

Jenkins, CH
Holmes
Chapman

HSB /

WAYS AND MEANS

Succeeded By

RF/HF 199

HOUSE FILE

BY (PROPOSED COMMITTEE ON WAYS
AND MEANS BILL BY CHAIRPERSON
VAN FOSSEN)

Passed House, Date _____ Passed Senate, Date _____

Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____

Approved _____

A BILL FOR

1 An Act relating to the taxation of certain sales of aircraft
2 under the state sales, services, and use taxes and the local
3 option sales and services taxes.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

Revised By

1 Section 1. Section 422.45, Code 1999, is amended by adding
2 the following new subsection:

3 NEW SUBSECTION. 38D. The gross receipts from the sale of
4 aircraft delivered in this state to a bona fide resident of
5 another state, which aircraft will not be registered or based
6 in this state and which will not remain in this state for more
7 than ten days after the delivery of the aircraft. For
8 purposes of this subsection, "aircraft" means the same as
9 defined in section 328.1.

10 Sec. 2. Section 422B.8, unnumbered paragraph 1, Code 1999,
11 is amended to read as follows:

12 A local sales and services tax at the rate of not more than
13 one percent may be imposed by a county on the gross receipts
14 taxed by the state under chapter 422, division IV. A local
15 sales and services tax shall be imposed on the same basis as
16 the state sales and services tax and may shall not be imposed
17 on the sale of any property or on any service not taxed by the
18 state, except the tax shall not be imposed on the gross
19 receipts from the sale of motor fuel or special fuel as
20 defined in chapter 452A, on the gross receipts from the rental
21 of rooms, apartments, or sleeping quarters which are taxed
22 under chapter 422A during the period the hotel and motel tax
23 is imposed, on the gross receipts from the sale of natural gas
24 or electric energy in a city or county where the gross
25 receipts are subject to a franchise fee or user fee during the
26 period the franchise or user fee is imposed, on the gross
27 receipts from the sale of equipment by the state department of
28 transportation, on the gross receipts from the sale of
29 aircraft as defined in section 328.1, and on the gross
30 receipts from the sale of a lottery ticket or share in a
31 lottery game conducted pursuant to chapter 99E. A local sales
32 and services tax is applicable to transactions within those
33 incorporated and unincorporated areas of the county where it
34 is imposed and shall be collected by all persons required to
35 collect state gross receipts taxes. All cities contiguous to

1 each other shall be treated as part of one incorporated area
2 and the tax would be imposed in each of those contiguous
3 cities only if the majority of those voting in the total area
4 covered by the contiguous cities favor its imposition.

5 Sec. 3. Section 422E.3, subsection 2, Code 1999, is
6 amended to read as follows:

7 2. The tax shall be imposed on the same basis as the state
8 sales and services tax and shall not be imposed on the sale of
9 any property or on any service not taxed by the state, except
10 the tax shall not be imposed on the gross receipts from the
11 sale of motor fuel or special fuel as defined in chapter 452A,
12 on the gross receipts from the rental of rooms, apartments, or
13 sleeping quarters which are taxed under chapter 422A during
14 the period the hotel and motel tax is imposed, on the gross
15 receipts from the sale of equipment by the state department of
16 transportation, on the gross receipts from the sale of
17 aircraft as defined in section 328.1, and on the gross
18 receipts from the sale of a lottery ticket or share in a
19 lottery game conducted pursuant to chapter 99E.

20 EXPLANATION

21 Section 1 of this bill exempts from the state sales and use
22 taxes aircraft sold to nonresidents who do not register the
23 aircraft within the state and remove the aircraft from the
24 state within 10 days after delivery of the aircraft.

