A BILL FOR AN ACT

CONCERNING A SALES AND USE TAX EXEMPTION FOR AIRCRAFT TO BE USED BY ON-DEMAND AIR CARRIERS.

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at http://leg.colorado.gov.)

The bill creates a sales and use tax exemption for the purchase, storage, use, or consumption of an aircraft for use in interstate, intrastate, or foreign commerce by an on-demand air carrier if the aircraft is purchased by a person and then subsequently leased or subleased to an on-demand air carrier or if the aircraft is purchased by an on-demand air carrier.
The bill specifies that a statutory town, city, or county may exempt the same items only by express inclusion of the exemption in its initial sales tax ordinance or resolution or by amendment thereto.

The bill requires any special district or other limited purpose governmental entity that is authorized by law to levy sales tax upon all transactions or incidents with respect to which the state levies sales tax to levy a tax on the purchase, storage, use, or consumption of aircraft for use in interstate, intrastate, or foreign commerce by an on-demand air carrier.

Be it enacted by the General Assembly of the State of Colorado:

SECTION 1. Legislative declaration. (1) The general assembly hereby finds and declares:

(a) That the intended purpose of this act is to place additional aircraft in commercial service in Colorado, which will increase jobs related to their operation;

(b) A recent survey of several Colorado-based on-demand air carriers reflected that, on average, each aircraft creates slightly more than five jobs to support its operation;

(c) Colorado has a multitude of on-demand air carriers that will have increased access to additional aircraft as a result of this exemption;

(d) The exemption will help current on-demand air carriers to update their fleet with newer aircraft with enhanced safety features; and

(e) Colorado's rural communities will benefit through additional service because service providers critical to rural communities, such as medical support, rely on on-demand air carriers to access communities with no commercial airline service.

SECTION 2. In Colorado Revised Statutes, 39-26-711, amend (1) introductory portion and (2) introductory portion; and add (1)(c), (2)(c), (3), and (4) as follows:

(1) The following shall be exempt from taxation under the provisions of part 1 of this article ARTICLE 26:

(c) (I) Effective July 1, 2018, the purchase of an aircraft by a person, if such aircraft is then leased or subleased for a term of not less than twenty-four months, for use in interstate, intrastate, or foreign commerce by an on-demand air carrier.

(II) Effective July 1, 2018, the purchase of an aircraft by an on-demand air carrier for use in interstate, intrastate, or foreign commerce by such on-demand air carrier.

(2) The following shall be exempt from taxation under the provisions of part 2 of this article ARTICLE 26:

(c) (I) Effective July 1, 2018, the storage, use, or consumption of an aircraft, if such aircraft is purchased by a person and then leased or subleased for a term of not less than twenty-four months, for use in interstate, intrastate, or foreign commerce by an on-demand air carrier.

(II) Effective July 1, 2018, the storage, use, or consumption of an aircraft if such aircraft is purchased by an on-demand air carrier for use in interstate, intrastate, or foreign commerce by such on-demand air carrier.

(3) For purposes of this section, "on-demand air carrier" means an entity authorized by the Federal Aviation Administration to operate an aircraft to transport people or property in compliance with the certification and operations requirements set forth in 14 CFR 125, 133, or 135.

(4) Notwithstanding the exemptions provided for in subsections (1)(c) and (2)(c) of this section, any special district
OR OTHER LIMITED PURPOSE GOVERNMENTAL ENTITY THAT IS AUTHORIZED
BY LAW TO LEVY SALES TAX UPON ALL TRANSACTIONS OR INCIDENTS WITH
RESPECT TO WHICH THE STATE LEVIES SALES TAX, REGARDLESS OF
WHETHER THE AUTHORIZATION SPECIFICALLY REFERENCES THIS ARTICLE
26, SHALL, IF IT LEVIES SALES TAX, LEVY THE TAX ON THE ITEMS
EXEMPTED IN SUBSECTIONS (1)(c) AND (2)(c) OF THIS SECTION.

SECTION 3. In Colorado Revised Statutes, 29-2-105, add
(1)(d)(I)(P) as follows:

29-2-105. Contents of sales tax ordinances and proposals -
repeal. (1) The sales tax ordinance or proposal of any incorporated town,
city, or county adopted pursuant to this article shall be imposed on the
sale of tangible personal property at retail or the furnishing of services,
as provided in subsection (1)(d) of this section. Any countywide or
incorporated town or city sales tax ordinance or proposal shall include the
following provisions:

(d)(I) A provision that the sale of tangible personal property and
services taxable pursuant to this article shall be the same as the sale of
tangible personal property and services taxable pursuant to section
39-26-104, except as otherwise provided in this subsection (1)(d). The
sale of tangible personal property and services taxable pursuant to this
article shall be subject to the same sales tax exemptions as those specified
in part 7 of article 26 of title 39; except that the sale of the following may
be exempted from a town, city, or county sales tax only by the express
inclusion of the exemption either at the time of adoption of the initial
sales tax ordinance or resolution or by amendment thereto:

(P) THE ON-DEMAND AIR CARRIER EXEMPTIONS SET FORTH IN
SECTION 39-26-711 (1)(c) AND (2)(c).
SECTION 4. Safety clause. The general assembly hereby finds, determines, and declares that this act is necessary for the immediate preservation of the public peace, health, and safety.