REVENUE ESTIMATING CONFERENCE

TAX: SUT ISSUE: Fractional Aircraft Cap BILL NUMBER(S): HB913/SB858, CS/SB1752 SPONSOR(S): Representative Hooper/ Senator Altman MONTH/YEAR COLLECTION IMPACT BEGINS: July 1, 2010 DATE OF ANALYSIS: March 5, 2010

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. Also provides that the sale or use of an aircraft for primary use in a fractional ownership program is exempt from sales tax, as well as the sale or use of any parts in the completion, maintenance, repair, or overhaul of an aircraft for primary use in a fractional ownership program.

SECTION 2: DESCRIPTION OF DATA AND 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: METHODOLOGY (INCLUDE ASSUMPTIONS AND ATTACH DETAILS)

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.

REC conference adopted ¹/₂ of the proposed estimate last year.

See Attached. SECTION 4: PROPOSED FISCAL IMPACT

State Impact: All Funds	FY 2010-11 Cash	FY 2010-11 Annualized	FY 2011-12 Cash	FY 2012-13 Cash	FY 2013-14 Cash
High	Cubii	7 milliunized	Cubii	Cush	Cubii
Middle	(\$0.6m)	(\$0.6m)	(\$0.7m)	(\$0.7m)	(\$0.8m)
Low	(0.3m)	(\$0.3m)	(\$0.3m)	(\$0.4m)	(\$0.4m)

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SECTION 5: CONSENSUS ESTIMATE (ADOPTED 3/5/10) The conference adopted an estimate of -\$.4 m for 2010-11, -\$.2 m for 2011-12, -\$.1 m for 2012-13, and negative insignificant for 2013-14. The recurring impact is negative insignificant.

	FY 2010-11	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
	Cash	Annualized	Cash	Cash	Cash
General Revenue	(.4)	(Insignificant)	(.2)	(.1)	(Insignificant)
State Trust	(Insignificant)	(Insignificant)	(Insignificant)	(Insignificant)	(Insignificant)
Total State Impact	(.4)	(Insignificant)	(.2)	(.1)	(Insignificant)
Revenue Sharing	(Insignificant)	(Insignificant)	(Insignificant)	(Insignificant)	(Insignificant)
Local Gov't Half Cent	(Insignificant)	(Insignificant)	(Insignificant)	(Insignificant)	(Insignificant)
Local Option	(Insignificant)	(Insignificant)	(Insignificant)	(Insignificant)	(Insignificant)
Total Local Impact	(Insignificant)	(Insignificant)	(Insignificant)	(Insignificant)	(Insignificant)
Total Impact	(.4)	(Insignificant)	(.2)	(.1)	(Insignificant)

	А	В	С	D	Е	F	
1	Current exemptions					-	
				Maintenance and	Equipment used in aircraft repair	Aircraft sales and	
2	Type of aircraft			Labor	and maintenance	leases	
3	15,000 lbs or more aircraft			х	х		
4	10,000 lbs or more rotary (10	0,300 for equip	ment)	x	x		
	15,000 lbs or more aircraft (1	used by a comn	non carrier,				
	operating under parts 121 or		Federal				
5	Regulations Title XIV, Chap			х	х	х	
	Qualified aircraft (10,000 lbs	s or less, turbof	an, on-demand				
	carrier, 25 or more in fleet)			х	Х	х	
/ 8	FAA-master data Pulled all 1	registered aircra	oft in US as of 0	2/22/2010			
	Filtered for fractional planes			2/22/2010			
	Filtered out planes manufact)2				
11							
	Looked at 1 Florida based fra	1	1				
13	35 planes on FAA, 57 based	on website (air	line pilot central	.com)			
	At least 6 owners per plane for all planes but 1						
15	1 plane with no additional fra	act owners - ass	sume this is the	core plane.			
16							
	Public information						
_	Randomly select aircraft of H				gh Sec of State (5)		
	25% private	owners		(per Sec of State)			
	N153SL	9	1				
	N136SL	15	3				
_	N132SL	16	4				
	N149SL	10	2				
	N173SL	13	1				
	subtotal	63	11				
	corporate only	47	11				
	avg owners/plane Percent Florida owners	13	220/				
28 29	Percent Florida owners		23%				
30	Pricing: http://www.avantair.com/avantair-fractional-aircraft-pricing.html						
	-	Acquisition Monthly mgmt					
31	Assume 13 owners		cost	fee			
32	Whole aircraft		\$6,640,000	\$154,400			
	Per owner (13)		\$510,769	\$142,523	-Annualized		
34							

