



**Colorado
Legislative
Council
Staff**

HB16-1119

**FINAL
FISCAL NOTE**

FISCAL IMPACT: State Local Statutory Public Entity Conditional No Fiscal Impact

Drafting Number: LLS 16-0492
Prime Sponsor(s): Rep. Thurlow
Sen. Holbert

Date: May 18, 2016
Bill Status: Signed into Law
Fiscal Analyst: Greg Sobetski (303-866-4105)

BILL TOPIC: MODIFY SALES & USE TAX EXEMPTION FOR AIRCRAFT

Fiscal Impact Summary	FY 2016-2017	FY 2017-2018
State Revenue	Indeterminate decrease.	
General Fund	See State Revenue section.	
State Expenditures	Minimal increase.	
TABOR Impact	Indeterminate decrease.	
Appropriation Required: None.		
Future Year Impacts: Ongoing revenue decrease.		

Summary of Legislation

This bill expands sales and use tax exemptions for aircraft. Under the bill, aircraft undergoing maintenance, interior refurbishment, paint, or engine work associated with a sale are exempted from sales and use tax, provided that:

- the aircraft is removed from the state within 30 days after completion of these services;
- the purchaser provides an affidavit stating that he or she is not a resident of the state; and
- the aircraft will not be in the state for more than 73 days in any of the three calendar years following the aircraft's initial removal from the state.

Background

Under current law, aircraft purchases are subject to state sales or use tax unless they satisfy the requirements for an exemption. House Bill 08-1261 created an exemption for aircraft to be used outside of the state, provided that the aircraft is removed from the state within 120 days after the date of sale. House Bill 16-1119 allows aircraft to remain in the state until 120 days after the date of sale or 30 days after completion of maintenance or refurbishment, whichever is later.

State Revenue

The bill reduces General Fund revenue by an indeterminate amount beginning in FY 2016-17.

Assumptions. Aircraft purchasers from whom sales tax is not collected by a licensed vendor are responsible for filing a use tax return with the Department of Revenue. A query of consumer use tax returns filed during tax year 2015 did not reveal any aircraft purchases that would be affected by the bill.

The Discovery Section in the Department of Revenue is responsible for reviewing and validating tax collection on aircraft purchases. The section uses purchaser and seller address data from the Federal Aviation Administration to ensure that tax is paid. The bill affects only purchasers who:

- have out-of-state addresses, because purchasers with in-state addresses are responsible for use tax under both current law and the bill;
- purchase from sellers with in-state addresses, because the Discovery Section does not identify out-of-state purchasers transacting with out-of-state sellers as responsible for tax; and
- meet the specific requirements of the exemption identified in the bill.

Because the number of purchasers who meet these criteria cannot be determined from available data, the amount by which revenue will be reduced is indeterminate.

TABOR Impact

To the extent that the bill reduces state revenue from sales and use taxes, it will reduce the amount of money required to be refunded under TABOR. TABOR refunds are paid out of the General Fund. Since the bill reduces both revenue to the General Fund and the refund obligation by equal amounts, there is no net impact on the amount of money available in the General Fund for the budget. However, the bill will reduce money available for the General Fund budget in the future during years the state does not collect revenue above the TABOR limit.

State Expenditures

The bill requires a minimal increase in Department of Revenue workload to process the residency affidavits required to be submitted by claimants of the exemption. The department can implement and administer expansion of the exemption within existing appropriations.

Local Government Impact

The bill potentially reduces revenue to statutory counties, municipalities, and special districts for which the state collects sales taxes. Because the number of purchasers who qualify for the exemption in the bill cannot be determined, the amount by which revenue will be reduced is indeterminate.

Effective Date

The bill was signed into law by the Governor and took effect on March 23, 2016. The sales and use tax exemption in the bill applies to aircraft sold on or after July 1, 2016.

State and Local Government Contacts

Colorado Counties
Information Technology

Colorado Municipal League
Revenue