



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number:	H. 5310	Introduced on March 21, 2024
Author:	Murphy	
Subject:	Aircraft	
Requestor:	House Ways and Means	
RFA Analyst(s):	Jolliff	
Impact Date:	March 26, 2024	

Fiscal Impact Summary

This bill creates an exemption for 36.8421 percent of the fair market value of all aircraft of each airline company for the purposes of property taxes. The bill also changes the way time on the ground is determined for the purposes of calculating the ratio of time that an aircraft is in this state compared to total time in and out of state for the purposes of determining the value subject to property tax. The tax is administered and collected by the Department of Revenue (DOR) and distributed to the State Aviation Fund of the SC Aeronautics Commission.

This bill is not expected to impact expenditures for DOR to administer the changes as we anticipate this can be accomplished with existing staff and resources.

This bill will reduce aircraft tax by approximately \$2,794,000 beginning in FY 2024-25 for the value exemption. The change in the determination of the ratio is expected to reduce aircraft tax by \$3,070,000 beginning in FY 2024-25. Combining the effects of both the value exemption and the change in the ratio, the bill will reduce aircraft tax revenue to the State Aviation Fund by approximately \$5,442,000 beginning in FY 2024-25 when accounting for the interaction of the two changes.

Explanation of Fiscal Impact

Introduced on March 21, 2024

State Expenditure

This bill creates an exemption for 36.8421 percent of the fair market value of all aircraft of each airline company for the purposes of property taxes. The bill also changes the way time on the ground is determined for the purposes of calculating the ratio of time that an aircraft is in this state compared to total time in and out of state for the purposes of determining the value subject to property tax. The tax is administered and collected by the Department of Revenue (DOR).

This bill is not expected to impact expenditures for DOR to administer the changes as we anticipate this can be accomplished with existing staff and resources.

State Revenue

This bill exempts 36.8421 percent of the fair market value of all aircraft of each airline company for the purposes of property taxes. For reference, reducing the fair market value by 36.8421 percent would have the same effect as reducing the assessment ratio from 9.5 percent to 6 percent. The bill also changes the way time on the ground is determined for the purposes of calculating the ratio of time that an aircraft is in this state compared to total time in and out of state for the purposes of determining the value subject to property tax.

Currently, all airline companies operating in the state must pay property taxes on aircraft operated in the state. These aircraft are assessed at 9.5 percent of the fair market value allocated to the state and taxed at the statewide average millage rate. The fair market value of the aircraft allocated to the state is based on the average of two ratios:

- The ratio which the total time scheduled on the ground within this state of such aircraft during the preceding calendar or fiscal year bears to the total time scheduled on the ground within and without this state of such aircraft during the preceding calendar or fiscal year.
- The ratio which the total mileage scheduled within this state of such aircraft operated in this state during the preceding calendar or fiscal year bears to the total mileage scheduled within and without this state of such aircraft during the preceding calendar or fiscal year.

Beginning with FY 2022-23, total aircraft property taxes are distributed to the State Aviation Fund. The table below shows the recent history of collections and the estimated collections for FY 2024-25. The estimate is based on historical growth in total fair market value of 4.84 percent and an expected statewide average millage rate of 349.2.

Aircraft Tax Revenue

	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24 (YTD)	FY 2024-25 (Current Estimate)
General Fund	\$2,877,150	\$1,250,000	\$0	\$0	\$0
State Aviation Fund	\$2,877,150	\$3,373,007	\$6,473,620	\$6,660,807	\$7,013,000
Total	\$5,754,300	\$4,623,007	\$6,473,620	\$6,660,807	\$7,013,000

Based on the figures above, exempting 36.8421 percent of the fair market value of the aircraft of airline companies from property taxes is expected to reduce aircraft tax revenue by approximately \$2,794,000 beginning in FY 2024-25.

Further, the bill changes the calculation of the ratio for total time on the ground. The bill specifies that for determining time on the ground, each landing equals 30 minutes, and each overnight stay or maintenance day equals 2 hours. Currently, DOR reports that the ratio of time on the ground is computed to be approximately 0.00683486, and the ratio of total mileage is computed to be 0.002273279, for an average of 0.00455407. Assuming that it takes approximately 60 minutes on average to turnaround a plane, reducing the time for each landing

to 30 minutes would reduce the time by 50 percent.¹ Further, we assume that an overnight stay or maintenance day averages approximately 8 hours. Reducing an overnight stay from 8 hours to 2 hours would reduce this time by 75 percent. Based on these assumptions, we allocated 16 hours per day, or 66.7 percent, to landings, and the remaining 33.3 percent to overnight stays. This change would reduce the time allocation on the ground to 41.67 percent of the current allocation. Using this figure, the ratio for time on the ground would be reduced to 0.002847859. The new average ratio would then be 0.002560569, or 43.77 percent less than original average ratio. This reduction in value would lower the aircraft tax collected by \$3,070,000 beginning in FY 2024-25.

Combining the effects of both the value exemption and the change in the ratio, the bill will reduce aircraft tax revenue to the State Aviation Fund by approximately \$5,442,000 beginning in FY 2024-25 when accounting for the interaction of the two changes.

Local Expenditure

N/A

Local Revenue

N/A

¹ Grant, John, *Formula One Science in Aircraft Turnarounds*, OAG Aviation, April 12, 2023, Retrieved March 26, 2024. <https://www.oag.com/blog/science-aircraft-turnarounds>



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