

Repeal sales tax exemption for items used in interstate commerce (aircraft fuel)

Description This proposal would eliminate the sales tax exemption for sales of tangible personal property used in interstate or foreign commerce by air, rail, or water carriers.

This proposal does not apply to sales of interstate transportation equipment (aircraft, trains, or vessels) or to sales of component parts of such equipment.

Current law Under current law, sales tax does not apply to sales of tangible personal property used or consumed outside this state by carriers conducting interstate transportation activities. Examples of exempt purchases include fuel and food services that are used or consumed outside this state. Carriers owe use tax if they use or consume such tangible personal property in this state.

In its 2008 Tax Preference Review Report, the Joint Legislative Audit and Review Committee (JLARC) estimated that as many as 115 air transportation companies, 67 water transportation companies, and 2 rail transportation companies benefit from the sales tax exemption.

Retail sales of transportation equipment (airplanes, trains, and watercraft) are exempt under another statute.

Revenue Impact
(\$ millions)

General Fund Impacts (\$ millions):

Fiscal Year 2012	Fiscal Year 2013	2011-2013 Biennium
\$0	\$ 101.1	\$101.1

Notes:

- Estimate assumes a July 1, 2012 effective date, representing 11 months of collections for FY 2013.
- Estimate reflects the September 2011 Economic & Revenue Forecast Council revenue forecast.

Expenditure Impact

Fiscal Year 2012	Fiscal Year 2013	2011-2013 Biennium
\$3,400	\$0	\$3,400