25 Sections 2 and 3 exempt the sales of all aircraft from
26 local option sales and services tax.

27
28
29
30
31
32
33
34
35

FEB 3 1999

REPRINTED

WAYS & MEANS CALENDAR

HOUSE FILE 199
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HSB 1)

Passed House, ^(P. 690) Date 3-16-99 Passed Senate, ^(P. 1274) Date 4/22/99
Vote: Ayes 95 Nays 1 Vote: Ayes 48 Nays 1
Approved May 24, 1999

A BILL FOR

1 An Act relating to the taxation of certain sales of aircraft
2 under the state sales, services, and use taxes.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23

HF 199

199
REPRINTED

1 Section 1. Section 422.45, Code 1999, is amended by adding
2 the following new subsection:

3 NEW SUBSECTION. 38D. The gross receipts from the sale of
4 aircraft, not previously registered in this state or any other
5 state or nation, which are delivered in this state to a bona
6 fide resident of another state, and which aircraft will not be
7 registered or based in this state and which will not remain in
8 this state for more than ten days after the delivery of the
9 aircraft. For purposes of this subsection, "aircraft" means
10 the same as defined in section 328.1.

11 EXPLANATION

12 This bill exempts from the state sales and use taxes
13 aircraft not previously registered which are sold to residents
14 of another state who do not register the aircraft in the state
15 and remove the aircraft from the state within 10 days after
16 delivery of the aircraft.

17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35

HOUSE FILE 199

H-1054

1 Amend House File 199 as follows:

2 1. By striking everything after the enacting
3 clause and inserting the following:

4 "Section 1. Section 422.45, subsections 4 and 6,
5 Code 1999, are amended to read as follows:

6 4. The gross receipts from sales of vehicles
7 subject to registration or subject only to the
8 issuance of a certificate of title and sales of
9 aircraft subject to registration under section 328.20.

10 6. The gross receipts from "casual sales".
11 ~~However, this exemption does not apply to aircraft.~~

12 Sec. 2. Section 423.2, Code 1999, is amended to
13 read as follows:

14 423.2 IMPOSITION OF TAX.

15 An excise tax is imposed on the use in this state
16 of tangible personal property, including aircraft
17 subject to registration under section 328.20,
18 purchased for use in this state, at the rate of five
19 percent of the purchase price of the property. An
20 excise tax is imposed on the use of leased vehicles at
21 the rate of five percent of the amount otherwise
22 subject to tax as calculated pursuant to section
23 423.7A. The excise tax is imposed upon every person
24 using the property within this state until the tax has
25 been paid directly to the county treasurer or the
26 state department of transportation, to a retailer, or
27 to the department. An excise tax is imposed on the
28 use in this state of services enumerated in section
29 422.43 at the rate of five percent. This tax is
30 applicable where services are rendered, furnished, or
31 performed in this state or where the product or result
32 of the service is used in this state. This tax is
33 imposed on every person using the services or the
34 product of the services in this state until the user
35 has paid the tax either to an Iowa use tax permit
36 holder or to the department.

37 Sec. 3. Section 423.4, subsection 4, Code 1999, is
38 amended to read as follows:

39 4. Tangible personal property, the gross receipts
40 from the sale of which are exempted from the retail
41 sales tax by the terms of section 422.45, except
42 subsection 4 and subsection 6 of section 422.45 as it
43 relates to the sale of vehicles subject to
44 registration or subject only to the issuance of a
45 certificate of title and as it relates to aircraft
46 subject to registration under section 328.20.

47 Sec. 4. Section 423.4, Code 1999, is amended by
48 adding the following new subsections:

49 NEW SUBSECTION. 17. Aircraft for use in a
50 scheduled interstate federal aviation administration

H-1054

H-1054

Page 2

1 certificated air carrier operation.

2 NEW SUBSECTION. 18. Aircraft; tangible personal
3 property permanently affixed or attached as a
4 component part of the aircraft, including but not
5 limited to repair or replacement materials or parts;
6 and all services used for aircraft repair, remodeling,
7 and maintenance services when such services are
8 performed on aircraft, aircraft engines, or aircraft
9 component materials or parts. For the purposes of
10 this exemption, "aircraft" means aircraft used in a
11 scheduled interstate federal aviation administration
12 certified air carrier operation.

