



Aircraft Owners and Pilots Association
Testimony before the Finance, Revenue and Bonding Committee
By: Craig L. Dotlo
Northeast Regional Representative
March 7, 2011

Introduction:

By way of introduction, the Aircraft Owners and Pilots Association (AOPA) is a not-for-profit membership organization that represents the general aviation interests of over 414,000 members nationwide – including over 4,812 pilots and aircraft owners in the state of Connecticut. Since 1939, AOPA has been committed to ensuring the safety, future viability, and development of general aviation airports and their facilities as part of our national transportation system. A more comprehensive explanation of our organization’s mission and objectives can be located at www.aopa.org.

Governor Malloy’s budget proposal includes (2) tax policy provisions having a significant adverse effect on the aviation industry’s economic growth and jobs. Enactment of these (2) provisions will lead to serious unintended consequences, which can be corroborated by a careful analysis of the facts combined with an historical review of other similar legislation. These provisions are directly contrary to the Governor’s stated top priority of creating jobs.

AOPA Opposes Connecticut HB 6387 – An Act to Impose Property Tax on All Aircraft

- Given favorable sales and property tax laws in neighboring states, such as New York, Massachusetts and Rhode Island, this provision will lead to wholesale aircraft defections from Connecticut to other neighboring tax friendly states.
- The attached exhibit reflects a cost comparison of basing aircraft in Connecticut versus (3) neighboring states, if this provision were to be enacted. Connecticut’s basing costs would exceed the other states by \$10,000 to over \$100,000 per aircraft.
- Unlike a manufacturing plant, aircraft are typically the major assets owned by many aviation businesses. Aircraft are mobile, so they can easily be relocated to a neighboring state.
- Complex aircraft require continued and expensive maintenance and upgrading to be airworthy, which creates an economic benefit and jobs for Connecticut residents. With the defection of aircraft, the economic benefit and jobs will be transferred to neighboring states.
- The secondary effect will create large scale hangar vacancies for a number of fixed based operators, who generate revenue from hangar rentals and fuel flow deliveries. With the defection of aircraft, those revenues will significantly decline likely leading to job layoffs and diminished business growth.

- Any benefit from this provision of the Governor's budget proposal will be more than offset by the unintended consequences. The anticipated tax revenue will not be collected and the tax policy will result in a decline of economic benefits and jobs.

AOPA Opposes SB 1007 – An Act to Repeal the Aviation Sales Tax Exemption on Labor

- Five years ago, the Legislature exempted sales tax on aviation parts and labor, because Connecticut aircraft owners and aviation businesses were traveling across state lines for large repairs or installations in neighboring tax friendly states.
- Connecticut repair and avionics shops cannot compete with out-of-state aviation businesses, which are not required to charge sales tax, such as Massachusetts, Vermont, Rhode Island, New Hampshire and New York.
- Since aircraft are very mobile, it is exceptionally easy to fly an aircraft to a neighboring state, if there is a significant cost saving for an aircraft owner or business. (*See the attached exhibit reflecting the cost of aircraft repairs or upgrading to maintain airworthiness.*)
- The (103) repair and aviation shops in Connecticut, which employ 7,503 workers, will needlessly be placed in an unfair competitive disadvantage against neighboring states for an estimated \$100,000 in additional tax revenue generated by this repeal.

Conclusion:

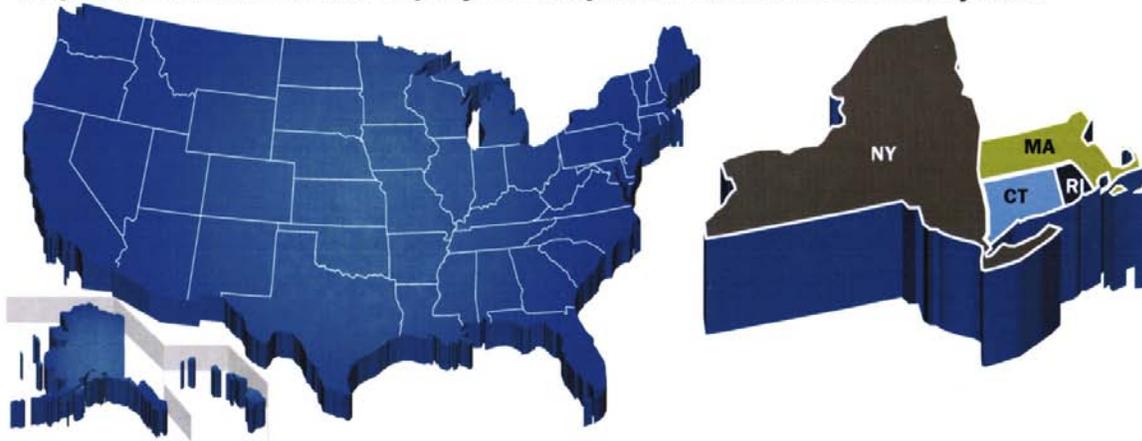
There is empirical data available to the Finance Committee, which unequivocally manifests adverse tax policy imposed on the aviation sector of the economy directly leading to aircraft defections to neighboring tax friendly states. It is particularly instructive to review the University of Pennsylvania's study, a non-partisan study, commissioned by the Pennsylvania Legislature to study aviation tax policy. This study was predicated on a 74% decline in aviation sales tax revenue from 2001 – 2006. The University study clearly reflected aviation businesses were defecting to tax friendly states. The Commonwealth of Pennsylvania was not only denied tax revenue on aviation transactions, but the Commonwealth was not enjoying the economic and employment benefits that naturally emanate from a robust business climate. This study is particularly instructive for Connecticut, because it is a predictor or harbinger of likely ramifications associated with the proposed tax provisions contained in the Governor's budget proposal.

