FISCAL IMPACT REPORT

SPONSOR: Sanchez, R.G. DATE TYPED: 03/29/00 HB 14

SHORT TITLE: Gross Receipts Deduction for Aircraft Manufacturer SB

ANALYST: Eaton

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY00	FY01			
	$ (260.0)	$ (260.0)	Recurring	General Fund
	$ (154.0)	$ (154.0)	Recurring	Local Governments

(Parenthesis ( ) Indicate Revenue Decreases)

SOURCES OF INFORMATION

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

This bill proposes a gross receipts tax deduction for receipts of a manufacturer from the sale of aircraft. This applies to direct manufacturer sales by an in-state or out-of-state manufacturer of fixed wing aircraft, helicopters and hot-air and helium balloons, as well as ultralight aircraft and probably hang gliders. Dealer sales would remain taxable on 50% of the value of the aircraft (after appropriate trade-in deduction).

Significant Issues

Las week, the Albuquerque Journal reported that an Arizona company is evaluating several locations for a new aircraft manufacturing plant. The Albuquerque area is among the locations being considered for the new manufacturing plant. The year-old company plans to build affordable corporate jets. The move could eventually bring 2,000 jobs to the Duke City by 2007.

FISCAL IMPLICATIONS

The Aviation Division estimates three new fixed-wing aircraft are purchased and registered in New Mexico annually. However, U.S. aircraft shipments for general aviation and helicopters indicate 1998 estimated unit sales of 2,370 and value of $5.54 billion, which is an average per aircraft of $2.3 million. Using the standard income adjusted population figure of .5%, we would expect 12 new aircraft on average per year, with a value of about $28 million. Assuming the 50% aircraft deduction and that any trade-in is sold in the same fiscal year, the net gross receipts consequences of these sales are about $520 state and $308 local governments. Currently, virtually all new aircraft sales are made through dealers. With the deduction of this bill (equivalent to a 3% discount on a $2.3 million aircraft, or almost $70,000), it is highly likely that manufacturers will establish direct sales links into the state and displace the dealer network. The estimate above assumes that 50% of the value of aircraft sales will be displaced. Because of the sporadic nature of aircraft sales, no adjustment is made for the fiscal year effect. There is no credible data easily available to the Department that would allow an estimate of the impact of this bill on sales or gross receipts tax on hot-air and helium balloons or ultralight aircraft. This could as much as double the above estimate.

ADMINISTRATIVE IMPLICATIONS

None.

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