13 NEW SUBSECTION. 19. Tangible personal property
14 permanently affixed or attached as a component part of
15 the aircraft, including but not limited to repair or
16 replacement materials or parts; and all services used
17 for aircraft repair, remodeling, and maintenance
18 services when such services are performed on aircraft,
19 aircraft engines, or aircraft component materials or
20 parts. For the purposes of this exemption, "aircraft"
21 means aircraft used in nonscheduled interstate federal
22 aviation administration certified air carrier
23 operation operating under 14 C.F.R. ch. 1, pt. 135.

24 NEW SUBSECTION. 20. Aircraft sold to an aircraft
25 dealer who in turn rents or leases the aircraft if all
26 of the following apply:

27 a. The aircraft is kept in the inventory of the
28 dealer for sale at all times.

29 b. The dealer reserves the right to immediately
30 take the aircraft from the renter or lessee when a
31 buyer is found.

32 c. The renter or lessee is aware that the dealer
33 will immediately take the aircraft when a buyer is
34 found.

35 If an aircraft exempt under this subsection is used
36 for any purpose other than leasing or renting, or the
37 conditions in paragraphs "a", "b", and "c" are not
38 continuously met, the dealer claiming the exemption
39 under this subsection is liable for the tax that would
40 have been due except for this subsection. The tax
41 shall be computed upon the original purchase price."

42 2. Title page, line 1, by striking the words "of
43 certain sales".

By JENKINS of Black Hawk

H-1054 FILED MARCH 9, 1999

Adopted
3-16-99
(p. 690)

HOUSE FILE 199

H-1029

1 Amend House File 199 as follows:

2 1. Page 1, by inserting after line 10 the
3 following:

4 "Sec. ____ . Section 422B.8, unnumbered paragraph 1,
5 Code 1999, is amended to read as follows:

6 A local sales and services tax at the rate of not
7 more than one percent may be imposed by a county on
8 the gross receipts taxed by the state under chapter
9 422, division IV. A local sales and services tax
10 shall be imposed on the same basis as the state sales
11 and services tax and may shall not be imposed on the
12 sale of any property or on any service not taxed by
13 the state, except the tax shall not be imposed on the
14 gross receipts from the sale of motor fuel or special
15 fuel as defined in chapter 452A, on the gross receipts
16 from the rental of rooms, apartments, or sleeping
17 quarters which are taxed under chapter 422A during the
18 period the hotel and motel tax is imposed, on the
19 gross receipts from the sale of natural gas or
20 electric energy in a city or county where the gross
21 receipts are subject to a franchise fee or user fee
22 during the period the franchise or user fee is
23 imposed, on the gross receipts from the sale of
24 equipment by the state department of transportation,
25 on the gross receipts from the sale of aircraft as
26 defined in section 328.1, and on the gross receipts
27 from the sale of a lottery ticket or share in a
28 lottery game conducted pursuant to chapter 99E. A
29 local sales and services tax is applicable to
30 transactions within those incorporated and
31 unincorporated areas of the county where it is imposed
32 and shall be collected by all persons required to
33 collect state gross receipts taxes. All cities
34 contiguous to each other shall be treated as part of
35 one incorporated area and the tax would be imposed in
36 each of those contiguous cities only if the majority
37 of those voting in the total area covered by the
38 contiguous cities favor its imposition.

39 Sec. ____ . Section 422E.3, subsection 2, Code 1999,
40 is amended to read as follows:

41 2. The tax shall be imposed on the same basis as
42 the state sales and services tax and shall not be
43 imposed on the sale of any property or on any service
44 not taxed by the state, except the tax shall not be
45 imposed on the gross receipts from the sale of motor
46 fuel or special fuel as defined in chapter 452A, on
47 the gross receipts from the rental of rooms,
48 apartments, or sleeping quarters which are taxed under
49 chapter 422A during the period the hotel and motel tax
50 is imposed, on the gross receipts from the sale of

H-1029

H-1029

Page 2

1 equipment by the state department of transportation,
 2 on the gross receipts from the sale of aircraft as
 3 defined in section 328.1, and on the gross receipts
 4 from the sale of a lottery ticket or share in a
 5 lottery game conducted pursuant to chapter 99E."
 6 2. Title page, line 2, by inserting after the
 7 word "taxes" the following: "and under the local
 8 option sales and services taxes".

