

**DEPARTMENT OF TAXATION
2025 Fiscal Impact Statement**

1. **Patron** Bill DeSteph
3. **Committee** Senate Finance and Appropriations
4. **Title** Sales and use tax exemption; Aircraft components

2. **Bill Number** SB 942
House of Origin:
 X **Introduced**
 Substitute
 Engrossed
- Second House:**
 In Committee
 Substitute
 Enrolled

5. Summary/Purpose:

This bill would remove the sunset date from the sales and use tax exemption for parts, engines, and supplies used for maintaining, repairing, or reconditioning aircraft or any aircraft’s avionics system, engine, or component parts. The bill would also remove the requirement that, for manned systems, the term “aircraft” includes only aircraft with a maximum takeoff weight of at least 2,400 pounds.

Under current law, the exemption for aircraft components is scheduled to expire July 1, 2025 and applies only to aircraft with a maximum takeoff weight of at least 2,400 pounds.

If enacted during the regular session of the 2025 General Assembly, this bill would become effective July 1, 2025.

6. **Budget amendment necessary:** No.
7. **Fiscal Impact Estimates are:** Not available. (See Line 8.)
8. **Fiscal implications:**

Administrative Costs

The Department of Taxation (“the Department”) considers implementation of this bill to be “routine” and does not require additional funding. The bill would have no impact on local administrative costs.

Revenue Impact

The provision of this bill that would repeal the sunset date from the exemption would have no impact on revenues because the continuation of existing sales tax exemptions such as this one is assumed in the Introduced Executive Budget.

The provision of this bill that would expand the exemption to include manned aircraft with a maximum takeoff weight of under 2,400 pounds would have an unknown negative

impact on revenues beginning in Fiscal Year 2026. According to an Economic Development Incentives 2024 Report (November 7, 2024) prepared by the Joint Legislative Audit and Review Commission, the average annual revenue loss from this exemption as a whole is approximately \$5.7 million. While it is unknown the extent to which expanding this exemption by eliminating the maximum takeoff weight requirement would impact revenues, the impact is expected to be minimal.

9. Specific agency or political subdivisions affected:

Department of Taxation
All localities

10. Technical amendment necessary: No.

11. Other comments:

Current Law

Legislation enacted during the 2017 General Assembly exempted from the Retail Sales and Use Tax parts, engines, and supplies used for maintaining, repairing, or reconditioning aircraft or any aircraft’s avionics system, engine, or component parts. The exemption covers both manned and unmanned systems but does not cover tools or equipment. The exemption does not restrict the sales tax exemption available to scheduled common carriers under current law. The scope of the exemption was clarified in 2022 to apply only to aircraft with a maximum takeoff weight of at least 2,400 pounds.

Since most common carrier airlines already qualify for the exemption enumerated in *Va. Code* § 58.1-609.3(6), the two identifiable groups of taxpayers who benefit from this exemption are unscheduled common carriers and owners of private planes. This exemption allows those two groups of aircraft owners to purchase parts, engines, and supplies used to maintain, repair, and recondition their aircraft and avionic systems exempt from the Retail Sales and Use Tax. The inclusion of unmanned systems within the law means that drones are eligible for the exemption as well.

Proposal

This bill would remove the sunset date from the sales and use tax exemption for parts, engines, and supplies used for maintaining, repairing, or reconditioning aircraft or any aircraft’s avionics system, engine, or component parts. The bill would also remove the requirement that, for manned systems, the term “aircraft” includes only aircraft with a maximum takeoff weight of at least 2,400 pounds.

If enacted during the regular session of the 2025 General Assembly, this bill would become effective July 1, 2025.

Similar Legislation

House Bill 1729 is substantively identical to this bill.

House Bill 2248 is identical to this bill.

cc : Secretary of Finance

Date: 01/14/2025 VB
SB942F161