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**HF 2473** – Aircraft Parts and Labor Sales Tax Exemption (LSB5176HV)  
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Fiscal Note Version – New

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**Description**

[House File 2473](#) 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 2016, there were approximately 2,500 airworthy civilian aircraft registered with the Department of Transportation that have Iowa ownership or likely Iowa ownership. Of these aircraft, 150 (6.0%) 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 (75.0%) 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 their planes for scheduled repairs to states that have no sales tax or already have this exemption enacted. Taking repairs out of state is more likely to be cost effective for owners 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, 2018.

**Fiscal Impact**

[House File 2473](#) is estimated to decrease sales and use tax revenues to the General Fund, the Secure an Advanced Vision for Education (SAVE) Fund, and the Local Option Sales Tax (LOST) revenues, as presented in the following table.

### HF 2473 Fiscal Impact

	<u>General</u>		
	<u>Fund</u>	<u>SAVE</u>	<u>LOST</u>
FY 2019	\$ -570,000	\$ -114,000	\$ -88,000
FY 2020	-586,000	-117,000	-90,000
FY 2021	-602,000	-120,000	-92,000
FY 2022	-619,000	-123,000	-95,000
FY 2023	-636,000	-126,000	-98,000

#### **Sources**

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

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/s/ Holly M. Lyons

March 26, 2018

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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.  
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