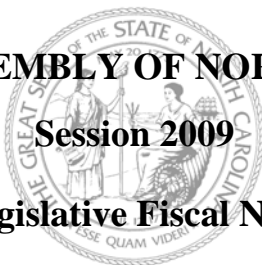


GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2009

Legislative Fiscal Note

BILL NUMBER: Senate Bill 541 (First Edition)

SHORT TITLE: Expand Aircraft Parts Sales Tax Exemption.

SPONSOR(S): Senator Vaughan

FISCAL IMPACT (\$ In Millions)					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2009-10</u>	<u>FY 2010-11</u>	<u>FY 2011-12</u>	<u>FY 2012-13</u>	<u>FY 2013-14</u>
REVENUES					
General Fund Impact	(\$1.77)	(\$1.79)	(\$1.82)	(\$1.86)	(\$1.90)
Local Impact	(\$0.75)	(\$0.75)	(\$0.77)	(\$0.78)	(\$0.80)
EXPENDITURES					
POSITIONS (cumulative):					
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: NC Department of Revenue					
EFFECTIVE DATE: July 1, 2009					

BILL SUMMARY: SB 541 amends GS 105-164.13(45a) by expanding the sales and use tax exemption for tangible personal property that becomes a component part of or is dispensed as a lubricant into an aircraft. The statute is currently limited to commercial aircraft during maintenance, repair, or overhaul; the modification under SB 541 expands the exemption to all aircraft. The legislation applies to all sales made on or after July 1, 2009.

ASSUMPTIONS AND METHODOLOGY: Exempting the sale of aircraft lubricants, aircraft repair parts, and aircraft accessories would reduce General Fund availability by \$1.8 million during the 2009-10 fiscal year.

Fiscal Research estimated that exempting aircraft parts, accessories and lubricants for all planes weighing 12,500 pounds or more would cost the state \$6.0 million annually during the 2004 Session. The original legislation enacted a 12,500 pound weight requirement restricting the sales and use tax exemption to 80% of the aircraft expenses in the state.

Conversations with pilots and military personnel, and their review of aircraft documents, suggested that the 12,500-pound weight limit effectively excluded most general aviation aircraft from the exemption. According to the Federal Aviation Administration's (FAA) March 2004 Fact Book, approximately 79.8% of all licensed aircraft in the state are non-general aviation. Data from November 2008 Fact Book on aviation forecasts and FAA facility workloads suggest that the 79.8% non-general aviation ratio still holds true.

Expanding the sales and use tax exemption to the remaining share of aircraft reduces General Fund availability by \$1.5 million in (2004 dollars) (\$6.0 million in forgone tax revenue divided by 79.8% (those currently exempted) equals \$7.5 million in potential tax collections * 20.2% (additional exemption) equals \$1.5 million in additional forgone revenue). Adjusting this figure by an annual inflation rate of roughly 3.6% for five years, the expanded sales and use tax exemption represents a \$1.8 million reduction in General Fund availability during the 2009-2010 fiscal year.

SOURCES OF DATA:

Federal Aviation Administration (FAA) Administrator's November 2008 Fact Book. Available at: http://www.faa.gov/about/office_org/headquarters_offices/aba/admin_factbook/media/November_2008_Fact_Book.pdf

House Bill 1631. 2004 Session.

Session Law 1999-360.

TECHNICAL CONSIDERATIONS: None

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DATE: April 7, 2009

Signed Copy Located in the NCGA Principal Clerk's Offices