

FISCAL NOTE TO  
[Second Reprint]  
**ASSEMBLY, No. 2470**

**STATE OF NEW JERSEY**

DATED: JANUARY 2, 1998

Assembly Bill No. 2470 (2R) of 1997 would expand the current commercial airline sales and use tax exemption for sales of aircraft and aircraft repair services in New Jersey. The bill would expand the exemption to include any aircraft maintenance and repair services performed in the State and the machinery or equipment installed or replaced on any aircraft.

The Division of Taxation has prepared a fiscal note to the bill noting there are not enough data collected by the division to estimate the full loss of revenue. The division is estimating the loss for services to be \$900,000 per year based on the only data that are available -- sales tax filings by fixed base operators and others that service and repair non-commercial and recreational aircraft. It reports these vendors remitted an average of \$890,361 per year for the last two calendar years for which data are available. The division states further there are no data available to estimate the sales tax loss that would result by exempting machinery and equipment to be installed on non-commercial and recreational aircraft.

The Office of Legislative Services (OLS) concurs with the Division of Taxation that it is not possible to estimate the true loss of revenue. The loss could be more or less than the estimate that the division attributes to services. The known actual remittance reported by the division could include sales taxes on the sale of aircraft to businesses and individuals, which would not become exempt under the bill, as well as parts and equipment, which would become exempt in addition to services. The OLS notes further there are a number of fleets of corporate aircraft based in New Jersey. In some instances, the owners operate their own maintenance and repair facilities. Sales taxes paid now on purchases of aircraft repair parts is likely to be remitted with other use tax payments made by the corporation. Thus, the loss should be greater than the level estimated by the division.

This fiscal note has been prepared pursuant to P.L.1980, c.67.