

TAX: SALES

Issue: Amend s. 212.12 providing for exemption of sales tax on the sale, maintenance or use of aircraft used in a fractional aircraft program, F.S.

BILL NUMBER (S): SB 286

SPONSOR (S): Representative Fasano

MONTH/YEAR COLLECTION IMPACT BEGINS: JULY 1, 2007

DATE OF ANALYSIS: JANUARY 10, 2007

SECTION 1: NARRATIVE

a. Current Law:

Current law does not provide sales and use tax exemptions for the sale or use, maintenance, repair or overhaul of an aircraft in a fractional aircraft ownership program.

b. Proposed Change:

Creates s 212.08(19), F.S., which provides that the sale or use of an aircraft for primary use in a fractional aircraft ownership program is exempt from sales tax. Provides that the sale or use of any parts or labor used in the completion, maintenance, repair, or overhaul of an aircraft for primary use in a fractional aircraft ownership program is also exempt. The sale or use of a fractional ownership interest in an aircraft pursuant to a fractional ownership program, including amounts paid by the fractional owner as monthly management or maintenance fees, are also exempt.

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

Shownews online

Phone conversations with Raytheon, Piper and Cessna representatives.

IBID

SECTION 3: ASSUMPTIONS & RATIONALE

Large management companies manage 89% of fractional owners.

Fractional ownership increases by 4% every year, nationally.

Most common plane in program is a Cessna 560XL or a Raytheon Aircraft Company 400A.

In 2006, there were approximately 385 fractional owners in Florida.

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.

CS for SB 286 differs from the bill as filed in that it refers to the CFR to define "fractional aircraft program." Removes the requirement of 25 in a fleet. By definition, fractional aircraft ownership will have 2 or more owners.

SECTION 4: METHODOLOGY

See Attached

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SECTION 5: IMPACT SUMMARY (DETAILS ATTACHED)

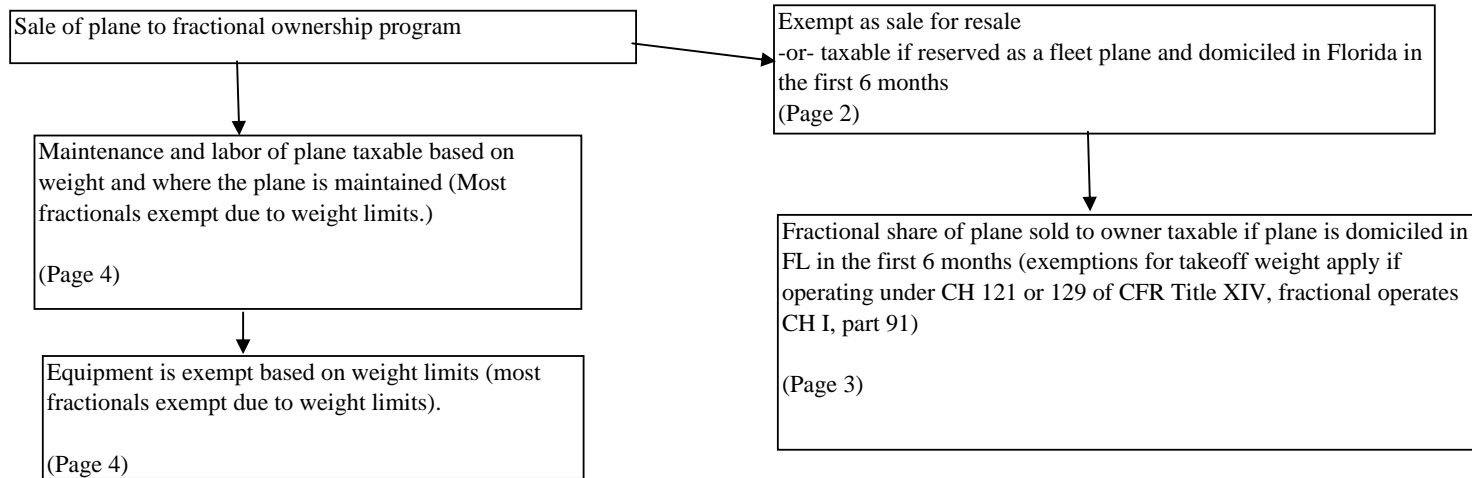
State Impact - All Funds	FY 2007-08 Annualized	FY 2007-08 Cash	FY 2008-09 Cash
High			
Middle	(\$2.7 mil)	(\$2.5 mil)	(\$2.8 mil)
Low	\$0	\$0	\$0

State Impact—All Funds	FY 2009-10 Cash	FY 2010-11 Cash
High		
Middle	(\$3.8 mil)	(\$3.1 mil)
Low	\$0	\$0

SECTION 5: CONSENSUS ESTIMATE (ADOPTED 4 / 6 / 07) The conference adopted half the middle estimate.

