



# HOUSE BILL 1046: Expand Aviation Sales Tax Exemption.

2021-2022 General Assembly

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<b>Committee:</b>	House Finance. If favorable, re-refer to Rules, Calendar, and Operations of the House	<b>Date:</b>	June 2, 2022
<b>Introduced by:</b>	Reps. Hardister, Szoka	<b>Prepared by:</b>	Trina Griffin
<b>Analysis of:</b>	PCS to First Edition H1046-CSSVf-35		Staff Attorney

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**OVERVIEW:** *The Proposed Committee Substitute for House Bill 1046 would broaden the sales and use tax exemption for parts and accessories used in the repair or maintenance of aircraft to extend to all aircraft with a maximum take-off weight of two thousand pounds and above. This would align the sales tax exemption for parts and accessories with the existing exemption for labor performed on aircraft.*

*This bill would become effective July 1, 2022, and apply to sales occurring on or after that date.*

**CURRENT LAW:** Generally speaking, repair, maintenance, and installation services and service contracts are subject to sales and use tax. There are numerous exceptions, one of which is for services performed on (i) a qualified aircraft (MTOW<sup>1</sup> >9,000 but <15,000 pounds), (ii) a qualified jet engine, or (iii) an aircraft with an MTOW of more than 2,000 pounds.

Parts and accessories used in the repair and maintenance of the following types of aircraft are also exempt from sales and use tax:

- Commercial aircraft.
- General aviation aircraft with a MTOW between 9,000 and 15,000 pounds and over 100,000 pounds.
- Qualified jet engine.

As such, sales of parts and accessories for general aviation aircraft with a MTOW of 2,000-9,000 pounds and 15,000-100,000 pounds are subject to sales and use tax.

**BILL ANALYSIS:** Section 1 of the PCS for House Bill 1046 would close the above-mentioned gaps by exempting parts and accessories for all aircraft with an MTOW of 2,000 pounds and above. This change would align the exemptions for parts and accessories and labor services as it relates to aircraft.

Section 2 of the bill makes a technical and conforming change to the labor exemption. Currently, sales tax does not apply to repair, maintenance, and installation services and service contracts for following categories:

1. A qualified aircraft.
2. A qualified jet engine.
3. An aircraft with a gross take-off weight of more than 2,000 pounds.

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<sup>1</sup> MTOW refers to maximum take-off weight.

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# House 1046 PCS

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The third category is no longer needed because it will be subsumed within the newly amended definition of "qualified aircraft."

**EFFECTIVE DATE:** This bill would become effective July 1, 2022, and apply to sales occurring on or after that date.