

Governor's Initiative – SB 93

Aviation Tax Abatement Bill

Nevada Governor's Office of

ECONOMIC DEVELOPMENT

Current Situation

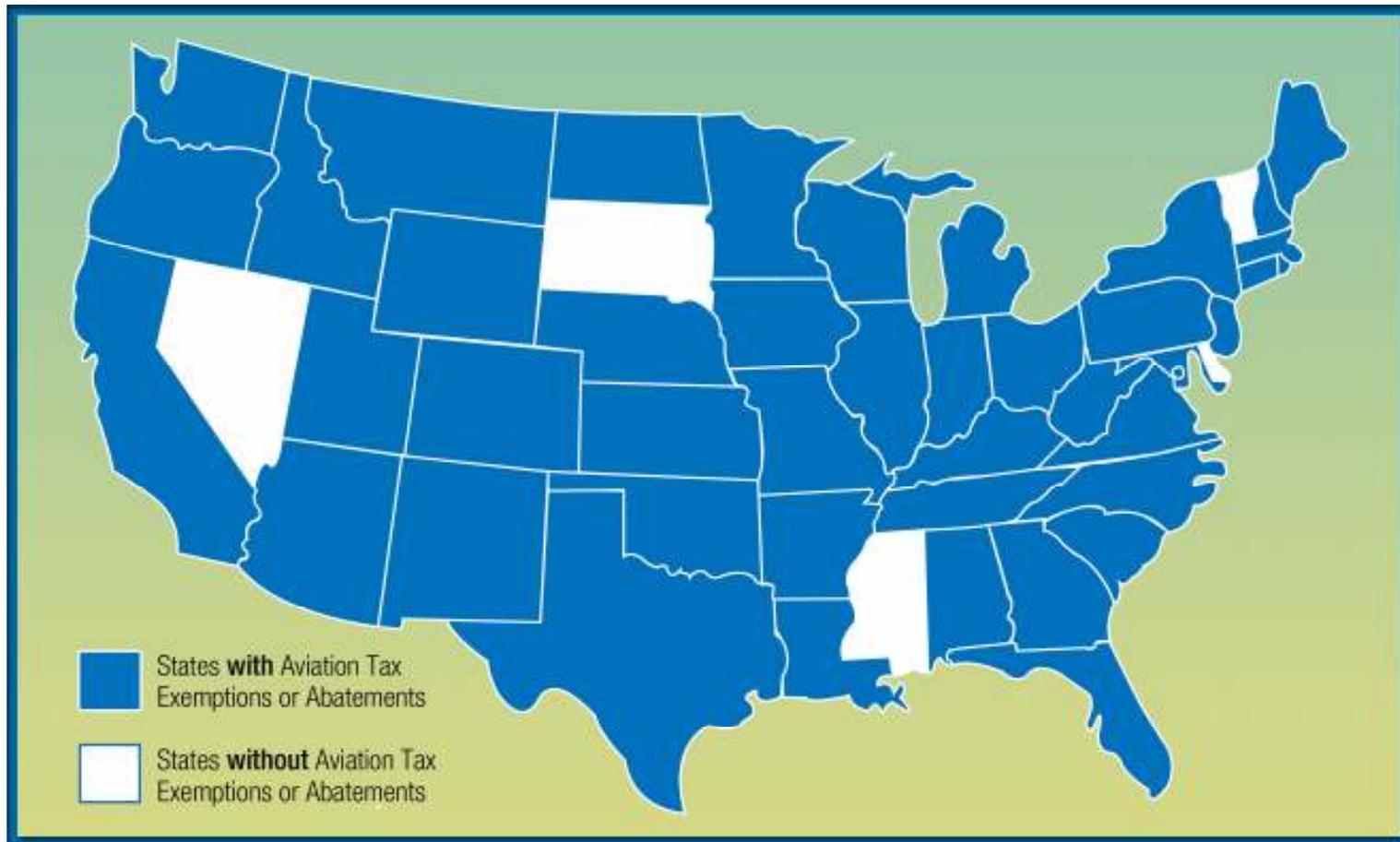
What is the problem?

