

# MINNESOTA • REVENUE

## SALES AND USE TAX Aircraft Purchases Exemption

March 1, 2011

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue  
Analysis of H.F. 706 (Hancock) / S.F. 519 (Carlson)

	<b>Fund Impact</b>			
	<u>F.Y. 2012</u>	<u>F.Y. 2013</u>	<u>F.Y. 2014</u>	<u>F.Y. 2015</u>
	(000's)			
General Fund	(\$5,300)	(\$5,400)	(\$5,600)	(\$5,800)
Natural Resources and Arts Funds	(\$280)	(\$310)	(\$320)	(\$330)
<b>Total – All Funds</b>	(\$5,580)	(\$5,710)	(\$5,920)	(\$6,130)

Effective for sales and purchases made after June 30, 2011.

### EXPLANATION OF THE BILL

**Current Law:** Non-commercial aircraft are subject to the Minnesota sales and use tax provided that they are kept in hangars in Minnesota. This includes purchases from a private party, a business that does not normally sell aircraft, or from an out-of-state dealer. In contrast, a sales tax exemption applies to airlift equipment of commercial airline companies subject to airlift property tax.

There are three primary ways for sales tax on taxable aircraft purchases to be remitted to the State of Minnesota: 1) the purchaser may pay the sales tax to the Department of Transportation (DOT) – Aeronautics Division at the time of initial registration; 2) the sales tax may be collected by a dealer at the time of purchase and the dealer remits the sales tax to the Department of Revenue (DOR); or 3) the purchaser may remit sales or use tax directly to DOR and subsequently provide proof of sales tax paid at the time of registration. The sales tax on aircraft parts is generally remitted to DOR by the seller of the parts.

**Proposed Law:** The sale or purchase of aircraft, as defined under Federal Aviation Regulations, Part 135, that have a maximum certified takeoff weight of 6,000 pounds or more would be exempt. Also, the bill would exempt repair and maintenance parts for these aircraft.

## REVENUE ANALYSIS DETAIL

### *Aircraft Purchases*

- For fiscal years 2009 and 2010, information from DOT-Aeronautics shows that there are approximately 6,500 non-commercial aircraft registered in Minnesota.
- It is estimated that 300 new and used aircraft with a gross take-off weight greater than 6,000 pounds are purchased annually. The average list price of these planes is estimated to be approximately \$400,000.
- With adjustments for exempt transactions and credit for taxes+ paid to another state, it is estimated that about 60% of the value of these new registrations is subject to the sales tax.
- Global Insight, Inc. forecasts an average annual growth rate of 2.9% for the period 2011-2015 for aircraft.

### *Aircraft Parts Purchases*

- Based on information from DOT-Aeronautics and sales tax collections by aircraft dealers and aircraft maintenance and repair businesses, it is estimated that the annual value of the parts purchases for the aircraft over 6,000 pounds was \$4.8 million in fiscal year 2010.
- It is expected parts will have an average annual growth rate of 2.9% for the forecast period.
- Fiscal year 2012 is adjusted for 11 months of collections.

Source: Minnesota Department of Revenue  
Tax Research Division  
[http://www.taxes.state.mn.us/taxes/legal\\_policy](http://www.taxes.state.mn.us/taxes/legal_policy)