



## Legislative Fiscal Bureau

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February 19, 2014

TO: Members  
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Assembly Bill 438 and Senate Bill 348: Sales and Use Tax Exemption for Aircraft Parts and Services

Assembly Bill 438 was introduced on October 17, 2013, and was referred to the Assembly Committee on Ways and Means. That Committee recommended the bill for passage on a vote of 10 to 0 on February 6, 2014. On February 7, 2014, the bill was referred to the Joint Committee on Finance.

Senate Bill 348 was introduced on October 14, 2013, and was referred to the Senate Committee on Economic Development and Local Government. That Committee recommended the bill for passage on a vote of 5 to 0 on October 29, 2013.

AB 438 and SB 348 were identical when introduced.

### **CURRENT LAW**

Wisconsin imposes a general sales and use tax at a rate of five percent on the sales price or purchase price of taxable goods and services sold or used in this state, with certain exceptions. Current law provides an exemption from the tax for an aircraft, including accessories, attachments, fuel, and parts, provided that the aircraft is sold to a person using such aircraft as certified or licensed carriers of persons or property in interstate or foreign commerce (such as commercial airline carriers). An exemption from the tax also applies to aircraft purchases made by nonresidents of this state who will remove such aircraft from, and will not use such aircraft in, this state.

If an aircraft were exempt from the sales and use tax when purchased, the repairs to the aircraft are also exempt from the tax under current law. For example, if a nonresident were to fly an aircraft into the state and purchase parts and repair services, the parts would be subject to the tax; however, the repair service would not be taxable because the nonresident's aircraft was not

subject to Wisconsin's tax when purchased. Residents and businesses that purchase aircraft for recreational use and most business use (not as a commercial airline carrier) are generally subject to the tax for parts and repair services.

## **SUMMARY OF BILLS**

AB 438 and SB 348 would create an exemption from the state sales and use tax for the repair, service, alteration, fitting, cleaning, painting, coating, towing, inspection, and maintenance of any aircraft or aircraft parts in this state. The bills would also create an exemption from the tax for parts used to modify or repair an aircraft. These exemptions would take effect on the first day of the third month beginning after publication of the bills.

As a result, exemptions to the sales and use tax would apply to all purchases of aircraft: (a) parts; and (b) repair, service, alteration, fitting, cleaning, painting, coating, towing, inspection, and maintenance. The bills would retain current law exemptions for aircraft sold to a: (1) person using such aircraft as certified or licensed carrier of persons or property in interstate or foreign commerce; and (2) nonresident of this state who will remove such aircraft from, and will not use such aircraft in, this state. Other aircraft purchases by state residents and businesses would remain subject to the tax.

## **FISCAL EFFECT**

Based on information from state sales and use tax returns, the Department of Revenue estimates that the exemptions created under AB 438 and SB 348 would reduce state sales and use tax revenues by \$2.9 million on an annual basis. Assuming an effective date of May 1, 2014, it is estimated that SB 348 would reduce state tax revenues by \$480,000 in 2013-14 and by \$2.9 million in 2014-15.

Prepared by: Sean Moran