

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6022

BILL NUMBER: SB 25

NOTE PREPARED: Jan 27, 2015

BILL AMENDED: Jan 20, 2015

SUBJECT: Aircraft License Excise Tax.

FIRST AUTHOR: Sen. Zakas

FIRST SPONSOR: Rep. Speedy

BILL STATUS: As Passed Senate

FUNDS AFFECTED: GENERAL
 DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: (Amended) This bill eliminates the provision in current law that automatically reclassifies an aircraft in an aircraft dealer's inventory from the status of "aircraft inventory" to the status of "property of a nondealer" after the aircraft dealer has held the aircraft in inventory for 18 months.

The bill also provides that a dealer who has had an aircraft reclassified out of the dealer's aircraft inventory because of the provision may: (1) elect to return the aircraft to the dealer's aircraft inventory; and (2) obtain a refund of the registration fees and sales or use taxes that were required to be paid when the statutory reclassification occurred (including any penalties and interest), if paid within the previous three years.

Effective Date: July 1, 2015.

Explanation of State Expenditures: The Department of Revenue (DOR) must notify aircraft dealers of the availability of refunds and credits under this bill. The DOR should be able to send notifications using existing resources.

Explanation of State Revenues: (Revised) This bill will result in minimally reduced sales tax revenue from aircraft dealers who have an aircraft in inventory for more than 18 months. It will also result in (a) the cancellation of any unpaid registration fees, sales tax, and any penalties and interest owed by a dealer, and (b) a refund of fees, taxes, and any penalties and interest paid by a dealer, because of the reclassification of aircraft. According to the DOR, there has been minimal, if any, sales tax paid on reclassified aircraft in the last three years.

Sales tax revenue is deposited in the state General Fund (98.848%), the Motor Vehicle Highway Account

(1%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%).

Additional Information - Under current law, residents who own aircraft must register the aircraft with the DOR. Nonresidents who base an aircraft in Indiana for more than 60 days must also register the aircraft. There is a fee of \$10 to register an aircraft, and sales tax must be paid at the time of registration.

Aircraft held in dealer inventory for up to 18 months is exempt from registration and sales tax. After 18 months, the aircraft must be reclassified as noninventory and the registration fee and sales tax must be paid.

This bill does not affect aircraft excise tax collections. Aircraft excise tax must be paid by owners of aircraft as well as dealers on aircraft in inventory.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of Revenue.

Local Agencies Affected:

Information Sources: Collin Davis, Department of Revenue, 317-233-5209.

Fiscal Analyst: Lauren Tanselle, 317-232-9586.