

Statement for the Record
of the
National Air Transportation Association
before the
Committee on Finance, Revenue and Bonding
State of Connecticut

Hearing on
HB 6387 Personal Property Tax Exemptions

March 7, 2011
Room 3700, Legislative Office Building
Hartford, CT

The National Air Transportation Association (NATA), the voice of aviation business, is the public policy group representing the interests of aviation businesses before Congress, federal agencies and state governments. NATA's 2,000 member companies own, operate and service aircraft. These companies provide for the needs of the traveling public by offering services and products to aircraft operators and others such as fuel sales, aircraft maintenance, parts sales, storage, rental, airline servicing, flight training, Part 135 on-demand air taxi, fractional aircraft program management and scheduled commuter operations in smaller aircraft. NATA members are a vital link in the aviation industry providing services to the general public, airlines, general aviation, and the military.

The United States is a world leader in aviation, and this industry contributes \$150 billion annually to the American economy and accounts for 1.2 million jobs. In the state of Connecticut, general aviation generates \$2.7 billion in revenue and approximately 45,800 jobs annually.

NATA is strongly opposed to provisions in HB 6387 that would repeal the current tax exemption for aircraft parts and maintenance on aircraft under 6,000 pounds and would assess personal property tax on aircraft. The bill, if passed, would tax aircraft at 70% of their value factored by a "mill" rate of 20. As an example of the magnitude of this proposal, a corporate jet valued at \$20 million would be assessed an annual tax of \$280,000. While there is no weight limit associated with this proposal, all aircraft in the state would be impacted.

The aviation industry is like no other. One of the factors that set it apart is that aircraft are mobile assets. States surrounding Connecticut, including Massachusetts, Rhode Island, New Jersey, and New York, do not impose personal property taxes on aircraft. Aircraft owners, especially corporate owners, are therefore likely to reestablish their aircraft in one of those states. This will result in a significant loss of revenue for the state instead of increasing revenue as the proposal intends. Airports and airport-based businesses will lose revenue from loss of fuel and hangar and maintenance purchases, which will also lead to a significant loss of jobs, as aircraft owners seek to avoid this onerous tax. Non-aviation businesses, such as hotels and restaurants, will also be affected, further harming the Connecticut economy.

NATA Board Member Robert Marinace, president and CEO of Key Air, forecasts that the following may take place should HB 6387 pass:

- Aircraft currently based in Connecticut will relocate to more “tax friendly” neighboring states, including, among others, New York, New Jersey, Massachusetts and Rhode Island, none of which impose personal property taxes on aircraft;
- The planned \$30 million construction project and expansion at the Waterbury-Oxford Airport will not occur;
- Significant economic damage to the businesses and the communities surrounding the Waterbury-Oxford Airport and other general aviation airports in Connecticut will occur;
- Many jobs from those businesses that are dependent upon the commerce generated by the Waterbury-Oxford Airport and other general aviation airports in Connecticut will be lost; and
- Millions of dollars of revenue will be lost to the state from the adverse impacts to the Waterbury-Oxford Airport.

Scott Ashton, chief commercial officer of Gama Aviation, Inc., an NATA member company, who also serves as vice chair of the Connecticut Business Aviation Group, states that should the current budget proposal become law it will result in the “relocation of nearly 90% of all business aircraft currently in Connecticut to neighboring states, and the loss of over 50% of the general aviation maintenance work performed in the state.”

Conclusion

Many states throughout the country have sought to impose similar personal property taxes on aircraft. After the sizable impact to the states’ economies and ultimate detriment to their budgets were realized, the proposals were withdrawn. NATA is hopeful that the Governor and the Committee will recognize that this proposal will not benefit the state and will oppose the personal property tax increase on aircraft.