

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

[First Reprint]

ASSEMBLY, No. 2470

with Assembly committee amendments

STATE OF NEW JERSEY

DATED: DECEMBER 11, 1997

The Assembly Appropriations Committee reports favorably Assembly Bill No. 2470 (1R), with committee amendments.

Assembly Bill No. 2470 (1R), as amended, expands the current sales and use tax exemption for sales of aircraft and aircraft repair service. Currently, aircraft sold to regulated commercial carriers, and the repairs to such aircraft, are exempt. This bill exempts the charges for services involved in maintaining, servicing or repairing any aircraft, including machinery or equipment to be installed on such aircraft and replacement parts therefor, if the services are performed at an aircraft facility in the State.

As amended, this bill is identical to Senate Bill No. 1909 (1R).

FISCAL IMPACT:

The Division of Taxation estimates, based on sales tax remittances from base operators and others that service and repair of non-commercial and recreational aircraft, a loss of \$900,000 per year for the exemption of services performed on aircraft. The division states that there are no data available to estimate the sales tax loss that would result from exempting machinery and equipment to be installed in aircraft.

The Division of Taxation and the Office of Legislative Services (OLS) note that the data are inadequate. OLS notes that revenue loss could be more or less than the estimate that the division attributes to services; more, because actual remittances could include sales taxes on the sale of aircraft (which the bill would not exempt), or less, because private fleet owners currently doing their own repairs and paying sales tax on their part purchases could become exempt by shifting repair work to airports.

COMMITTEE AMENDMENTS:

The amendments extend the sales tax exemption beyond aircraft maintenance services to include the machinery or equipment to be installed on such aircraft.

The amendments also make the bill identical to Senate Bill No. 1909 (1R).