	FY 2007-08 Annualized	FY 2007-08 Cash	FY 2008-09 Cash
General Revenue	(1.3)	(1.2)	(1.3)
State Trust	(Insignificant)	(Insignificant)	(Insignificant)
Total State Impact	(1.3)	(1.2)	(1.3)
Revenue Sharing	(Insignificant)	(Insignificant)	(Insignificant)
Local Gov't Half Cent	(.1)	(.1)	(.1)
Local Option	(.1)	(.1)	(.1)
Total Local Impact	(.2)	(.2)	(.2)
Total Impact	(1.5)	(1.4)	(1.5)

	FY 2009-10 Cash	FY 2010-11 Cash
General Revenue	(1.7)	(1.5)
State Trust	(Insignificant)	(Insignificant)
Total State Impact	(1.7)	(1.5)
Revenue Sharing	(.1)	(Insignificant)
Local Gov't Half Cent	(.2)	(.1)
Local Option	(.2)	(.1)
Total Local Impact	(.5)	(.2)
Total Impact	(2.2)	(1.7)



	2007	2008	2009	2010	
Page 2 impact (Core plane)	\$ -	\$ -	\$ 826,721	\$ -	There may be no revenue impact as research indicated core planes are domiciled outside of Florida.
Page 3 impact (Sale of Fractional share)	\$ 2,608,431	\$ 2,771,635	\$ 2,934,386	\$ 3,106,693	This is assuming the planes are initially domiciled in the first 6 months. If legal tax avoidance is 100%, the current revenue impact could be zero. There does appear to be some tax revenue being submitted, so 100% tax avoidance is not the current level.
Page 4 impact (Maintenance, Labor, Equipment)	\$ 65,182	\$ 67,789	\$ 70,500	\$ 73,320	If legal tax avoidance is 100%, the current revenue impact could be zero.
Total	\$ 2,673,612	\$ 2,839,424	\$ 3,831,607	\$ 3,180,013	

07/08 cash
\$ 2,450,811

Exempt as sale for resale
 -or- taxable if reserved as a core plane and domiciled in
 Florida in the first 6 months

Survey	Price	
# of planes	2007	
168	\$ 12,095,000	\$ 2,031,960,000
74	\$ 7,145,000	\$ 528,730,000
71	\$ 20,495,000	\$ 1,455,145,000
65	\$ 13,786,000	\$ 896,090,000
29	\$ 24,000,000	\$ 696,000,000
		\$ 5,607,925,000
Average price of plane	\$ 13,778,686	

Planes in FL	(based on FAA data and doesn't mean plane is kept in FL, most aren't for legal tax avoidance)				
39	2006	2007	2008	2009	2010
Annual increase at (4%) (AV DATA and Ibid)	39	41	42	44	46
2 Core planes per fleet of 25	3	3	3	4	4
Gross sales of new plane	0	0	0	\$ 13,778,686	0
.06 tax	0	0	0	\$ 826,721	0

2007	2008	2009	2010
0	0	\$ 826,721	0

There may be no revenue impact as research indicated core planes are domiciled outside of Florida.

Fractional share of plane sold to owner taxable if plane is domiciled in FL in the first 6 months (exemptions for takeoff weight apply if operating under CH 121 or 129 of CFR Title XIV, fractional operates CH I, part 91)

Fractional owners in Florida

	2006	2007 new shares	2008 new shares	2009 new shares	2010 new shares
	385	15	16	17	17
Annual increase	4%	400	416	433	450
(low estimate, including sell backs)					

Average cost of plane (from page 2)	\$ 13,778,686	CPI added			
Average owners per plane	5	2007	2008	2009	2010
Average cost of share	\$ 2,755,737.10	\$ 2,822,977.09	\$ 2,884,235.69	\$ 2,936,151.93	\$ 2,989,002.67

Gross sales of shares		2007	2008	2009	2010
		\$ 43,473,847	\$ 46,193,919	\$ 48,906,426	\$ 51,778,211
	.06 sales tax	2,608,430.83	2,771,635.13	2,934,385.54	3,106,692.66

This is assuming the planes are initially domiciled in the first 6 months. If legal tax avoidance is 100%, the current revenue impact could be zero. There does appear to be some tax revenue being submitted, so 100% tax avoidance is not the current level.

Maintenance and labor of plane taxable based on weight and where the plane is maintained (Most fractionals exempt due to weight limits.)

Equipment is exempt based on weight limits (most fractionals exempt due to weight limits).

