

REVENUE ESTIMATING CONFERENCE

TAX: Sales and Use Tax

ISSUE: Aircraft taxed at 3%, aircraft in state < 21 days, aircraft in state for training purposes

BILL NUMBER(S): HB173/SB220, CS/SB1752

SPONSOR(S): Rep. Poppell/ Sen Fasano

MONTH/YEAR COLLECTION IMPACT BEGINS: July 1, 2010

DATE OF ANALYSIS: March 12, 2010

SECTION 1: NARRATIVE

a. Current Law:

- Section 212.05(1)(a)(1a), F.S., provides that tax is due at the rate of 6% of the sales price of each item of TPP.
- Section 212.05(1)(a)(1b), F.S., provides that the occasional or isolated sale of an aircraft shall be subject to the tax at the rate provided in this paragraph..
- Section 212.05(1)(a)(2), F.S., provides that the paragraph does not apply to the sale of an aircraft through a registered dealer to a nonresident and not engaged in business in the state if: the purchaser removes the aircraft within 10 days or 20 days if being repaired and the purchaser proves removal with registration in different state and proof of removal. If the purchaser fails to remove the aircraft within 10/20 days or permits the aircraft to return to the state within 6 months of date of departure, the purchaser is liable for use tax. A purchaser may bring the plane into the state for repairs as long as it is removed within 20 days of the completion of repair and not incur use tax.

b. Proposed Change:

- Amends 212.05(1)(a)(1a) and provides that the tax rate of aircraft shall be at the rate of 3% of the sales price of the aircraft.
- Adds 212.08(7)(ggg)(1), F.S. Provides that an aircraft owned by a nonresident is exempt from use tax imposed by Ch. 212 if the aircraft enters and remains in the state for less than a total of 21 days during the 6-month period after the date of purchase. The removal of the aircraft must be proved. Provides that the exemption is in addition to 212.05(1)(a).
- Adds 212.08(7)(ggg)(2), F.S. Provides that an aircraft owned by a nonresident is exempt from the use tax imposed under the chapter if the aircraft remains in the state exclusively for the purposes of flight training, repairs, alterations, refitting, or modification. Provides that the exemption is in addition to 212.05(1)(a).

SECTION 2: DESCRIPTION OF DATA AND SOURCES

DOR return and discovery data as of 03/01/2010

DOR Taxable Sales for KC27

DOR current administration on non-residents and 6 month rule

SECTION 3: METHODOLOGY (INCLUDE ASSUMPTIONS AND ATTACH DETAILS)

Assume 43% of Kind Code 27 are purchases that will now be taxed at 3%

Assume isolated or occasional sales of aircraft will be taxed at 3% of sales price.

REC previously deemed training and 21 days issue insignificant as bill intends to match law with current practice.

See attached.

SECTION 4: PROPOSED FISCAL IMPACT

HB173

State Impact: All Funds	FY 2010-11 Cash	FY 2010-11 Annualized	FY 2011-12 Cash	FY 2012-13 Cash	FY 2013-14 Cash
3% Tax Rate for Aircraft	(\$7.1m)	(\$7.7m)	(\$7.9m)	(\$8.2m)	(\$8.6m)
Aircraft in state fewer than 21 days	(Insignificant)	(Insignificant)	(Insignificant)	(Insignificant)	(Insignificant)
Aircraft in state for training purposes	(Insignificant)	(Insignificant)	(Insignificant)	(Insignificant)	(Insignificant)

SB220

State Impact: All Funds	FY 2010-11 Cash	FY 2010-11 Annualized	FY 2011-12 Cash	FY 2012-13 Cash	FY 2013-14 Cash
Aircraft in state fewer than 21 days	(Insignificant)	(Insignificant)	(Insignificant)	(Insignificant)	(Insignificant)
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SECTION 5: CONSENSUS ESTIMATE (ADOPTED 3/12/10) The conference adopted the high estimate for the 3% tax rate for aircraft, and the proposed insignificant estimate for aircraft in the state for fewer than 21 days and aircraft in the state for training purposes.

