

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 661 Tax Exemptions
SPONSOR(S): Hood, Jr. and others
TIED BILLS: **IDEN./SIM. BILLS:** SB 432

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Economic Development & Tourism Subcommittee		Tecler	West
2) Finance & Tax Subcommittee			
3) Economic Affairs Committee			

SUMMARY ANALYSIS

HB 661 exempts rotary wing aircraft with maximum takeoff weight exceeding 2,000 pounds from the sales and use tax imposed on repair and maintenance charges related to labor, parts, and installed equipment. This change will allow helicopters to qualify for tax exemptions under the same requirements as currently applied to airplanes.

The Revenue Estimating Conference (REC) adopted negative recurring impact on state funds over the next five fiscal years as follows: \$1.0 million in FY 2013-14; \$1.2 million in FYs 2014-15, 2015-16 and 2016-17; and \$1.3 million in FY 2017-18. Further, the REC adopted a negative recurring impact of \$200,000 on local governments.

The bill provides and effective date of July 1, 2013.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Present Situation

Rotary wing aircraft may be defined as any aircraft that is supported in flight by rotors on a substantially vertical axis.¹ In general, rotary wing aircraft include helicopters, gyroplanes, and certain types of compound rotorcraft. Helicopters are considered high-value items because of their mobility, operational flexibility, and their capacity to provide rapid response.

Taxable Repair and Maintenance Work

Chapter 212, F.S., imposes a sales or use tax on the installation, repair, or maintenance of tangible personal property. This tax is applicable to the entire amount charged by the repairperson, which includes parts, equipment and labor. If the repair or maintenance of tangible personal property requires only labor, such charges are not taxable.²

Aircraft Repair and Maintenance Labor Charges

Section 212.08(7)(ee), F.S., provides a tax exemption for labor charges related to the maintenance and repair of qualified aircraft and aircraft with maximum takeoff weight of more than 2,000 pounds.³ With respect to rotary wing aircraft, current law limits the exemption to aircraft with maximum takeoff weight of 10,000 pounds or less.

Parts and Equipment used in Aircraft Repair and Maintenance

Section 212.08(7)(rr), F.S., provides a tax exemption for equipment, parts, and replacement engines installed on qualified aircraft and aircraft with more than 2,000 pounds maximum takeoff weight. In order to qualify for the exemption, the aircraft must be repaired or maintained in Florida. This exemption is not applicable to rotary wing aircraft with maximum certified takeoff weight of 10,300 pounds or less.

Effect of Proposed Changes

HB 661 expands tax exemptions available for rotary wing aircraft that are repaired or maintained in the state. Specifically, the bill will exempt rotary wing aircraft with maximum takeoff weight exceeding 2,000 pounds from the sales and use tax imposed on repair maintenance charges related to labor, parts, and installed equipment. This change will allow helicopters to qualify for exemptions in ss. 212.08(7)(ee) and 212.08(7)(rr), F.S., under the same maximum takeoff weight requirements as currently applied to airplanes.

The bill provides an effective date of July 1, 2013.

B. SECTION DIRECTORY:

¹ As defined by the International Civil Aviation Organization, <http://www.icao.int/Pages/default.aspx>, last visited March 15, 2013.

² Department of Revenue, Sales and Use Tax on Repair of Tangible Personal Property, <http://dor.myflorida.com/dor/forms/>, last visited March 14, 2013.

³ • “Qualified Aircraft” means many aircraft having a maximum certified takeoff weight of less than 10,000 pounds and equipped with twin turbofan engines that meet Stage IV noise requirements that is used by a business operating as an on-demand air carrier under Federal Aviation Administration Regulation Title 14, chapter I, part 135, C.F.R., that owns or leases and operates a fleet of at least 25 of such aircraft in this state.

• “Aircraft” is defined by s. 330.27, F.S., and means a powered or unpowered machine or device capable of atmospheric flight, except a parachute or other such device used primarily as safety equipment.

• Maximum takeoff weight is the heaviest weight at which the aircraft has been shown to meet all the applicable airworthiness requirements.

Section 1: Amends paragraphs (ee) and (rr) of s. 212.08(7), F.S., expanding sales tax exemptions related to aircraft repair and maintenance.

Section 2: Provides for an effective date of July 1, 2013.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

The Revenue Estimating Conference adopted negative recurring impact on state funds over the next five fiscal years.

Fiscal Year	GR Recurring Impact
2013-14	\$1.0 million
2014-15	\$1.2 million
2015-16	\$1.2 million
2016-17	\$1.2 million
2017-18	\$1.3 million

2. Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

The Revenue Estimating Conference adopted negative recurring impact of \$200,000 on local governments.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Individuals and businesses owning rotary wing aircraft between 2,000 to 10,300 pounds maximum certified takeoff weight will no longer pay taxes on repair and maintenance charges related to labor, replacement engines, parts, and equipment.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

The mandates provision appears to apply because this bill reduces the authority that counties or municipalities have to raise revenues in the aggregate; however, an exemption applies because the Revenue Estimating Conference estimated that this bill will have an insignificant fiscal impact on local governments for mandate purposes.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES