



[SF 2370](#) – Aircraft (LSB5658SV.1)
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Fiscal Note Version – Final Action

Description

[Senate File 2370](#) creates a three-year time limit within which aircraft may be operated under a special certificate as provided for in Iowa Code section [328.28](#). The Bill also increases the annual special certificate fee from \$100 to \$400 and changes the expiration from midnight on June 30 to midnight on October 31.

The Bill also 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 (FAA) certified air carrier operations.

Background

[761 IAC 750.30](#) limits the time aircraft can be operated under a special certificate to two years.

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

- A total of 30 special certificate holders will be subject to the increased annual special certificate fee.
- According to the [FAA website](#), there are 3,305 aircraft registered in Iowa. All aviation activities other than commercial air service and military operations will become eligible for the expanded exemption under the Bill. The number of aircraft affected will be 88.0% of aircraft registered in Iowa, or 2,900 aircraft.
- The estimated repair costs per aircraft per year are \$3,500, calculated using an average cost of repairs and maintenance of \$35 per flight hour and the average flight time for general aviation pilots of 100 hours per year.
- The total cost of repairs and maintenance exempted under this Bill is \$10.2 million, based on 2,900 aircraft with an average cost of repairs and maintenance of \$3,500 per year.
- Growth trends in future fiscal years are based on the United States Bureau of Labor and Statistics Producer's Price Index (PPI) average estimated increases of 0.8% from FY 2023 to FY 2028.

Fiscal Impact

Senate File 2370 is estimated to increase revenue to the State Aviation Fund by \$9,000 per year beginning in FY 2023.

Senate File 2370 is estimated to reduce revenues to the General Fund, Secure an Advanced Vision for Education (SAVE) Fund, and local option sales tax (LOST) by the amounts listed below.

Fiscal Impact of Sales/Use Tax Exemption for Aircraft Repair and Maintenance					
In Millions					
	<u>General Fund</u>		<u>SAVE</u>		<u>LOST</u>
FY 2023	\$ -0.5	\$	-0.1	\$	-0.1
FY 2024	-0.5		-0.1		-0.1
FY 2025	-0.5		-0.1		-0.1
FY 2026	-0.5		-0.1		-0.1
FY 2027	-0.5		-0.1		-0.1
FY 2028	-0.5		-0.1		-0.1

Sources

Department of Transportation
Department of Revenue
Federal Aviation Administration
LSA analysis and calculations

/s/ Holly M. Lyons

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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.
