

TAX: SALES AND USE TAX
Issue: Fractional Aircraft Cap
BILL NUMBER (S): HB 225/SB618
SPONSOR (S): REPRESENTATIVE HOOPER
MONTH/YEAR COLLECTION IMPACT BEGINS: JULY 1, 2009
DATE OF ANALYSIS: APRIL 6, 2009

SECTION 1: NARRATIVE

a. Current Law:

Current law does not provide a maximum tax on the sale or use in Florida of a fractional aircraft ownership interest or maintenance on aircraft in a fractional program.

b. Proposed Change:

Limits the tax (including discretionary) on fractional aircraft to \$300. The max tax applies to the total consideration paid including management or maintenance fees. Fractional aircraft ownership program is defined as a program that has a fleet of 25 or more aircraft.

SECTION 2: DESCRIPTION OF DATA & SOURCES

2003 NBAA Business Aviation Fact Book
 Honeywell Aerospace’s 12th Annual Business Aviation Outlook
 Rolls-Royce’s The Market for Business Jets, 2003-2022
 AV Data
 Florida Secretary of State, Department of Corporations
 Phone conversations with Raytheon, Piper and Cessna representatives.
 IBID
 FAA data – master data

SECTION 3: ASSUMPTIONS & RATIONALE

Fractional aircraft ownerships allow companies and individuals to purchase an interest in a specific aircraft. The owner enters into a five year agreement (typically) with a management company and the management company covers all fixed costs. The management company provides pilots, flight crews, maintenance, insurance, hangaring, etc. In some programs, after 5 years you may either renew your management agreement or sell back your interest. You may also sell back your interest in some programs after 2 years. If you choose to leave the program, the fractional aircraft ownership companies agree to repurchase your ownership interest at fair market value.

SECTION 4: METHODOLOGY

See Attached

SECTION 4: PROPOSED FISCAL IMPACT

State Impact: All Funds	FY 2009-10 Annualized	FY 2009-10 Cash	FY 2010-11 Cash	FY 2011-12 Cash	FY 2012-13 Cash
High					
Middle	(\$.8m)	(\$.7m)	(\$.8m)	(\$.9m)	(\$1.0m)
Low					

SECTION 5: CONSENSUS ESTIMATE (ADOPTED 4/3/09) The conference adopted an estimate of -.4m in 2009-10, -.2m in 2010-11, -.1m in 2011-12, and negative indeterminate in 2012-13.

	FY 2009-10 Annualized	FY 2009-10 Cash	FY 2010-11 Cash	FY 2011-12 Cash	FY 2012-13 Cash
General Revenue	(Indeterminate)	(.4)	(.2)	(.1)	(Indeterminate)
State Trust	(Indeterminate)	(Insignificant)	(Insignificant)	(Insignificant)	(Indeterminate)
Total State Impact	(Indeterminate)	(.4)	(.2)	(.1)	(Indeterminate)
Revenue Sharing	(Indeterminate)	(Insignificant)	(Insignificant)	(Insignificant)	(Indeterminate)
Local Gov’t Half Cent	(Indeterminate)	(Insignificant)	(Insignificant)	(Insignificant)	(Indeterminate)
Local Option	(Indeterminate)	(Insignificant)	(Insignificant)	(Insignificant)	(Indeterminate)
Total Local Impact	(Indeterminate)	(Insignificant)	(Insignificant)	(Insignificant)	(Indeterminate)
Total Impact	(Indeterminate)	(.4)	(.2)	(.1)	(Indeterminate)

	A	B	C	D	E	F
1	Current exemptions					
2	Type of aircraft			Maintenance and Labor	Equipment used in aircraft repair and maintenance	Aircraft sales and leases
3	15,000 lbs or more aircraft			x	x	
4	10,000 lbs or more rotary (10,300 for equipment)			x	x	
5	15,000 lbs or more aircraft (used by a common carrier, operating under parts 121 or 129 of Code of Federal Regulations Title XIV, Chapter I)			x	x	x
6	Qualified aircraft (10,000 lbs or less, turbofan, on-demand carrier, 25 or more in fleet)			x	x	x
7						
8	FAA-master data Pulled all registered aircraft in US as of 02/09/2009					
9	Filtered for fractional planes in U.S.					
10	Filtered out planes manufactured before 2002.					
11						
12	Looked at 1 Florida based fractional company					
13	35 planes on FAA, 53 based on website (airline pilot central.com)					
14	At least 6 owners per plane for all planes but 1					
15	1 plane with no additional fract owners - assume this is the core plane.					
16						
17	Public information					
18	Randomly select aircraft of Florida fract co. and look for Florida owners through Sec of State (5)					
19	25% private	owners	FL corp owners (per Sec of State)			
20	N153SL	9	1			
21	N136SL	15	3			
22	N132SL	16	4			
23	N149SL	10	2			
24	N173SL	13	1			
25	subtotal	63				
26	corporate only	47	11			
27	avg owners/plane	13				
28	Percent Florida owners 23%					
29						
30	Pricing:	http://www.avantair.com/avantair-fractional-aircraft-pricing.html				
31	Assume 13 owners		Acquisition cost	Monthly mgmt fee		
32	Whole aircraft		\$6,640,000	\$154,400		
33	Per owner (13)		\$510,769	\$142,523	-Annualized	
34						

	A	B	C	D	E	F
35						
36	Largest fractional companies use planes whose takeoff weight is greater than 15,000 lbs					
37	Other large companies	Raytheon Hawker 800XP (15)				
38	40% private	owners	FL corp owners (per Sec of State)			
39	N873QS	12	2			
40	N871QS	8	0			
41	N876QS	11	0			
42	N871QS	8	1			
43	N895QS	6	2			
44	subtotal	45				
45	corporate only	27	5			
46	avg owners/plane	9				
47	Percent Florida owners		19%			
48						
49	# of other aircraft in large fraction prog that do not meet exemption weight requirements					
50		aircraft that qualify	owners/plane	All owners	FL owners	
51	non-FL based co	20	9	180	33	
57	FL based co	53	13	689	160	
58				FY 08/09	All owners	Florida owners
59					869	194
60	Expected growth by 2012 (based on order of new planes) FL co	100 planes by 2012 with 13 owners			1300	303
61	Growth per year	116%				
62						
63	Assume growth 10% per year	FY 09/10	FY 10/11	FY 11/12	FY 12/13	
64	Tot FL owners	213	234	258	284	
65	New owners	19	21	23	26	
66	Acquisition cost	\$9,895,411	\$10,884,952	\$11,973,447	\$13,170,792	
67	Annual mgmt fee	\$2,761,177	\$3,037,295	\$3,341,024	\$3,675,127	
68	6%	\$759,395	\$835,335	\$918,868	\$1,010,755	
69	\$300 cap	\$ 5,700	\$ 6,300	\$ 6,900	\$ 7,800	
70	Revenue loss	\$753,695	\$829,035	\$911,968	\$1,002,955	
71						
72	Assume core plane will be hangared out of state for first six months and be exempt.					