



Legislative Council Staff
Nonpartisan Services for Colorado's Legislature

Final Fiscal Note

Drafting Number:	LLS 22-0537	Date:	August 29, 2022
Prime Sponsors:	Rep. Woog; Bird Sen. Liston; Kolker	Bill Status:	Deem Postponed Indefinitely
		Fiscal Analyst:	David Hansen 303-866-2633 David.Hansen@state.co.us

Bill Topic: ON-DEMAND AIR CARRIER AIRCRAFT SALES TAX EXEMPTION

Summary of Fiscal Impact:	<input checked="" type="checkbox"/> State Revenue	<input checked="" type="checkbox"/> TABOR Refund
	<input checked="" type="checkbox"/> State Expenditure	<input checked="" type="checkbox"/> Local Government
	<input type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

The bill would have exempted aircraft purchases by or for use by on-demand air carriers in the state from sales and use tax from January 1, 2023, to December 31, 2030. Beginning in FY 2022-23, the bill would have decreased state and local revenue from sales and use tax and increased state workload.

Appropriation Summary: No appropriation was required.

Fiscal Note Status: The fiscal note reflects the introduced bill. The bill was not enacted into law; therefore, the impacts identified in this fiscal note do not take effect.

Table 1
State Fiscal Impacts Under HB 22-1109

		Budget Year FY 2022-23	Out Year FY 2023-24
Revenue	General Fund	(\$47,920 to \$119,800)	(\$98,593 to \$246,480)
Expenditures		-	-
Transfers		-	-
Other Budget Impacts	TABOR Refund	(\$47,920 to \$119,800)	(\$98,593 to \$246,480)

Summary of Legislation

Beginning January 1, 2023, through December 31, 2030, the bill exempts aircraft purchases by or for use by on-demand air carriers in the state from sales and use tax.

Background

On-demand air carriers are authorized by the Federal Aviation Administration (FAA) to operate on-demand, unscheduled air service through a certification process. Based on a 2019 analysis of the state's on-demand aircraft used outside the state sales tax exemption by the Office of the State Auditor (OSA), an on-demand air carrier includes services such as air charter, cargo, air ambulance, and firefighting services on flights not scheduled in advance, or those that have four or fewer scheduled flights per route, per week. The analysis found there were about 38 on-demand air carriers based in Colorado operating about 115 aircraft primarily within the state. The OSA review of the tax expenditure is available on the General Assembly's website at: https://leg.colorado.gov/sites/default/files/2019-te6_on-demand_aircraft.pdf

The on-demand aircraft used outside the state sales tax exemption was created by House Bill 14-1374, and applies to sales of new or used aircraft purchased from July 1, 2014 to June 30, 2019.

State Revenue

The bill is expected to decrease General Fund revenue between \$47,920 and \$119,800 in FY 2022-23 (half-year impact), and between \$98,590 and \$246,480 in FY 2023-24, with similar reductions in future years. Based on sales in prior years, the analysis assumes sales of three on-demand aircraft each year with sales prices between \$1.1 million and \$2.7 million in FY 2022-23. In FY 2023-24, sales prices are increased 2.9 percent based on Legislative Council Staff's December 2021 forecast for the Denver-Aurora-Lakewood consumer price index. To the extent that sales and prices differ from the assumptions used in this fiscal note, actual revenue impacts will be higher or lower. Sales and use tax revenue is subject to TABOR.

State Expenditures

The bill will minimally increase workload for the Department of Revenue to update guidance, forms, and process aircraft-related returns. The fiscal note assumes that workload impacts can be met with existing resources.

Other Budget Impacts

TABOR refunds. The bill is expected to decrease the amount of state revenue required to be refunded to taxpayers by the amounts shown in the State Revenue section above. This estimate assumes the December 2021 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2023-24.

Because TABOR refunds are paid from the General Fund, decreased General Fund revenue will lower the TABOR refund obligation, but result in no net change to the amount of General Fund otherwise available to spend or save.

Local Government

The bill will decrease sales and use tax revenue for state-collected local governments that incorporate the exemption and conform to the state tax base. The bill includes the exemption among other optional sales and use tax exemptions for state-collected local governments. The impact to local governments cannot be estimated due to data availability.

Effective Date

The bill was deemed postponed indefinitely by the House Appropriations Committee on May 12, 2022.

State and Local Government Contacts

Counties	Information Technology	Municipalities
Personnel	Regional Transportation District	Revenue
State Auditor	Special Districts	Transportation