Remember, aviation businesses provide highly skilled, well-paying jobs, while generating broad tax and social benefits statewide. It should also be considered that by its nature, aviation does not recognize state lines. Aircraft owners or corporations operating in the New England states will likely choose favorable environments for the purchase and service of their aircraft. Not only will enacting these provisions return Connecticut to having an unfavorable tax environment for aviation, it will send aircraft sales and services out-of-state with a resulting loss in business for the state of Connecticut.

AOPA continues to believe that with the right tax and business climate, general aviation can play an ever increasing role in Connecticut's prosperity.

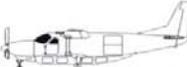


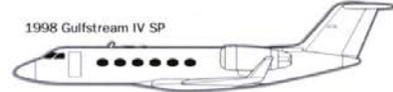
Proposed CT Aircraft Personal Property Tax: Comparative Cumulative Cost Data by State



		Registration Fee	Personal Property Tax	Total Basing Cost
CT	2011 Piper Arrow	\$90.00	\$5,586.00	\$5,676.00
CT	1989 Cessna Caravan 208	\$1,500.00	\$11,130.00	\$12,630.00
CT	1998 Gulfstream IV SP	\$2,500.00	\$213,000.00	\$215,500.00
NY	2011 Piper Arrow	\$ 0	\$ 0	\$ 0
NY	1989 Cessna Caravan 208	\$ 0	\$ 0	\$ 0
NY	1998 Gulfstream IV SP	\$ 0	\$ 0	\$ 0
MA	2011 Piper Arrow	\$125.00	\$ 0	\$125.00
MA	1989 Cessna Caravan 208	\$175.00	\$ 0	\$175.00
MA	1998 Gulfstream IV SP	\$225.00	\$ 0	\$225.00
RI	2011 Piper Arrow	\$60.00	\$ 0	\$60.00
RI	1989 Cessna Caravan 208	\$160.00	\$ 0	\$160.00
RI	1998 Gulfstream IV SP	\$250.00	\$ 0	\$250.00

2011 Piper Arrow 

1989 Cessna Caravan 208 

1998 Gulfstream IV SP 

New tax proposal in **bold**



Costs Associated with Maintaining & Repairing Aircraft

When tax policy discussions emerge from the Legislature regarding the value of maintaining the current sales tax exemption on aircraft labor and parts, members of the Legislature frequently do not have a reference point, from which to make an evaluation or analysis. The purpose of the following chart is to reflect the exorbitant costs associated with the repair of both single-engine light and turbine aircraft. Unlike automobiles, in which the owners are allowed to defer maintenance, aircraft repair is strictly regulated by the FAA, to ensure aircraft maintain their airworthiness.

The chart set forth below reflects some of the more common repairs associated with light single-engine and jet aircraft. Based on the repair costs reflected below, aircraft owners will shop very carefully for price and service. An additional 6% sales tax creates a significant incentive for aircraft owners and aviation businesses to fly their aircraft to neighboring tax friendly states for expensive repairs and maintenance, essentially denying this business to Connecticut repair stations.

Reciprocating Engine Aircraft

Example: A non-complex single-engine aircraft

Repair	Costs
The FAA requires every aircraft to undergo an annual inspection, in which the inspector carefully examines the engine and airframe for any mechanical failures.	\$7,000
In some instances, the FAA requires a 100-hour inspection of the engine and airframe for any mechanical failures.	\$4,000
Manufacturers typically recommend reciprocating engines be overhauled after the engine has exceeded 2,000 hours.	\$38,000
Propeller repair.	\$8,000 - \$12,000
Maintain and repair landing gear.	\$2,000
Maintain and repair electric flaps.	\$1,200
Communication and navigation radio upgrades (per radio).	\$10,000
HIS (navigation equipment).	\$15,000
Emergency locator transmitter required by FAA on all aircraft.	\$1,800

Turbine Engine Aircraft (Jets)

The FAA requires a comprehensive inspection of jet aircraft, such as the Falcon 2000 at 12-year intervals. This inspection, which typically requires 6- weeks, examines the engine and airframe of the jet aircraft.	\$600,000
A Gulfstream jet aircraft requires a comprehensive mechanical inspection at 96-month intervals. This inspection, which typically requires 8-weeks to complete, examines the engine and airframe of the aircraft.	\$500,000
As with reciprocating engines, the FAA requires jet engines to be completely overhauled at certain intervals depending upon the type of aircraft. These engine overhauls are extremely expensive.	\$300,000 - \$1 million per engine
Jet aircraft undergo regular modifications during the time they are in-service. These modifications range from repainting the exterior of the aircraft, re-fabricating the interior of the cockpit and passenger area, as well as revamping the entire communication and navigation system with updated technology.	\$50,000- \$1 million