By DRAKE of Pottawattamie
 KUHN of Floyd

H-1029 FILED FEBRUARY 23, 1999

*Withdrawn 2/24/99
 (P. 428)*

HOUSE FILE 199

H-1030

1 Amend House File 199 as follows:
 2 1. Page 1, by inserting after line 10 the
 3 following:
 4 "Sec. ____ . Section 422.45, Code 1999, is amended
 5 by adding the following new subsection:
 6 NEW SUBSECTION. 55. The gross receipts from the
 7 sale of aircraft as defined in section 328.1.
 8 Sec. ____ . Section 423.4, subsection 4, Code 1999,
 9 is amended to read as follows:
 10 4. Tangible personal property, the gross receipts
 11 from the sale of which are exempted from the retail
 12 sales tax by the terms of section 422.45, except
 13 subsection 4 and subsection 6 of section 422.45 as it
 14 relates to the sale of vehicles subject to
 15 registration or subject only to the issuance of a
 16 certificate of title and except subsection 55 of
 17 section 422.45 as it relates to the sale of aircraft.
 18 Sec. ____ . Section 423.4, Code 1999, is amended by
 19 adding the following new subsection:
 20 NEW SUBSECTION. 4A. Aircraft and tangible
 21 personal property permanently affixed or attached to
 22 aircraft, the gross receipts from the sale or rental
 23 of which are exempted from the retail sales tax by the
 24 terms of subsections 38A, 38B, 38C, and 38D of section
 25 422.45."

By DRAKE of Pottawattamie
 KUHN of Floyd

H-1030 FILED FEBRUARY 23, 1999

*adopted
 2/24/99
 (P. 429)*

*Now out of order
 with adoption of H1054
 3-16-99 (P. 690)*

5-3/24/99 Do Pass

HOUSE FILE 199
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HSB 1)

(As Amended and Passed by the House, March 16, 1999)

Passed House, Date _____ Passed Senate, Date ^(p.1273) 4/22/99
Vote: Ayes _____ Nays _____ Vote: Ayes 48 Nays 1
Approved May 24, 1999

A BILL FOR

* 1 An Act relating to the taxation of aircraft under the state
2 sales, services, and use taxes.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20

Deleted Language *

All New Language by the House

1 Section 1. Section 422.45, subsections 4 and 6, Code 1999,
2 are amended to read as follows:

3 4. The gross receipts from sales of vehicles subject to
4 registration or subject only to the issuance of a certificate
5 of title and sales of aircraft subject to registration under
6 section 328.20.

7 6. The gross receipts from "casual sales". ~~However, this~~
8 ~~exemption does not apply to aircraft.~~

9 Sec. 2. Section 423.2, Code 1999, is amended to read as
10 follows:

11 423.2 IMPOSITION OF TAX.

12 An excise tax is imposed on the use in this state of
13 tangible personal property, including aircraft subject to
14 registration under section 328.20, purchased for use in this
15 state, at the rate of five percent of the purchase price of
16 the property. An excise tax is imposed on the use of leased
17 vehicles at the rate of five percent of the amount otherwise
18 subject to tax as calculated pursuant to section 423.7A. The
19 excise tax is imposed upon every person using the property
20 within this state until the tax has been paid directly to the
21 county treasurer or the state department of transportation, to
22 a retailer, or to the department. An excise tax is imposed on
23 the use in this state of services enumerated in section 422.43
24 at the rate of five percent. This tax is applicable where
25 services are rendered, furnished, or performed in this state
26 or where the product or result of the service is used in this
27 state. This tax is imposed on every person using the services
28 or the product of the services in this state until the user
29 has paid the tax either to an Iowa use tax permit holder or to
30 the department.

31 Sec. 3. Section 423.4, subsection 4, Code 1999, is amended
32 to read as follows:

33 4. Tangible personal property, the gross receipts from the
34 sale of which are exempted from the retail sales tax by the
35 terms of section 422.45, except subsection 4 and subsection 6

1 of section 422.45 as it relates to the sale of vehicles
2 subject to registration or subject only to the issuance of a
3 certificate of title and as it relates to aircraft subject to
4 registration under section 328.20.