Type of aircraft	Exemption	
	Maintenance and Labor	Equipment used in aircraft repair and maintenance
15,000 lbs or more aircraft	x	x
10,000 lbs or more rotary (10,300 for equipment)	x	x
Qualified aircraft (10,000 lbs or less, turbofan, on-demand carrier, 25 or more in fleet)	x	x

Planes that fall in non-exempt category	# of planes	Weight
Raytheon Hawker 800XP	65	12,701
Piaggio P-180	22	11,601
Cessna 525	15	10,400
Total	102	
Percentage of surveyed planes (659, found on page 5)	15%	
	Monthly	Annual
Maintenance costs of Hawker 800XP (includes labor, equipment and maintenance)	\$ 14,880	\$ 178,560

Planes in Florida	2006	2007	2008	2009	2010
Annual increase at (4%) (AV DATA and Ibid)	39	41	42	44	46
Planes that would not meet weight exemption (15%)	6	6	6	7	7
		2007	2008	2009	2010
Gross sales of maintenance costs on Hawker 800XP		\$ 1,086,359	\$ 1,129,813	\$ 1,175,006	\$ 1,222,006
Sales tax .06		\$ 65,182	\$ 67,789	\$ 70,500	\$ 73,320

If legal tax avoidance is 100%, the current revenue impact could be zero.

	A	B	C	D	E	F	G	H
1		Exemption						
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 chapter 121 or 129 of Code of Federal Regulations Title XIV)	x	x	x				
6	Qualified aircraft (10,000 lbs or less, turbofan, on-demand carrier, 25 or more in fleet)	x	x	x				
7						Exemption		
8	Planes used in fractional aircraft program (Top 77% of 854 planes)	Percent	# of planes	Current Price or equivalent, aircraft sales	Weight	Maintenance and Labor	Equipment used in aircraft repair and maintenance	Aircraft sales and leases
9	Cessna 560XLS	20%	168	\$ 12,095,000	20,000	x	x	
10	RAYTHEON AIRCRAFT COMPANY 400A	9%	74	\$ 7,145,000	16,300	x	x	
11	CESSNA 750	8%	71	\$ 20,495,000	15,900	x	x	
12	Raytheon Hawker 800XP	8%	65	\$ 13,786,100	12,701			
13	Learjet 45	4%	31		20,500	x	x	
14	Dassault Falcon 2000	4%	30		40,000	x	x	
15	Gulfstream GIV	3%	29	\$ 24,000,000	73,200	x	x	
16	Cirrus SR22	3%	25		3,400			
17	Piaggio P-180	3%	22	\$ 6,495,000	11,601			
18	Bombardier BD-100-1A10	2%	21		37,500	x	x	
19	Cessna 550	2%	21		15,100	x	x	
20	Gulfstream 200	2%	21		34,450	x	x	
21	Cessna 680	2%	18	\$ 17,290,000	30,550	x	x	
22	Cessna 525	2%	15	\$ 6,120,000	10,400			
23	Learjet 60	2%	14	\$ 11,000,000	23,500	x	x	
24	Beechcraft 400A	2%	13		16,300	x	x	
25	Cessna 650	1%	11		22,000	x	x	
26	Bombardier CL-600-2B16	1%	10	\$ 29,100,000	19,550	x	x	
27								
39								
40	Average number of owners per plane	5	(IBID 4903/984)					
41		Percent	Numbers					
42	Number of planes that are managed by a company that has more than 25 planes in its fleet (looked at plane information from FAA, marked those that were in one of the bigger companies)	89%	756					
43		Monthly	Annual					
44	Maintenance costs of Hawker 800XP	\$ 14,880	\$ 178,560					
45								
46								

FAA data				77% of planes (659)	
Count of MFR_MDL_CODE				Type	
MFR_MDL_CODE	Total	Total			Weight
2076702	93	93	10.89%	Cessna 560XL	20,000
2076750	75	75	8.78%	Cessna 560XL	20,000
7150010	74	74	8.67%	RAYTHEON AIRCRAFT COMPANY 400A	16,100
2076810	71	71	8.31%	CESSNA 750	15,900
7150012	65	65	7.61%	Raytheon Hawker 800XP	12,701
5170805	31	31	3.63%	Learjet 45	20,500
2730170	30	30	3.51%	Falcon 2000	40,000
3980115	29	29	3.40%	Gulfstream GIV	73,200
2130001	25	25	2.93%	Cirrus SR22	3,400
6960204	22	22	2.58%	Piaggio P-180	11,601
1390044	21	21	2.46%	Bombardier BD-100-1A10	37,500
2076604	21	21	2.46%	Cessna 550	15,100
4500308	21	21	2.46%	Gulfstream 200	34,450
2076811	18	18	2.11%	Cessna 680	30,550
2076601	15	15	1.76%	Cessna 525	10,400
5170707	14	14	1.64%	Learjet 60	23,500
1155402	13	13	1.52%	Beechcraft 400A	16,300
2076802	11	11	1.29%	Cessna 650	22,000
1390009	10	10	1.17%	Bombardier CL-600-2B16	19,550
Grand Total	854	854			