3% tax rate HB173	FY 2010-11 Cash	FY 2010-11 Annualized	FY 2011-12 Cash	FY 2012-13 Cash	FY 2013-14 Cash
General Revenue	(6.3)	(6.8)	(7.0)	(7.3)	(7.6)
State Trust	(Insignificant)	(Insignificant)	(Insignificant)	(Insignificant)	(Insignificant)
Total State Impact	(6.3)	(6.8)	(7.0)	(7.3)	(7.3)
Revenue Sharing	(.2)	(.2)	(.2)	(.2)	(.3)
Local Gov't Half Cent	(.6)	(.7)	(.7)	(.7)	(.7)
Local Option	0	0	0	0	0
Total Local Impact	(.8)	(.9)	(.9)	(.9)	(1.0)
Total Impact	(7.1)	(7.7)	(7.9)	(8.2)	(8.6)

Aircraft in state fewer than 21 days HB173, SB220	FY 2010-11 Cash	FY 2010-11 Annualized	FY 2011-12 Cash	FY 2012-13 Cash	FY 2013-14 Cash
General Revenue					
State Trust					
Total State Impact					
Total Local Impact					
Total Impact	(Insignificant)	(Insignificant)	(Insignificant)	(Insignificant)	(Insignificant)

Aircraft in state for training purposes HB173, SB220	FY 2010-11 Cash	FY 2010-11 Annualized	FY 2011-12 Cash	FY 2012-13 Cash	FY 2013-14 Cash
General Revenue					
State Trust					
Total State Impact					
Total Local Impact					
Total Impact	(Insignificant)	(Insignificant)	(Insignificant)	(Insignificant)	(Insignificant)

	A	B	C	D	E	F	G												
1	Other states:																		
2	Avbuyer.com		<table border="1"> <tr> <td colspan="2">Low Maximum Sales Tax</td> </tr> <tr> <td>North Carolina</td> <td>3% or \$1500</td> </tr> <tr> <td>South Carolina</td> <td>\$300</td> </tr> </table>					Low Maximum Sales Tax		North Carolina	3% or \$1500	South Carolina	\$300						
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3	Flyaway exemption	Maine	<table border="1"> <tr> <td colspan="2">No Sales Tax</td> </tr> <tr> <td>Alaska</td> <td>Massachusetts</td> </tr> <tr> <td>Montana</td> <td>Rhode Island</td> </tr> <tr> <td colspan="2">New Hampshire</td> </tr> <tr> <td colspan="2">Oregon</td> </tr> <tr> <td colspan="2">Delaware</td> </tr> </table>					No Sales Tax		Alaska	Massachusetts	Montana	Rhode Island	New Hampshire		Oregon		Delaware	
No Sales Tax																			
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Montana	Rhode Island																		
New Hampshire																			
Oregon																			
Delaware																			
4	Arizona	Minnesota																	
5	California	Nebraska																	
6	Florida	New Jersey																	
7	Idaho	Okalahoma																	
8	Indiana	Tennessee																	
9	Kansas	Wisconsin																	
10																			
11																			
12																			
13																			
14	3% on aircraft sales - Florida residents																		
15	Total Taxable Sales for KC 27		Dor data																
16			43% (Based on EDR research)																
17	FY 07	\$ 388,488,605																	
18	FY 08	\$ 383,397,139	\$ 164,860,770																
19	FY 09	\$ 318,720,644	\$ 137,049,877	Based on July-Dec 08/09 % of total															
20	FY 10-est	\$ 290,710,423	\$ 125,005,482	-9%	51.1%														
21																			
22	Discovery	Tax	Taxable Purchases																
23	FY 07	\$ 10,009,064	\$ 166,817,733																
24	FY 08	\$ 8,887,542	\$ 148,125,700																
25	FY 09	\$ 9,374,297	\$ 156,238,283																
26	FY 10-est	\$ 7,976,347	\$ 132,939,123																
27																			
28		Discovery less leases (-2%)	Discovery + Dealers																
29	FY 10-est	\$ 130,280,340	\$ 255,285,822																
30																			
31	Taxable Sales (dealer & discovery)		3% tax loss		Growth rate														
32	FY 08/09	\$ 290,163,395																	
33	FY 09/10 est	\$ 255,285,822	\$ 7,658,575	-12%															
34	FY 10/11 est	\$ 255,285,822	\$ 7,658,575	0%															
35	FY 11/12 est	\$ 262,944,397	\$ 7,888,332	3%															
36	FY 12/13 est	\$ 273,462,173	\$ 8,203,865	4%															
37	FY 13/14 est	\$ 287,135,282	\$ 8,614,058	5%															
38																			
39	REC previously deemed training and 21 days issue insignificant.																		