5 Sec. 4. Section 423.4, Code 1999, is amended by adding the
6 following new subsections:

7 NEW SUBSECTION. 17. Aircraft for use in a scheduled
8 interstate federal aviation administration certificated air
9 carrier operation.

10 NEW SUBSECTION. 18. Aircraft; tangible personal property
11 permanently affixed or attached as a component part of the
12 aircraft, including but not limited to repair or replacement
13 materials or parts; and all services used for aircraft repair,
14 remodeling, and maintenance services when such services are
15 performed on aircraft, aircraft engines, or aircraft component
16 materials or parts. For the purposes of this exemption,
17 "aircraft" means aircraft used in a scheduled interstate
18 federal aviation administration certified air carrier
19 operation.

20 NEW SUBSECTION. 19. Tangible personal property
21 permanently affixed or attached as a component part of the
22 aircraft, including but not limited to repair or replacement
23 materials or parts; and all services used for aircraft repair,
24 remodeling, and maintenance services when such services are
25 performed on aircraft, aircraft engines, or aircraft component
26 materials or parts. For the purposes of this exemption,
27 "aircraft" means aircraft used in nonscheduled interstate
28 federal aviation administration certified air carrier
29 operation operating under 14 C.F.R. ch. 1, pt. 135.

30 NEW SUBSECTION. 20. Aircraft sold to an aircraft dealer
31 who in turn rents or leases the aircraft if all of the
32 following apply:

33 a. The aircraft is kept in the inventory of the dealer for
34 sale at all times.

35 b. The dealer reserves the right to immediately take the

1 aircraft from the renter or lessee when a buyer is found.

2 c. The renter or lessee is aware that the dealer will
3 immediately take the aircraft when a buyer is found.

4 If an aircraft exempt under this subsection is used for any
5 purpose other than leasing or renting, or the conditions in
6 paragraphs "a", "b", and "c" are not continuously met, the
7 dealer claiming the exemption under this subsection is liable
8 for the tax that would have been due except for this
9 subsection. The tax shall be computed upon the original
10 purchase price.

11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35

HOUSE FILE 199

S-3257

1 Amend House File 199, as amended, passed, and
2 reprinted, by the House, as follows:

3 1. Page 1, by inserting before line 1 the
4 following:

5 "Section 1. NEW SECTION. 328.36A STATE AVIATION
6 FUND.

7 There is created a fund to be known as the state
8 aviation fund, which shall consist of all moneys
9 received by the department from the use tax collected
10 on aircraft subject to registration as provided in
11 section 423.7B, together with all moneys appropriated
12 to the fund by the state.

13 Unless otherwise provided, the fund is appropriated
14 for airport engineering studies and construction of or
15 improvements to public airports.

16 Notwithstanding section 12C.7, subsection 2,
17 interest or earnings on investments or time deposits
18 of the moneys in the state aviation fund shall be
19 credited to the state aviation fund."

20 2. Page 3, by inserting after line 10 the
21 following:

22 "Sec. ____ . NEW SECTION. 423.7B AIRCRAFT SUBJECT
23 TO REGISTRATION.

24 The tax imposed upon the use of aircraft subject to
25 registration shall be paid by the owner of the
26 aircraft to the state department of transportation
27 from whom the registration receipt is obtained. A
28 registration receipt for an aircraft subject to
29 registration shall not be issued until the tax has
30 been paid. The state department of transportation
31 shall require every applicant for a registration
32 receipt for an aircraft subject to registration to
33 supply information as the director deems necessary as
34 to the time of purchase, the purchase price, and other
35 information relative to the purchase of the aircraft.
36 On or before the tenth day of each month the state
37 department of transportation shall remit to the
38 department the amount of the taxes collected during
39 the preceding month.