Existing Nevada-based businesses are losing customers to out-of-state competitors because of the difference in cost of parts/materials invoiced attributable to the aviation taxes.

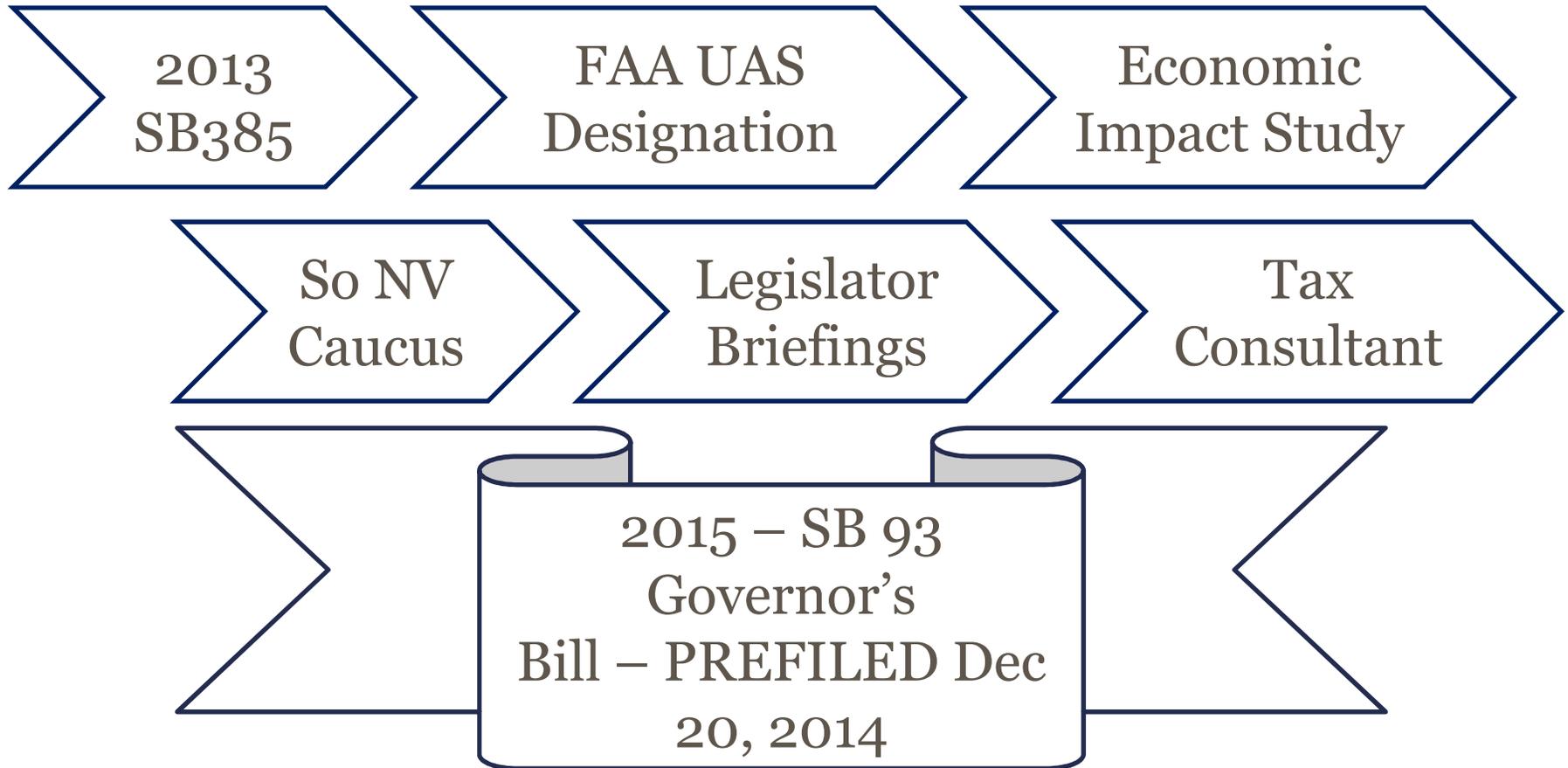
What is the objective?

