

**COMMONWEALTH OF KENTUCKY STATE FISCAL NOTE STATEMENT
LEGISLATIVE RESEARCH COMMISSION
2017 REGULAR SESSION**

MEASURE

2017 BR NUMBER 1240

HOUSE BILL NUMBER 368

RESOLUTION NUMBER _____

AMENDMENT NUMBER _____

SUBJECT/TITLE An ACT relating to tax credits.

SPONSOR Representative D. St. Onge

NOTE SUMMARY

FISCAL ANALYSIS: IMPACT NO IMPACT INDETERMINABLE IMPACT

LEVEL(S) OF IMPACT: STATE LOCAL FEDERAL

BUDGET UNIT(S) IMPACT: Department of Aviation

FUND(S) IMPACT: GENERAL ROAD FEDERAL RESTRICTED AGENCY _____ OTHER

FISCAL SUMMARY

FISCAL ESTIMATES	2016-2017	2017-2018	ANNUAL IMPACT AT FULL IMPLEMENTATION
REVENUES		(\$3,000,000)	See explanation below
EXPENDITURES			
NET EFFECT		(\$3,000,000)	See explanation below

() indicates a decrease/negative

MEASURE'S PURPOSE: The purpose of this bill is to expand the sales tax credit currently allowed to certificated air carriers to persons that contract with one or more certificated air carriers for the transportation by air of persons, property, or mail and that purchase and pay for the aviation fuel, including jet fuel, used for that purpose. All persons that qualify pay on the first \$1,000,000 in sales and use tax due on the purchase of the fuel each fiscal year, the remainder of tax due on purchases of fuel is exempt for that fiscal year.

PROVISIONS/MECHANICS: Amends KRS 144.132 to allow persons that contract with one or more certificated air carriers for the transportation by air of persons, property, or mail and that purchase and pay for the aviation fuel used for that purpose a sales and use tax credit equal to the amount in excess of \$1,000,000 each fiscal year; repeals various statutes.

FISCAL EXPLANATION: There are less than ten certificated air carriers that qualify for the credit under current law, most of which receive an average credit of \$2-\$4 million each fiscal year. Based upon the information available, it is anticipated that very few additional companies will qualify for the credit in FY 2017-2018 due to the expansion of this credit. KRS 183.525 requires all sales and use tax on aviation fuel be deposited in the Kentucky Aviation Economic

Development (AED) Fund. Therefore, it is estimated that if this proposal is enacted, there will be a negative impact to the AED fund in FY 2017-2018 of approximately (\$3,000,000). It should be noted that the negative impact to the AED fund may increase over time should the companies that qualify under this proposed language increase the amount of aviation fuel purchased due to an increase in their business operations or more companies use this business model to transport their goods. Due to the effective date of the proposed bill, there is no fiscal impact in FY 2016-2017.

DATA SOURCE(S):

PREPARER: Charlotte Quarles **NOTE NUMBER:** 71 **REVIEW:** JRS **DATE:** 2/20/2017