40 Sec. ____ . Section 423.24, Code 1999, is amended by
41 adding the following new subsection:

42 NEW SUBSECTION. 2A. All revenues derived from the
43 use tax on aircraft subject to registration as
44 collected pursuant to section 423.7B shall be
45 deposited and credited to the state aviation fund
46 created in section 328.36A."

By MIKE CONNOLLY

S-3257 FILED APRIL 6, 1999

W/D

4/22/99 (p. 1273)

HOUSE FILE 199

S-3362

1 Amend House File 199, as amended, passed, and
2 reprinted, by the House, as follows:

3 1. Page 1, by inserting before line 1 the
4 following:

5 "Section 1. Section 328.36, Code 1999, is amended
6 by striking the section and inserting in lieu thereof
7 the following:

8 328.36 STATE AVIATION FUND.

9 There is created a fund to be known as the state
10 aviation fund, which shall consist of all moneys
11 received by the department including the use tax
12 collected pursuant to section 423.7B, together with
13 all moneys appropriated to the fund by the state.

14 Unless otherwise provided, the fund is appropriated
15 for airport engineering studies, construction or
16 improvements.

17 Notwithstanding section 12C.7, subsection 2,
18 interest or earnings on investments or time deposits
19 of the moneys in the state aviation fund shall be
20 credited to the state aviation fund."

21 2. Page 3, by inserting after line 10 the
22 following:

23 "Sec. ____ . NEW SECTION. 423.7B AIRCRAFT SUBJECT
24 TO REGISTRATION.

25 The tax imposed upon the use of aircraft subject to
26 registration shall be paid by the owner of the
27 aircraft to the state department of transportation
28 from whom the registration receipt is obtained. A
29 registration receipt for an aircraft subject to
30 registration shall not be issued until the tax has
31 been paid. The state department of transportation
32 shall require every applicant for a registration
33 receipt for an aircraft subject to registration to
34 supply information as the director deems necessary as
35 to the time of purchase, the purchase price, and other
36 information relative to the purchase of the aircraft.
37 On or before the tenth day of each month the state
38 department of transportation shall remit to the
39 department the amount of the taxes collected during
40 the preceding month.

41 Sec. ____ . Section 423.24, Code 1999, is amended by
42 adding the following new subsection:

43 NEW SUBSECTION. 2A. All revenues derived from the
44 use tax on aircraft subject to registration as
45 collected pursuant to section 423.7B shall be
46 deposited and credited to the state aviation fund
47 created in section 328.36.

48 Sec. ____ . Section 452A.82, Code 1999, is amended
49 to read as follows:

50 452A.82 AVIATION FUEL TAX FUND.

S-3362

-1-

S-3362

Page 2

1 The portion of the moneys collected under this
2 chapter received on account of aviation gasoline and
3 special fuel used in aircraft shall be deposited in a
4 separate fund to be maintained by the treasurer. All
5 moneys remaining in the separate fund after the cost
6 of administering the fund has been paid shall be
7 credited to the ~~general-fund-of-the~~ state aviation
8 fund."

9 3. Title page, line 2, by inserting after the
10 word "taxes" the following: "and the taxation of
11 aircraft fuel under the state motor fuel taxes".

By MIKE CONNOLLY

S-3362 FILED APRIL 14, 1999

w/d
4/22/99
(p. 1273)

**HOUSE FILE 199
FISCAL NOTE**

A fiscal note for Amendment H-1054 to House File 199 is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

Amendment H-1054 to House File 199 exempts the sale of all aircraft from the State sales tax. Instead aircraft subject to registration in Iowa as required by section 328.20, Code of Iowa, become subject to the State use tax. However, those classes of aircraft currently exempt from the State sales tax are made exempt from the State use tax. These exempted classes of aircraft include:

1. Aircraft used in scheduled interstate Federal Aviation Administration certified air carrier operations.
2. Tangible personal property permanently affixed or attached as a component part of the aircraft or services used for aircraft repair, remodeling, or maintenance of aircraft used in scheduled interstate Federal Aviation Administration certified operations.
3. Tangible personal property permanently affixed or attached as a component part of the aircraft, and all services used for aircraft repair, remodeling, and maintenance for aircraft used in nonscheduled interstate Federal Aviation Administration operations certified under 14 C.F.R. ch. 1, pt. 135.
4. Aircraft sold to an aircraft dealer that rents or leases the aircraft provided the aircraft are offered and available for resale without restriction.