		А	В	С	D	Е	F	
37 Other large companies (Non Florida based) 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 445	35		D	C		L		
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 - - 51 non-FL based co 17 9 153 28 57 Fl based co 58 13 754 176 58 FY 09/10 All owners Florida owners - 59 907 204 - - - 60 planes) FL co 100 planes by 2012 (based on order of new - - - 61	36	Largest fractional companies	Largest fractional companies use planes whose takeoff weight is greater than 15,000 lbs					
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40 N871QS 8 0 41 N876QS 11 0 42 N871QS 8 1 42 N871QS 6 2 43 N895QS 6 2 44 subtotal 45	38	40% private	owners	FL corp owners	(per Sec of State)			
41 N876QS 11 0 42 N871QS 8 1 43 N895QS 6 2 44 subtotal 45	39	N873QS	12	2				
42 N871QS 8 1 43 N895QS 6 2 44 subtotal 45	40	N871QS	8	0				
43 N895QS 6 2 44 subtotal 45			11	0				
44 subtotal 45 45 corporate only 27 5 46 avg owners/plane 9 47 Percent Florida owners 19% 48 19% 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 17 9 153 28 57 Fl based co 58 13 754 176 58 FY 09/10 All owners Florida owners 59 59 907 204 60 60 planes) FL co 100 planes by 2012 with 13 owners 1300 3 61 Growth per year 114% 62 63 year FY 10/11 FY 11/12 FY 12/13 FY 13/14 64 Tot Fl owners 20 22 25 27	42	N871QS	8	1				
45corporate only27546avg owners/plane947Percent Florida owners19%48	43	N895QS	6	2				
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47Percent Florida owners19%48494940494040414244454546474748494949494940404142434444454647474849494949494949494940505110052535454555556575858595959505050515152535454555556575857585758595050515152535454555555565757575857575857 <td>45</td> <td>corporate only</td> <td>27</td> <td>5</td> <td></td> <td></td> <td></td>	45	corporate only	27	5				
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49# of other aircraft in large fraction prog that do not meet exemption weight requirements50aircraft that qualifyowners/planeAll ownersFL owners51non-FL based co1791532857Fl based co581375417658FY 09/10All ownersFlorida owners59907204Expected growth by 2012 (based on order of new 60 planes) FL co100 planes by 2012 with 13 owners130061Growth per year114%626263yearFY 10/11FY 11/12FY 12/13FY 13/1464Tot Fl owners2022252766Acquisition cost\$10,412,936\$11,454,230\$12,599,653\$13,859,61867Annual mgmt fee $\$$ 0 $\$$ 0 $\$$ 0 $\$$ 0 $\$$ 0686%\$624,776\$687,254\$755,979\$831,57769\$300 cap\$5,700\$6,300\$6,900\$7,80070Revenue loss\$619,076\$68,054\$749,079\$823,7777171717471749,079\$823,777	47	Percent Florida owners		19%				
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$ \begin{array}{ c c c c c c c c c c c c c c c c c c c$	57	Fl based co	58	13	754	176		
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67 Annual mgmt fee \$0 \$0 \$0 \$0 68 6% \$624,776 \$687,254 \$755,979 \$831,577 69 \$300 cap \$5,700 \$6,300 \$6,900 \$7,800 70 Revenue loss \$619,076 \$680,954 \$749,079 \$823,777 71 71 72 Assume core plane will be hangared out of state for first six months and be exempt. 5619,076	65	New owners	20	22	25	27		
68 6% \$624,776 \$687,254 \$755,979 \$831,577 69 \$300 cap \$5,700 \$6,300 \$6,900 \$7,800 70 Revenue loss \$619,076 \$680,954 \$749,079 \$823,777 71 T 72 Assume core plane will be hangared out of state for first six months and be exempt.	66	Acquisition cost	\$10,412,936	\$11,454,230	\$12,599,653	\$13,859,618		
69 \$300 cap \$5,700 \$6,300 \$6,900 \$7,800 70 Revenue loss \$619,076 \$680,954 \$749,079 \$823,777 71 71 71 71 71 71 72 Assume core plane will be hangared out of state for first six months and be exempt. 71 71	67	Annual mgmt fee	\$0	\$0	\$0	\$0		
70Revenue loss\$619,076\$680,954\$749,079\$823,7777172Assume core plane will be hangared out of state for first six months and be exempt.	68	6%	\$624,776	\$687,254	\$755,979	\$831,577		
71 71 72 Assume core plane will be hangared out of state for first six months and be exempt.	69	\$300 cap	\$ 5,700	\$ 6,300	\$ 6,900	\$ 7,800		
72 Assume core plane will be hangared out of state for first six months and be exempt.	70	Revenue loss	\$619,076	\$680,954	\$749,079	\$823,777		
	71							
$\begin{array}{c ccccccccccccccccccccccccccccccccccc$	72	Assume core plane will be hangared out of state for first six months and be exempt.						
	73	1/2	\$ (0.3)	\$ (0.3)	\$ (0.4)	\$ (0.4)		
74	74							