

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1662

Amendment Number: H1 (3/25/15 Engrossment)

Bill Subtitle: TO EXEMPT FROM THE SALES AND USE TAX CERTAIN SERVICES AND PARTS AND OTHER PROPERTY INCORPORATED INTO CERTAIN COMMERCIAL JET AIRCRAFT; AND TO PROVIDE A SALES AND USE TAX EXEMPTION FOR SALES OF AIRCRAFT UNDER CERTAIN CIRCUMSTANCES.

Basic Change : Sponsor: Representative Jett

Engrossment 03/25/15 --- House Amendment 1 --- Amends the bill to provide that aircraft owned and sold by an out-of-state seller when sold to an out-of-state purchaser while the aircraft is in Arkansas undergoing inspection and necessary repairs and modifications will not be subject to Arkansas state and local sales tax. The amendment adds an emergency clause and the act would be effective upon approval by the Governor.

Original Bill --- The proposal adds language exempting the services required to incorporate parts or other tangible personal property which becomes a part of a commercial jet aircraft component subcomponent. Ark. Code Ann. § 26-52-301 currently provides for this exemption from sales tax. The proposal would also add a new section to exempt from state and local sales tax the sale of an aircraft when the aircraft is sold to a resident of another state and the aircraft will be based outside of the State of Arkansas even if possession of the aircraft transfers inside the state. The proposal would become effective on the first day of the second calendar following the effective date of the proposal.

Revenue Impact :

No impact to state revenues. Out of state buyers and sellers typically remove the airplane from Arkansas to complete the sales transaction after the services performed on the plane in Arkansas are finished. The plane is removed to another state that does not impose sales tax on the sale of the plane. The proposal would allow a non-resident purchaser of the aircraft to receive title and possession in Arkansas without payment of sales tax.

Taxpayer Impact :

Non-resident owners of aircraft, after inspection and needed repairs are completed in Arkansas, could sell their aircraft to a purchaser located in another state free from Arkansas sales taxes on the aircraft.

Resources Required :

None

Time Required :

Adequate time is provided for implementation.

Procedural Changes :

Education of staff personnel of change in law.

Legal Analysis :

Amendment 1 to HB1662 adds cosponsors and clarifies that the aircraft removal exemption is applicable only if the aircraft seller and purchaser are residents of another state. The Amendment also extends the exemption to aircraft located in Arkansas for maintenance or modification purposes only, if the aircraft is removed from Arkansas after the completion of such maintenance or modification. Finally, the Amendment declares an emergency to exist and would make the Act effective upon the earliest of (1) approval by the Governor; (2) if neither approved nor vetoed by the Governor, the expiration of time for the Governor to do either; or (3) if vetoed by the Governor, the date the last house overrides the veto.