



# VIP AVIONICS, INC.

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**Finance, Revenue and Bonding Committee Hearing**  
**Monday, March 7, 2011**  
**SB 1007 Sales Tax Exemption for Small Aircraft Repairs and HB 6387**  
**Property Tax on Aircraft**

Testifying: Barbara R. Rowley, Vice President/Owner  
VIP Avionics, Inc., 58 Lindbergh Drive, Hartford, CT 06114 860-525-5713

- I am here today to express my concerns about certain elements of SB 1007 and HB 6387 concerning small aircraft.
- Five years ago this committee unanimously passed a bill (SB520) which exempted labor and parts sales for aircraft under 6000 pounds from sales tax.
- At the time, VIP Avionics and similar small businesses throughout the state were losing a significant amount of business due to Connecticut's competitive disadvantage: Massachusetts, New York and Rhode Island had all eliminated sales tax on aviation products and services. Those states and others still maintain those exemptions.
- We are facing the same issue today: SB 1007 and HB 6387 will drastically affect Connecticut aviation small businesses' ability to survive.
- A few key points about how we and other similar businesses operate:
  - Much of our business begins with providing customers with a written quote so they will be aware immediately of the 6% or 6.25% sales tax addition.
  - Aviation repairs are costly. An autopilot repair (a line of business VIP is known to be expert at) can be \$10,000; there will be a \$600 addition if you repeal the exemption. Another example; the FAA mandates that each aircraft has an annual inspection. That can run from \$5,000 - \$40,000. Customers will be charged an additional \$300 - \$2,400 in taxes.
- Our customer base is truly unique. A plane based at Brainard in Hartford can be at Barnes in Westfield, MA in 15 minutes. Customers of ours, or of other small businesses in Groton, can almost see Westerly Airport in RI when they take off. Danbury airplanes will hop to Westchester Airport. They will leave Connecticut. 40-50% of VIP's customer base comes from out-of-state because of our reputation and our ability to provide work at competitive prices. They will no longer come to Connecticut.
- I believe that the revenue the State anticipates will not materialize. Connecticut customers will go to Massachusetts, New York or Rhode Island and out-of-state customers will not fly to Connecticut for work.
- In addition to not realizing revenue, there will be other consequences: This will absolutely mean job loss and probably business closures. For example, VIP could not simply react to decreased business by letting 10% or 20% of our work force go. We have

two installers, two service technicians, three mechanics etc. We could not anticipate what business line we could eliminate.

- Other costs to the State of Connecticut would include increased unemployment payments, decreased corporate and personal income taxes. Our customers also buy aviation fuel, go to restaurants, stay in hotels, rent cars and visit area retailers. And then there is the powder coating company I use in East Hartford, the upholsterer in Newington, the metal supplier from Southington. Or the landlord in Hartford that I pay for 10,000 square feet of hangar space.
- Bottom line: repealing the sales tax exemption and imposing property taxes on aircraft will drive our customers out of Connecticut. Aviation businesses in Connecticut may never recover.