

SUMMARY OF PROPOSAL #28
for consideration by the
ARKANSAS TAX REFORM AND RELIEF LEGISLATIVE TASK FORCE

TOPIC: Sales Tax Exemption on Sales of New Aircraft to Purchasers Outside of Arkansas

Summary of Proposal for Consideration

To repeal the sales tax exemption on sales of new aircraft manufactured or substantially completed in Arkansas to a purchaser for use exclusively outside Arkansas under Arkansas Code § 26-52-505, effective for tax years beginning on or after January 1, 2019.

Fiscal Analysis

Repeal of the exemption may result in an estimated \$17,220,340 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 for sales of new aircraft manufactured or substantially completed in Arkansas to a purchaser for use exclusively outside of Arkansas.

ACT 210 of 1959 created a sales tax exemption on sales of used aircraft, if the sales tax was initially paid on the sale of the new aircraft or in instances where the original purchaser has paid the Arkansas use tax to a registered out-of-state dealer.

ACT 377 of 1981 exempted the sales tax on the sale of new aircraft manufactured or substantially completed in Arkansas to a purchaser for use exclusively outside Arkansas, and has not been amended since.

Potential Legal Issues

None.

Other States

- Iowa: Sales tax exemption on sales of aircraft if registered out of state. (IA St. § 423.3)
- Louisiana: Sales tax exemption on sales of Louisiana-manufactured or Louisiana-assembled passenger aircraft with a maximum capacity of eight (8) persons, if, after all transportation, including transportation by the purchaser, has been completed, the aircraft is ultimately received by the purchaser outside of Louisiana. The place at which the aircraft is ultimately received shall be considered as the place at which the aircraft is stored after all transportation has been completed. (LA St. § 47:301)

- Mississippi: Sales tax exemption on sales of aircraft, if the dealer can provide factual evidence that the aircraft was delivered to a customer outside of Mississippi, for first use in another state. (MS St. § 27-65-101)
- Missouri: Sales tax exemption on the sale of new light aircraft, light aircraft kits, parts or components manufactured or substantially completed within Missouri, when such new light aircraft, light aircraft kits, parts or components are sold by the manufacturer to a purchaser who is a nonresident of Missouri, who will transport the light aircraft, light aircraft kit, parts or components outside this state within ten (10) days after the date of purchase, and who will register any light aircraft so purchased in another state or country. (MO St. § 144.043)
- Oklahoma: Sales tax exemption for aircraft which have a selling price in excess of \$2,500,000 and which are transferred to a purchaser who is not a resident of Oklahoma for immediate transfer out of state. (OK St. 68 § 1355)
- Tennessee: Sales tax exemption on sales to non-residents of helicopters and airplanes that will be used outside of Tennessee and will be removed from Tennessee within fifteen (15) days of purchase. (TN St. § 67-6-313)
- Texas: Sales tax exemption for aircraft sold to a person for use and registration in another state or nation. (TX St. § 151.328)