

**SUMMARY OF PROPOSAL #27**  
*for consideration by the*  
**ARKANSAS TAX REFORM AND RELIEF LEGISLATIVE TASK FORCE**

**TOPIC: Sales Tax Exemption for Sales of Aircraft Held for Resale**

**Summary of Proposal for Consideration**

To repeal the sales tax exemption on the sale of aircraft held for resale that are used in a charter service period not to exceed twenty-four (24) months under Arkansas Code § 26-52-409, effective for tax years beginning on or after January 1, 2019.

**Fiscal Analysis**

Repeal of the exemption may result in an estimated \$1,842,905 per year increase to General Revenue based upon FY11, as provided by the Department of Finance and Administration's "Sales and Use Tax Revenue Impact of Exemptions" presentation to the Arkansas Tax Reform and Relief Legislative Task Force on March 19, 2018.

**Legal Analysis**

***Background***

Arkansas currently has a sales tax exemption on aircraft held for resale that are used in a charter service period not to exceed twenty-four (24) months.

ACT 1008 of 1975 created the sales tax exemption on aircraft held for resale that are used in a charter service not to exceed one (1) year.

ACT 499 of 1995 increased the sales tax exemption on aircraft held for resale that are used in a charter service from one (1) year to twenty-four (24) months, and has not been amended since.

***Potential Legal Issues***

None.

***Other States***

- Iowa: Sales tax exemption on the sales price from the sale or rental of aircraft, and the sale price from the sale of aircraft to an aircraft dealer who in turn rents or leases the aircraft. (IA St. § 423.3)
- Louisiana: Sales tax exemption on sales of new aircraft titled in the dealer's name for use as demonstrators which are kept primarily on the dealer's premises during normal business hours and which are available for demonstration purposes. (LA St. § 47:305).
- Mississippi: Sales tax exemption on the sales of aircraft held for resale or rental in the regular course of business. (MS St. § 27-65-101)

- Missouri: Sales tax exemption on Tangible personal property held by processors, retailers, importers, manufacturers, wholesalers, or jobbers solely for resale in the regular course of business, unclear if applies to aircraft specifically. (MO St. §144.615)
- Oklahoma: Sales tax exemption for aircraft purchases, when the aircraft purchaser paid excise tax. Leases of aircraft are not subject to sales tax if either the aircraft excise tax has been paid on the lease transaction or an exemption applies to the transfer from the lessor to the lessee. The excise tax is exempt if the aircraft is still owned by the manufacturer or dealer. (OK St. 68 § 1355 & 68 § 6001)
- Tennessee: No exemption.
- Texas: Sales tax exemption on sales of aircraft sold to a person using the aircraft as a certificated or licensed carrier of persons or property. (TX St. § 151.328)