

March 4, 2011

VIA EMAIL ONLY TO finance@cga.ct.gov

Hon. Eileen M. Daily, Chair
Finance, Revenue and Bonding Committee
Connecticut General Assembly
Room 3700, Legislative Office Building
Hartford, CT 06106

Re: Opposition to HB 6387 and CGS 12-412, §29 (77) as proposed by SB 1007

Dear Sen. Daily and members of the Committee:

I respectfully submit this written testimony in opposition of HB 6387 and SB 1007, which modifies Section 29 (77) of Section 12-412 of the Connecticut Code. I serve as Chair of the Connecticut Business Aviation Group, an organization that represents the interests of nearly 100 business and general aviation businesses – including the jobs supported by aviation activities – in the State of Connecticut. I am also the principal of the Law Offices of Paul A. Lange, LLC, a Stratford, CT law firm primarily engaged in representing aviation businesses throughout Connecticut and supporting seven jobs in in that endeavor. I reside in Trumbull, and submit these comments on behalf of both the Connecticut Business Aviation Group as well as on behalf of my own law firm engaged in the practice of aviation law.

We oppose both of the referenced provisions. If enacted, aircraft owners will be forced to simply relocate their aircraft out of state to justifiably avoid the payment of these taxes – resulting in the permanent loss of both jobs and revenue for the State. HB 6387 in particular, which imposes a 2% property tax in addition to the current aircraft registration fee, will make Connecticut by far the most expensive state in the U.S. in which to base an aircraft.

Connecticut attracted much of its business aviation industry by being an attractive option for out of state businesses to base their aircraft. Aircraft based in Connecticut are typically flown to Westchester County Airport in New York or to Teterboro Airport in New Jersey to pick up their passengers. Changing the base of those aircraft from Connecticut to either Westchester, NY or Teterboro, NJ will result in significant cost savings, not to mention being more geographically expedient for their users. With the departure of those aircraft to New York and New Jersey will by

necessity go the high paying technical aviation jobs currently located in Connecticut that directly support the operation of aircraft. Support jobs, such as those at my own law firm, will be affected in significant fashion. Having a broad based aviation practice based in Connecticut, I can state from experience that a majority of aircraft owners choose to base their aircraft in Connecticut and ferry them to other states, making that choice entirely on a budgetary analysis. These analyses virtually always conclude that Connecticut is economically far more favorable than other surrounding states in which to base their aircraft. Aircraft are also flown to Connecticut specifically for closing transactions due to the current favorable tax structure, resulting in fuel sales, landing fees, maintenance work being performed, parts sales, etc. The current bills have already had a significant chilling effect on these transactions; with owners and operators rightly fearing that they will be unable to justify a decision to base in Connecticut should the referenced bills become law.

The statewide property tax proposal also belies legislative history of decades ago. Specifically, the existing property tax exemption was enacted due to a collaborative legislative effort. In lieu of paying personal property tax on aircraft, a weight based state registration fee was created. Appropriate public revenues have been generated as a result of the registration fee since, and those revenues were directed to where they have a rational relationship to the associated costs. In short, Connecticut towns where airports are located currently benefit most from the revenue generated. Adding a new state property tax on aircraft would not only harm the aviation industry and the jobs associated with it because the aircraft will simply fly away, but the wholesale departure of aircraft from the state will also significantly reduce revenues to the towns who rely on registration fees from the departing aircraft. In short, the state would be seeking to add revenue to state coffers (which I respectfully suggest would not occur), at least in part at the expense of its own towns.

The elimination of the sales tax exemption for labor on repairs of aircraft weighing less than 6000 lbs. is also of significant concern. For many of members of the Connecticut Business Aviation Group, business growth has come from aircraft owners based in neighboring states flying their aircraft to Connecticut for repairs due to lower costs. By some estimates, over 50% of the current economic activity of repair of general aviation aircraft will be lost to other states should this exemption be eliminated. The job loss from Connecticut to other states will be proportional.

The fact remains that passage of these bills could mean the relocation to other states of nearly 90% of all business aircraft currently in Connecticut – and the loss of over 50% of the general aviation maintenance work performed in this state. History has proven that when other states have tried what these Connecticut bills now propose, harm has come to those states who dare to proceed down that path. And without achieving any meaningful benefit. Other states have reaped the rewards when decreasing the cost of doing business in aviation, thereby attracting these highly mobile assets to their states for meaningful economic activity. Examples supporting these premises include states such as Maine, Massachusetts, Florida and Georgia. When deliberating, please keep in mind that Embraer, a significant manufacturer of business

aircraft worldwide, reopened their long closed facility at Bradley International Airport this week. Please do not remove the customers and the incentive for Embraer's decision. Connecticut's aviation industry needs to maintain its competitive advantage and its resulting ability to keep high paying aviation jobs in our state.

In conclusion, I ask the Committee to oppose HB 6387 and CGS 12-412, §29 (77) as proposed by SB 1007. If passed, these bills will force most of the business and general aviation industry out of Connecticut and to other states. More so than most other assets, airplanes are highly mobile. It doesn't take long to plan a 15 minute flight out of state and to then keep aircraft in that other state. As I write these comments, businesses in surrounding states are eagerly courting our customers and our jobs. The bills being considered are having a chilling effect upon new aviation business coming into the state. Please preserve the current tax structure for aviation in Connecticut and thereby keep our jobs and livelihoods here in our state.

Sincerely,

A handwritten signature in blue ink, appearing to read "Paul A. Lange", is written over a circular blue stamp. The signature is fluid and cursive.

Paul A. Lange

PAL/mes