

Fiscal Note

BILL # SB 1406

TITLE: aircraft registration fees; taxation; repeal

SPONSOR: Petersen

STATUS: As Introduced

PREPARED BY: Jordan Johnston

Description

SB 1406 would repeal the aircraft registration fee, the aircraft license tax, and any applicable penalties. The aircraft license tax is a tax imposed on aircraft based and registered in the state.

Estimated Impact

Based on FY 2020 revenue distributions, we estimate the bill will decrease FY 2022 revenues by \$(8.3) million as follows: \$(4.1) million from the General Fund, \$(2.9) million from the State Aviation Fund, and \$(1.2) million from local governments.

The Arizona Department of Transportation (ADOT) confirmed the FY 2020 revenue figures. The department, however, did not provide an estimated impact of the bill.

Analysis

The aircraft license tax is a tax paid by owners of aircraft registered in the state. Aircraft exempt from the tax include regularly scheduled aircraft operated by an airline company for hire, non-resident owned aircraft not used for intrastate commerce activities and not based in Arizona for more than 90 days per year, and aircraft operated exclusively in the public service of a government entity. The aircraft license tax consists of multiple fees: 1) \$5 registration fee, 2) 0.5% tax of the average fair market value of the aircraft (with a minimum charge of \$20), and 3) applicable penalties levied of \$25 for the first month and \$5 for each succeeding month if registration requirements are not met.

Additional fees and taxes apply to nonresidents who base an aircraft in Arizona for more than 90 days but less than 210 days in a calendar year and are not engaged in intrastate commerce, aircrafts in storage or repair, salvaged aircrafts in storage or being restored, manufacturer's aircrafts, and maintenance aircraft owned by a nonresident.

Monies from the aircraft license tax are deposited as follows: 50% to the state General Fund, 35% to the State Aviation Fund, 9.5% to counties proportional to state population, 5.5% to incorporated cities and towns proportional to state population.

In FY 2020, ADOT reported that revenues distributed from the aircraft license tax totaled \$8.3 million. Of that total amount, \$4.1 million was allocated to the General Fund, \$2.9 million was allocated to the State Aviation Fund, \$785,600 was allocated to Counties, and \$454,800 was allocated to cities and towns. The repeal of the aircraft license tax would subsequently result in the loss of these revenues.

Local Government Impact

Local governments receive 15% of aircraft license tax revenues, with 9.5% directed to counties and 5.5% to cities and towns. This bill would result in a loss of \$(785,600) to counties and \$(454,800) to cities and towns starting in FY 2022.

2/8/21

JLBC