

Senate Study Bill 3152 - Introduced

SENATE FILE _____
BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BILL BY
CHAIRPERSON DAWSON)

A BILL FOR

1 An Act relating to aircraft, including special certificates
2 issued to aircraft manufacturers, transporters, and dealers,
3 and sales and use tax exemptions associated with aircraft,
4 providing fees, making penalties applicable, and including
5 effective date and applicability provisions.
6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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DIVISION I

SPECIAL CERTIFICATES

Section 1. Section 328.28, subsection 1, Code 2022, is amended to read as follows:

1. A manufacturer or dealer owning an aircraft otherwise required to be registered under **this chapter** may operate the aircraft for up to three years for purposes of transporting, testing, demonstrating, or selling the aircraft without registering the aircraft, upon condition that a special certificate be obtained by the owner for each year the owner operates the aircraft as provided in **this section** and sections 328.29 through 328.33.

Sec. 2. Section 328.29, Code 2022, is amended to read as follows:

328.29 Application for special certificate — fee.

A manufacturer, transporter, or dealer may, upon payment of a ~~one~~ four hundred dollar fee, make application to the department upon such forms as the department may prescribe for a special certificate. The applicant shall also submit such reasonable proof of the applicant's status as a bona fide manufacturer, transporter, or dealer as the department may require. Dealers in new aircraft shall furnish satisfactory evidence of a valid franchise with the manufacturer or distributor of such aircraft authorizing such dealership.

Sec. 3. Section 328.32, Code 2022, is amended to read as follows:

328.32 Expiration of special certificate.

A special certificate expires at midnight on ~~June 30~~ October 31, and a new special certificate for the ensuing year may be obtained by the person to whom the expired special certificate was issued, upon application to the department and payment of the fee provided in **section 328.29**.

Sec. 4. Section 328.34, Code 2022, is amended by adding the following new subsection:

NEW SUBSECTION. 7. That the person making application for,

1 or holding, a special certificate operated an aircraft for
2 purposes of transporting, testing, demonstrating, or selling
3 the aircraft, without registering the aircraft, after three
4 years of holding a special certificate for the aircraft in
5 violation of section 328.28.

6 Sec. 5. Section 328.36, subsection 1, Code 2022, is amended
7 to read as follows:

8 1. All moneys received by the department pursuant to ~~section~~
9 sections 328.21 and 328.29 shall be deposited into the state
10 aviation fund created in section 328.56.

11 Sec. 6. EFFECTIVE DATE. This division of this Act takes
12 effect June 30, 2022.

13 Sec. 7. APPLICABILITY. This division of this Act applies to
14 special certificates issued by the department of transportation
15 that are valid for a period beginning after midnight on June
16 30, 2022. Special certificates issued by the department of
17 transportation that are valid for a period beginning after
18 midnight on June 30, 2022, but beginning before midnight on
19 October 31, 2022, shall expire at midnight on October 31,
20 2023, and the validity period for such special certificates
21 shall count as only one year for purposes of section 328.28,
22 subsection 1, as amended in this division of this Act, and
23 section 328.34, subsection 7, as enacted in this division of
24 this Act.

25 DIVISION II

26 SALES AND USE TAX EXEMPTIONS

27 Sec. 8. Section 423.3, subsections 74 and 76, Code 2022, are
28 amended to read as follows:

29 74. The sales price from the sale or rental of aircraft for
30 use in a scheduled interstate federal aviation administration
31 certificated air carrier operation.

32 76. The sales price from the sale or rental of tangible
33 personal property permanently affixed or attached as a
34 component part of the aircraft, including but not limited
35 to repair or replacement materials or parts; and the sales

1 price of all services used for aircraft repair, remodeling,
2 and maintenance services when such services are performed on
3 aircraft, aircraft engines, or aircraft component materials or
4 parts. For the purposes of this exemption, "aircraft" means
5 ~~aircraft used in nonscheduled interstate federal aviation~~
6 ~~administration certificated air carrier operation operating~~
7 ~~under 14 C.F.R. ch. 1, pt. 135~~ the same as defined in section
8 328.1.

9 Sec. 9. Section 423.3, subsection 75, Code 2022, is amended
10 by striking the subsection.

11 EXPLANATION

12 The inclusion of this explanation does not constitute agreement with
13 the explanation's substance by the members of the general assembly.

14 SPECIAL CERTIFICATES. Under current law, an aircraft
15 manufacturer or dealer may operate an aircraft for purposes of
16 transporting, testing, demonstrating, or selling the aircraft
17 without registering the aircraft by obtaining a special
18 certificate from the department of transportation (DOT). This
19 bill limits the period a manufacturer or dealer may operate
20 the aircraft under a special certificate to three years. The
21 bill increases the annual fee for a special certificate from
22 \$100 to \$400, and provides that a special certificate expires
23 at midnight on October 31 rather than midnight on June 30.
24 The bill provides that the DOT may refuse to issue, or may
25 revoke or suspend, a special certificate if the person making
26 application for, or holding, the special certificate operated
27 such an aircraft after three years of holding a special
28 certificate for the aircraft in violation of the bill.

29 Under current law, aircraft registration fees collected
30 under Code section 328.21 are required to be deposited in the
31 state aviation fund. The bill specifies that fees received by
32 the DOT for the issuance of special certificates must also be
33 deposited in the state aviation fund, in accordance with the
34 current practice.

35 These provisions take effect June 30, 2022, and apply to

1 special certificates issued by the DOT that are valid for a
2 period beginning after midnight on June 30, 2022. The bill
3 provides that special certificates issued by the DOT that are
4 valid for a period beginning after midnight on June 30, 2022,
5 but beginning before midnight on October 31, 2022, shall expire
6 at midnight on October 31, 2023, and the validity period for
7 such special certificates shall count as only one year for
8 purposes of the bill.

9 Under current law, Code section 328.40 provides that any
10 person who violates any of the provisions of Code chapter
11 328 shall be guilty of a fraudulent practice. A fraudulent
12 practice is punishable by criminal penalties under Code
13 sections 714.9 through 714.13.

14 SALES AND USE TAX EXEMPTIONS. Under current law, Code
15 section 423.3 exempts from the Iowa sales and use tax, among
16 other things, the sale, rental, or use of aircraft component
17 parts permanently attached to an aircraft, including repair or
18 replacement materials or parts, and repair, remodeling, and
19 maintenance services used on an aircraft, aircraft engine, or
20 aircraft component materials or parts, provided the aircraft is
21 used in either a scheduled or nonscheduled interstate federal
22 aviation administration (FAA) certified air carrier operation
23 (scheduled or nonscheduled FAA operation). The bill removes
24 the requirement that the aircraft be used in a scheduled or
25 nonscheduled FAA operation to qualify for the exemption. The
26 sale, rental, or use of the component parts and services
27 described above will be exempt from the sales and use tax
28 when permanently attached to or performed on any aircraft.
29 The bill defines "aircraft" to mean the same as it does for
30 purposes of Code chapter 328 (aeronautics), which includes any
31 contrivance now known, or hereafter invented, used or designed
32 for navigation of or flight in the air, for the purpose of
33 transporting persons or property, or both.

34 The bill also makes nonsubstantive changes to Code sections
35 423.3(74) and 423.3(75) to strike or move similar language

S.F. _____

1 relating to the sales and use tax exemption described in the
2 bill and to the sales and use tax exemption for the sale or
3 rental of aircraft used in a scheduled FAA operation.