

Colorado Legislative Council Staff Fiscal Note



STATE and LOCAL FISCAL IMPACT

Note: This fiscal note is provided pursuant under Joint Rule 22 (b) (2) and reflects strike-below Amendment L.001.

Drafting Number: LLS 14-1049	Date: April 22, 2014
Prime Sponsor(s): Rep. Holbert; Kraft-Tharp	Bill Status: House Finance
Sen. Hodge; Scheffel	Fiscal Analyst: Larson Silbaugh (303-866-4720)

SHORT TITLE: ON-DEMAND AIR CARRIER SALES & USE TAX EXEMPTION

Fiscal Impact Summary*	FY 2014-2015	FY 2015-2016
State Revenue	Potential decrease. See State Revenue section.	
Revenue Change General Fund	Potential decrease. See State Revenue section.	
State Expenditures		
FTE Position Change		
Appropriation Required: None needed		

* This summary shows changes from current law under the bill for each fiscal year. Transfers and diversions result in no net change to state revenue. Parentheses indicate a decrease in funds.

Summary of Legislation

Amendment L.001 creates a sales and use tax exemption for aircraft owned by on-demand air carriers headquartered in Colorado, not registered in the state, and used in interstate commerce. On-demand air carriers operate aircraft of fewer than 60 seats or have a maximum payload of 18,000 pounds, and may conduct passenger, cargo, and mail service in air transportation between any points and at any rates or fares.

Background

Aircraft used or purchased by a commercial airline for use in interstate commerce is exempt from the state sales and use tax of 2.9 percent. This bill would create a similar exemption for aircraft used or purchased by on-demand air carriers that are not registered in the state. Personal aircraft and aircraft owned by on-demand air carriers that register their airplanes within the state would not qualify for the exemption.

State Revenue

This bill has a potential revenue reduction beginning in FY 2014-15, but the revenue impact cannot be quantified.

Assumptions. This bill exempts airplanes purchased by an on-demand air carrier and stored outside of the state. A single company was identified that would qualify for the exemption, but they do not currently have any known plans to purchase airplanes that would qualify for the exemption. Based on the known business practices of on-demand air carriers, no revenue impact was identified, however \$72,500 in sales and use taxes would be due from the sale of a \$2.5 million airplane. While there is no identified revenue impact, if this bill exempts the purchase of a single plane that would have paid sales or use taxes without this bill, there would be a General Fund revenue reduction.

State Expenditures

This sales tax exemption will be administered by the Department of Revenue within existing resources.

Assumptions. The Department of Revenue expects only a few sales tax refund claims per year and that it will be easy to determine if airplanes would qualify for the sales tax exemption in this bill. The Department of Revenue will accommodate any change in business practices within existing resources.

Local Government Impact

While no sales of aircraft were identified that would qualify for the sales tax exemption created by this bill, local jurisdictions would have reduced revenue if a single aircraft is exempt that would have paid sales taxes without this bill. The sales tax exemption would reduce sales tax collections in counties, special districts, and other taxing jurisdictions that share the state's sales tax base.

Effective Date

The bill takes effect July 1, 2014.

State and Local Government Contacts

Revenue
RTD

Counties
Personnel and Administration

Municipalities