



[HF 607](#) – Sales Tax Exemption, Aircraft Parts and Service (LSB2238HV)
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Fiscal Note Version – New

Description

[House File 607](#) expands the existing aircraft repair and maintenance sales and use tax exemption to include aircraft that are not used in scheduled or nonscheduled interstate Federal Aviation Administration certified air carrier operations.

Background

Iowa Code section [328.20](#) requires all civilian aircraft owned or operated within the State for more than 30 days to be registered with the Department of Transportation. Fees for registration established in Iowa Code section [328.21](#) vary based on age and value of the aircraft and range between \$35 and \$5,000. These fees are deposited into the State Aviation Fund.

Nationally, state sales tax laws relating to aircraft maintenance can be broken down into four basic categories:

- States with no sales tax.
- States exempting all aircraft maintenance from sales tax.
- States with a limited sales tax exemption for aircraft maintenance.
- States with a sales tax and no exemption for aircraft maintenance.

Assumptions

- In 2018, there were approximately 2,500 airworthy civilian aircraft registered with the Department of Transportation that had Iowa ownership or likely Iowa ownership. Of these aircraft, 150 (5.0%) had annual registration fees ranging from \$3,000 to \$5,000; 465 (19.0%) had annual registration fees ranging from \$101 to \$2,999; and 1,885 (76.0%) had annual registration fees ranging from \$35 to \$100.
- More expensive aircraft have a higher likelihood of higher maintenance costs. Aircraft in the highest tier of registration fees have estimated annual maintenance costs of \$20,000. Aircraft with mid-tier registration fees have annual estimated maintenance costs of \$8,000, and those with lowest-tier registration fees have annual estimated maintenance costs of \$3,000.
- An unknown number of aircraft owners take the aircraft for scheduled repairs to states that have no sales tax or already have an aircraft maintenance sales tax exemption enacted. Taking repairs out of state is more likely to be cost-effective for owners of aircraft with higher maintenance costs. Therefore, scheduled repairs on an estimated 20.0% of the highest maintenance cost aircraft, and 10.0% of the mid-tier maintenance cost aircraft, are assumed to not take place in Iowa.
- The exemption is effective July 1, 2019.

Fiscal Impact

[House File 607](#) is estimated to decrease sales and use tax revenues to the General Fund, the Secure an Advanced Vision for Education (SAVE) Fund, and local option sales tax (LOST) revenues, as presented in the following table.

	General Fund	SAVE	LOST
FY 2020	\$ -554,000	\$ -111,000	\$ -85,000
FY 2021	-562,000	-113,000	-86,000
FY 2022	-570,000	-115,000	-87,000
FY 2023	-579,000	-117,000	-88,000
FY 2024	-588,000	-119,000	-89,000

Sources

Department of Transportation
Department of Revenue
Iowa Public Airports Association
Aircraft Owners and Pilots Association
LSA Calculations

/s/ Holly M. Lyons

March 5, 2019

The fiscal note for this Bill was prepared pursuant to Joint Rule 17 and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