Also, the Bill exempts the sale of all aircraft from regular and school infrastructure local option sales and services taxes.

BACKGROUND

According to the Iowa Department of Transportation aircraft registration database, the number of Iowa registered aircraft sold during 1998, 1997, and 1996 were 245, 271, and 213, respectively. During 1996, 16 Iowa registered aircraft worth an estimated value of \$4.6 million were sold out of state. During 1997, 38 Iowa registered aircraft worth an estimated value of \$5.8 million were sold out of state. During 1998, 50 Iowa registered aircraft worth an estimated value of \$13.1 million were sold out of state.

During the 1998 Legislative Session, aircraft registration fees were lowered in order to reduce the incentive for aircraft owners living in border counties to register their aircraft out of state.

ASSUMPTIONS

-2-

1. States bordering Iowa assess sales tax on the purchase of aircraft based on the point of delivery principle. However, there are some exceptions made for new aircraft that will not be based or registered in the delivery state.
2. The number of aircraft sold in Iowa averages about 250 per year, and the median sales price per aircraft is approximately \$80,000. While the average price of aircraft sold in Iowa in recent years is approximately \$400,000, this is due to a small number of expensive corporate aircraft based in Linn and Polk Counties.
3. Approximately 20% of aircraft sales in recent years has occurred in border counties where registration out of state may be a viable option to registration in Iowa.
4. Twenty-five percent of aircraft for which registration out of state is a viable option will do so, if the basis for assessment of the Iowa sales/use tax is changed from point of delivery to registration location.
5. On average, 35 Iowa registered aircraft worth an estimated value of \$7.8 million are sold out of state each year.
6. For the purposes of determining the impact on local option sales tax receipts, the airport at which the aircraft is based is assumed to be the point of delivery for new and used aircraft.
7. Only currently enacted regular local option sales taxes and school infrastructure sales taxes are considered in estimating the fiscal impact on local government revenues.
8. The law will take effect July 1, 1999.

FISCAL IMPACT

Amendment H-1054 to House File 199 is expected to reduce General Fund revenues during FY 2000 by \$380,000 and during FY 2001 by \$430,000.

Local option sales and service tax receipts are expected to be reduced by less than \$50,000 per year during FY 2000 and FY 2001.

SOURCE

Department of Transportation, Aircraft Registration File

(LSB 1400hv.3, MAL)

FILED MARCH 16, 1999

BY DENNIS PROUTY, FISCAL DIRECTOR

**HOUSE FILE 199
FISCAL NOTE**

A fiscal note for House File 199 is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

House File 199 exempts from the state sales and use taxes aircraft not previously registered which are sold to individuals or businesses that are not residents of Iowa who do not register the aircraft in Iowa and remove it from the State within 10 days of delivery.

BACKGROUND

Currently, new aircraft sold by Iowa based manufacturers or manufacturers' agents and that are delivered in Iowa are subject to the state use tax. There are no aircraft manufacturers presently located in Iowa, but one is scheduled to begin production sometime during 1999. Also, a number of companies presently act as sales agents for aircraft manufacturers located in other states.

ASSUMPTIONS

1. The new Iowa based aircraft manufacturer will produce small corporate jets with a base price of \$1.8 million, and at full capacity, the company will be capable of manufacturing 115 aircraft per year.
2. State use tax on a \$1.8 million aircraft would equal \$90,000.
3. Under current law purchasers of these aircraft would take delivery outside Iowa resulting in no tax being collected.
4. From 15 to 30 new aircraft not manufactured in Iowa were sold and delivered in Iowa by Iowa based sales agents each of the past five years. Of these new aircraft from one to nine per year were sold within the year of manufacture to nonresidents. The aggregate value of the nonresident aircraft sales ranged from \$525,000 to \$1,050,000.
5. The law change would take effect July 1, 1999.