To make NV competitive, grow high-wage aviation jobs and diversify the economy.

Competitive Disadvantage



Aviation Tax Abatement Initiative



InterVISTAS Study Findings

Conclusion

- ❖ A partial abatement taxes on aviation property and parts will lead to growth in the aviation industry in both the short and longer-term.
- ❖ Nevada will experience significant gains in high-wage jobs and economic activity from existing Nevada-based businesses.
- ❖ The employment and economic benefits will begin to occur quickly, because of pent-up demand.
- ❖ Moreover, the growth will generate tax revenues that exceed cost of the abatement.

InterVISTAS Study Findings

Partial tax abatement on aviation parts and personal property generates positive economic benefits for Nevada and counties.

- ❖ Immediate impacts from existing companies
- ❖ Above state average wage (\$20/hr vs. \$53/hr)
- ❖ Existing job training program
- ❖ Job growth
 - Year 1: 241 – 765 direct jobs (414 - 1,348: total of direct, indirect and induced jobs)
 - Year 5: 841 – 1,753 direct jobs (1,447 – 3,057: total of direct, indirect and induced jobs)
 - Ten year impacts: Direct 7,000 to 15,000 jobs

InterVISTAS Study Findings

- ❖ **New tax revenues should exceed cost of the abatement**
 - Year 1 estimated net benefit of \$0.3M to \$2.8M
 - By year 5, the net benefit could be as high as \$15.8M

- ❖ **UAS industry impacts**
 - Firms consider many factors in making location decisions: access to skilled labor, capital, supply chain
 - Reinforces Nevada's reputation as a "business friendly" location
 - Nevada will experience UAS-related activity that generates new employment and economic growth

Governor's Bill Objectives

A new or existing business may apply to GOED for:

...a partial abatement from personal property taxes imposed on an aircraft and the tangible personal property used to own, operate, manufacture, service, maintain, test, repair, overhaul or assemble an aircraft or any component of an aircraft.

...a partial abatement from the local sales and use taxes imposed on the PURCHASE of tangible personal property used to operate, manufacture, service, maintain, test, repair, overhaul or assemble an aircraft or any component of an aircraft.

Qualifying businesses are those that own, operate, manufacture, service, maintain, test, repair, overhaul or assemble aircraft or any components of an aircraft.

Eligibility Requirements

- ❖ A **new business** must have five or more full-time employees on the payroll not later than one year after the abatement is granted.
- ❖ An **existing business** must increase its number of full-time employees by 3 percent or three employees, whichever is greater, not later than one year after the abatement is granted.
- ❖ The business meets at least **one** of the following requirements:
 - ❖ new capital investment of at least \$250,000 within one year
 - ❖ maintain and possess in this State tangible personal property having a value of not less than \$5,000,000 during the period of partial abatement;
 - ❖ develops, refines or owns a patent or other intellectual property, or has been issued a type certificate by the Federal Aviation Administration pursuant to 14 C.F.R. Part 21
 - ❖ average hourly wage paid is not less than 100% of the average statewide

Provisions in the SB 93

- ❖ A partial abatement is available from GOED for up to **20 years**.
- ❖ Currently, an aviation business is responsible for charging sales tax to its end customers and the aviation business is required to remit those sales taxes to the State.
- ❖ SB 93 changes the tax administration and makes the aviation business the final consumer of the goods purchased. The aviation business will pay the sales tax on their purchase of tangible personal property, e.g. parts, in performance of their contract with customers and, therefore, **are relieved from charging and collecting sales tax from their customers in the contract invoice.**
- ❖ **Bottom line: Aviation Business customers will not see a Nevada Sales & Use Tax line item on their invoice.**

Next Steps

- ❖ On-going legislator meetings
- ❖ Taxation fiscal note
- ❖ Statewide stakeholder engagement
- ❖ Letters/resolutions of support
- ❖ Session testimony
 - InterVISTAS findings – jobs, wages, tax revenue growth
 - Businesses – MROs, UAS, etc.
 - Associations – NBAA, AOPA, NVBAA, GAMA, EDAWN, NNDA, etc.



Questions?

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