

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 93** SLS 17RS 174
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 27, 2017 3:19 PM	Author: MILLS
Dept./Agy.: REVENUE	Analyst: Benjamin Vincent
Subject: Sales & Use Tax Exclusion: Aircraft Preparation & Painting	

TAX/TAXATION RE 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)

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

Proposed law specifies that aircraft surface preparation and painting is not a repair for the purposes of state and local sales and use tax, as long as certain conditions are met. The required conditions include that the aircraft's Federal Aviation Administration (FAA) registration address is not in Louisiana, the service is performed within a year of a change in ownership of the aircraft or logo of the owner, and the service not performed in accordance with a regular maintenance or repair schedule.

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>	\$0
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	\$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	DECREASE	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total		\$0	\$0	\$0	\$0	\$0

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 location outside of the state of Louisiana at a rate of 2% 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, if the aircraft has a FAA registration address outside the state, the service is performed within a year of a change of ownership or logo, and the service is not performed according to a regular maintenance or repair schedule.

Proposed law would incur a revenue loss on aircraft delivered outside Louisiana prior to July 1, 2018. LA Dept. of Revenue (LDR) has no readily available information on the amount of sales of this type of service for aircraft registered outside of Louisiana, therefore an estimate of the size of the revenue loss utilizing tax return data is not available.

However, the author of proposed law indicated during Senate Floor debate on April 26, 2017 that the expected revenue impact of excluding this type of transaction was approximately \$10,000 per month, associated with a particular firm engaged in this business (a representative of that firm also testified on the bill in the Senate Revenue & Fiscal Affairs committee). This figure implies a revenue loss of \$120,000 in FY18.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Gregory V. Albrecht
Chief Economist