FISCAL IMPACT

House File 199 is expected to result in a decrease in revenues to the General Fund of \$25,000 in FY 2000 and \$60,000 in FY 2001.

SOURCE

Department of Transportation, Aircraft Registration File

(LSB 1400hv, MAL)

AN ACT
RELATING TO THE TAXATION OF AIRCRAFT UNDER THE STATE SALES,
SERVICES, AND USE TAXES.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

Section 1. Section 422.45, subsections 4 and 6, Code 1999, are amended to read as follows:

4. The gross receipts from sales of vehicles subject to registration or subject only to the issuance of a certificate of title and sales of aircraft subject to registration under section 328.20.

6. The gross receipts from "casual sales". ~~However, this exemption does not apply to aircraft.~~

Sec. 2. Section 423.2, Code 1999, is amended to read as follows:

423.2 IMPOSITION OF TAX.

An excise tax is imposed on the use in this state of tangible personal property, including aircraft subject to registration under section 328.20, purchased for use in this state, at the rate of five percent of the purchase price of the property. An excise tax is imposed on the use of leased vehicles at the rate of five percent of the amount otherwise subject to tax as calculated pursuant to section 423.7A. The excise tax is imposed upon every person using the property within this state until the tax has been paid directly to the county treasurer or the state department of transportation, to a retailer, or to the department. An excise tax is imposed on the use in this state of services enumerated in section 422.43 at the rate of five percent. This tax is applicable where services are rendered, furnished, or performed in this state or where the product or result of the service is used in this state. This tax is imposed on every person using the services or the product of the services in this state until the user has paid the tax either to an Iowa use tax permit holder or to the department.

Sec. 3. Section 423.4, subsection 4, Code 1999, is amended to read as follows:

4. Tangible personal property, the gross receipts from the sale of which are exempted from the retail sales tax by the terms of section 422.45, except subsection 4 and subsection 6 of section 422.45 as it relates to the sale of vehicles subject to registration or subject only to the issuance of a certificate of title and as it relates to aircraft subject to registration under section 328.20.

Sec. 4. Section 423.4, Code 1999, is amended by adding the following new subsections:

NEW SUBSECTION. 17. Aircraft for use in a scheduled interstate federal aviation administration certificated air carrier operation.

NEW SUBSECTION. 18. Aircraft; tangible personal property permanently affixed or attached as a component part of the aircraft, including but not limited to repair or replacement materials or parts; and all services used for aircraft repair, remodeling, and maintenance services when such services are performed on aircraft, aircraft engines, or aircraft component materials or parts. For the purposes of this exemption, "aircraft" means aircraft used in a scheduled interstate federal aviation administration certified air carrier operation.

NEW SUBSECTION. 19. Tangible personal property permanently affixed or attached as a component part of the aircraft, including but not limited to repair or replacement materials or parts; and all services used for aircraft repair, remodeling, and maintenance services when such services are performed on aircraft, aircraft engines, or aircraft component materials or parts. For the purposes of this exemption, "aircraft" means aircraft used in nonscheduled interstate federal aviation administration certified air carrier operation operating under 14 C.F.R. ch. 1, pt. 135.

NEW SUBSECTION. 20. Aircraft sold to an aircraft dealer who in turn rents or leases the aircraft if all of the following apply:

- a. The aircraft is kept in the inventory of the dealer for sale at all times.
- b. The dealer reserves the right to immediately take the aircraft from the renter or lessee when a buyer is found.
- c. The renter or lessee is aware that the dealer will immediately take the aircraft when a buyer is found.

If an aircraft exempt under this subsection is used for any purpose other than leasing or renting, or the conditions in paragraphs "a", "b", and "c" are not continuously met, the

dealer claiming the exemption under this subsection is liable for the tax that would have been due except for this subsection. The tax shall be computed upon the original purchase price.

RON J. CORBETT
Speaker of the House

MARY E. KRAMER
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 199, Seventy-eighth General Assembly.

ELIZABETH ISAACSON
Chief Clerk of the House

Approved *May 24*, 1999

THOMAS J. VILSACK
Governor