

Adverse impact notification sent to Joint Commission on Administrative Rules, House Committee on Appropriations, and Senate Committee on Finance (COV § 2.2-4007.04.C): Yes Not Needed

If/when this economic impact analysis (EIA) is published in the *Virginia Register of Regulations*, notification will be sent to each member of the General Assembly (COV § 2.2-4007.04.B).



Virginia Department of Planning and Budget Economic Impact Analysis

23 VAC 10-220 – Aircraft Sales and Use Tax
Department of Taxation
Town Hall Action/Stage: 4643/7675
October 3, 2016

Summary of the Proposed Amendments to Regulation

The Department of Taxation (Department) proposes to amend its regulation for the Aircraft Sales and Use Tax to make clarifying changes and to remove references to a now obsolete retail sales and use tax rate.

Result of Analysis

Benefits outweigh costs for all proposed changes.

Estimated Economic Impact

The Department proposes several changes to this regulation that do not change current rules or practice. For instance, the Department proposes to reword the preface to the definition section of the regulation to make it more easily understandable. Changes such as these do not impose any costs on any affected entity but provide the benefit of additional clarity to interested parties reading the regulation.

Currently, this regulation states that the retail sales and use tax for aircraft is four percent. Department staff report, however, that this tax rate has increased twice in statute since it was listed in this regulation. The tax as mandated by the General Assembly is currently five and three tenths percent state wide with an additional seven tenths percent tax in the Northern Virginia and Hampton Roads regions. Because the tax rate listed in

this regulation is obsolete, the Department proposes to remove it. No entity will incur any costs on account of this change. Removing this obsolete language will benefit interested parties by ensuring that the regulation does not cause confusion by representing that the tax rate is lower than it actually is.

Businesses and Entities Affected

These proposed regulatory changes will affect all entities who are subject to the Aircraft Sales and Use Tax. The Department reports that 228 entities paid this tax in fiscal year 2014, 226 paid it in fiscal year 2015 and 278 paid it in fiscal year 2016.

Localities Particularly Affected

No locality will be particularly affected by these proposed regulatory changes.

Projected Impact on Employment

These proposed regulatory changes are unlikely to affect employment in the Commonwealth.

Effects on the Use and Value of Private Property

These proposed regulatory changes are unlikely to affect the use or value of private property in the Commonwealth.

Real Estate Development Costs

These proposed regulatory changes are unlikely to affect real estate development costs in the Commonwealth.

Small Businesses:

Definition

Pursuant to § 2.2-4007.04 of the Code of Virginia, small business is defined as “a business entity, including its affiliates, that (i) is independently owned and operated and (ii) employs fewer than 500 full-time employees or has gross annual sales of less than \$6 million.”

Costs and Other Effects

No small businesses will be adversely affected by these proposed regulatory changes.

Alternative Method that Minimizes Adverse Impact

No small businesses will be adversely affected by these proposed regulatory changes.

Adverse Impacts:

Businesses:

No businesses will be adversely affected by these proposed regulatory changes.

Localities:

Localities in the Commonwealth are unlikely to see any adverse impacts on account of these proposed regulatory changes.

Other Entities:

No other entities are likely to be adversely affected by these proposed changes.

Legal Mandates

General: The Department of Planning and Budget has analyzed the economic impact of this proposed regulation in accordance with § 2.2-4007.04 of the Code of Virginia (Code) and Executive Order Number 17 (2014). Code § 2.2-4007.04 requires that such economic impact analyses determine the public benefits and costs of the proposed amendments. Further the report should include but not be limited to: (1) the projected number of businesses or other entities to whom the proposed regulatory action would apply, (2) the identity of any localities and types of businesses or other entities particularly affected, (3) the projected number of persons and employment positions to be affected, (4) the projected costs to affected businesses or entities to implement or comply with the regulation, and (5) the impact on the use and value of private property.

Adverse impacts: Pursuant to Code § 2.2-4007.04(C): In the event this economic impact analysis reveals that the proposed regulation would have an adverse economic impact on businesses or would impose a significant adverse economic impact on a locality, business, or entity particularly affected, the Department of Planning and Budget shall advise the Joint Commission on Administrative Rules, the House Committee on Appropriations, and the Senate Committee on Finance within the 45-day period.

If the proposed regulatory action may have an adverse effect on small businesses, Code § 2.2-4007.04 requires that such economic impact analyses include: (1) an identification and estimate of the number of small businesses subject to the proposed regulation, (2) the projected reporting, recordkeeping, and other administrative costs required for small businesses to comply with the proposed regulation, including the type of professional skills necessary for preparing required reports and other documents, (3) a statement of the probable effect of the proposed regulation on affected small businesses, and (4) a description of any less intrusive or less costly alternative methods of achieving the purpose of the proposed regulation. Additionally, pursuant to Code § 2.2-4007.1, if there is a finding that a proposed regulation may have an adverse impact on small business, the Joint Commission on Administrative Rules shall be notified.

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