzed similar legislation and determined that the bill will reduce General Revenue receipts by \$25.6 million and local government revenues by \$4.5 million in Fiscal Year 2016-17.

The bill takes effect July 1, 2015.

II. Present Situation:

Florida imposes sales tax on aircraft purchased through a dealer or broker.¹ An aircraft sold by nonregistered dealers or an aircraft brought into Florida is subject to use tax.² Purchasers must also pay discretionary sales surtaxes in certain counties.³

¹ Florida Dep’t of Revenue, Form GT-800008, *Sales and Use Tax Aircraft Information for Owners and Purchasers* (rev. April, 2015).

² *Id.* See also, s. 212.05(1)(a), F.S.

³ *Id.*

Purchases by nonresidents are exempt from sales tax if the aircraft will be removed from the state and certain requirements are met.⁴

Aircraft Sales and Use Tax Exemption

Aircraft Sales and Leases

Two types of aircraft are exempt from tax. Aircraft with a maximum certified takeoff weight of more than 15,000 pounds and used by a common carrier⁵ and qualified aircraft are exempt from sales and use tax. The term “qualified aircraft” means any aircraft having a maximum certified takeoff weight of less than 10,000 pounds and equipped with twin turbofan engines that meet Stage IV noise requirements. The qualified aircraft must be used by a business operating as an on-demand air carrier under Federal Aviation Administration Regulation Title 14, chapter I, part 135, Code of Federal Regulations, that owns or leases and operates a fleet of at least 25 of such aircraft in this state.⁶

Aircraft Repair and Maintenance

Labor charges for the repair and maintenance of qualified aircraft and aircraft of more than 2,000 pounds maximum certified takeoff weight, including rotary wing aircraft, are exempt from the tax imposed under ch. 212, F.S.⁷

Replacement engines, parts, and equipment used to repair or maintain qualified aircraft and aircraft of more than 2,000 pounds maximum certified takeoff weight, including rotary wing aircraft, are exempt from the tax imposed under ch. 212, F.S. if the repair occurs in Florida.⁸

To receive the sales and use tax exemption and the repair and maintenance exemptions for a qualified aircraft, a purchaser or lessee must offer, in writing, to participate in a flight training and research program at two or more accredited universities based in this state.⁹

III. Effect of Proposed Changes:

The bill exempts all sales and leases of aircraft from the sales and use tax. The term “aircraft” means a manned vehicle capable of flight which is designed to transport persons or property.

The bill takes effect July 1, 2016.

⁴ *Id.*

⁵ A “common carrier” means an airline operating under Federal Aviation Administration regulations contained in Title 14, chapter I, part 121 or part 129 of the Code of Federal Regulation.

⁶ Section 212.02, F.S.

⁷ Section 212.08(7)(ee), F.S.

⁸ Section 212.08(7)(rr), F.S.

⁹ Section 212.0801, F.S.

IV. Constitutional Issues:**A. Municipality/County Mandates Restrictions:**

The mandates provision of Art. VII, Section 18, of the Florida Constitution may apply because the bill reduces the authority of municipalities and counties to raise revenue. However, the bill appears to be exempt from the mandate provision because it has an insignificant fiscal impact.^{10,11} The Revenue Estimating Conference estimates that the bill reduces the authority that counties have to raise revenue through local option sales taxes by \$1.1 million in Fiscal Year 2016-2017; therefore, the bill appears to be exempt from the mandates provisions.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Fiscal Impact Statement:**A. Tax/Fee Issues:**

The Revenue Estimating Conference analyzed similar legislation¹² and determined that CS/SB 696 will reduce General Revenue receipts by \$25.6 million and local government revenues by \$4.5 million in Fiscal Year 2016-17.

B. Private Sector Impact:

The private sector will experience reduced costs associated with aircraft purchases due to the sales and use tax exemption provided in this legislation.

C. Government Sector Impact:

The Department of Revenue estimates an insignificant expenditure related to CS/SB 696 and no present difficulty in implementation, administration, or enforcement.¹³

¹⁰ An insignificant fiscal impact is the amount not greater than the average statewide population for the applicable fiscal year times \$0.10. See Florida Senate Committee on Community Affairs, *Interim Report 2012-115: Insignificant Impact*, (September 2011), available at <http://www.flsenate.gov/PublishedContent/Session/2012/InterimReports/2012-115ca.pdf> (last visited Jan. 29, 2016).

¹¹ Based on the Demographic Estimating Conference's population adopted on December 1, 2015. The conference packet is available at <http://edr.state.fl.us/Content/conferences/population/ConferenceResults.pdf> (last visited Feb. 22, 2016). Florida's projected resident population for Fiscal Year 2016-2017 is 20,367,100. The threshold for an insignificant fiscal impact is approximately \$2.04 million.

¹² Florida Revenue Estimating Conference, *Proposed Language*, 1-2, (Sept. 18, 2015), available at http://edr.state.fl.us/Content/conferences/revenueimpact/archives/2016/_pdf/page1-2.pdf (last visited Feb. 11, 2016).

¹³ Department of Revenue, *Senate Bill 696 Fiscal Analysis*, (Nov. 19, 2015) (on file with the Senate Committee on Finance and Tax).

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Statutes Affected:

This bill substantially amends s. 212.08 of the Florida Statutes.

IX. Additional Information:

- A. **Committee Substitute – Statement of Substantial Changes:**
(Summarizing differences between the Committee Substitute and the prior version of the bill.)

CS by Finance and Tax on February 16, 2016:
The CS provides a definition for the term “aircraft.”

- B. **Amendments:**

None.