



Massachusetts Airport Management Association

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To the aircraft owners, would-be owners, and aviation businesses in Massachusetts:

Governor Deval Patrick recently proposed the repeal of an exemption on sales tax for aircraft and aircraft parts, under his administration's FY 2009 House 2 budget, outside Section 17. This effort would effectively undo what former state Rep. Cele Hahn and state Sen. Mike Knapik worked so hard to pass in 2002, with ardent support from the *Massachusetts Airport Management Association (MAMA)*.

Specifically, there is language in Gov. Patrick's FY 2009 budget that would repeal the current tax exemption on aircraft, aircraft parts, as well as service and labor costs related to aircraft repairs. Administration officials believe that repealing the aviation tax exemption would raise about \$9 million for the state's General Fund. But from this repeal, what due diligence should have extrapolated are the projected losses as well. For the state's economy, these will far outweigh any modest gains in tax revenue.

Here are the numbers: According to the Massachusetts Aeronautics Commission (MAC), the statewide economic impact of its 37 public-use airports (excluding Logan International) now tops \$4 billion annually. In fact, a recent study by the *General Aviation Manufacturers' Association* similarly concluded that Massachusetts ranks a very respectable sixth among the 50 states, with general aviation delivering \$641 per capita in annual economic contributions. Just as importantly, general aviation in Massachusetts today supports a labor base of some 10,000 jobs. Unfortunately, the Patrick Administration's budget now aims to repeal a tool that has proven so accomplished in attracting new business opportunities to the Commonwealth. If passed, this repeal would result in a projected annual loss of more than \$200 million in economic activity. Some 500 hard-to-replace jobs would also disappear.¹

Six years ago—prior to passage of the aviation sales tax relief legislation—airports statewide were losing general aviation business within the highly mobile aviation industry. History was showing that Massachusetts' tax policies were a *disincentive* to either the buying of aircraft or aircraft parts, or to aircraft maintenance performed within the Commonwealth. Aircrews were simply flying elsewhere, en route to one of our tax-exempt neighboring states such as Connecticut or New Hampshire. Aviation commerce opting out of state was resulting in the loss of fuel flowage revenues and aircraft registration fees, plus tax revenues on hangar and facility development. And as for the loss of jobs, these were often highly skilled technician positions

¹Conservatively, the aviation industry estimates that three to five jobs are created to support the piloting and maintenance of just one aircraft.

that, directly or indirectly, would otherwise have generated income, sales, property, employment and automobile tax revenues.

Ironically, Gov. Patrick's budget proposal countervails the assurances made when he campaigned. At that time, he promised to nurture job growth opportunities and business development in Massachusetts. Yet for general aviation, the past six years of aviation tax relief has already achieved that much. Statewide, we have seen a 40% increase in based aircraft—to include corporate flight departments—touching down and basing at any one of our 37 airports, from western Massachusetts to the tip of Cape Cod. Transportation benefits aside, these flying machines have been bringing back to Massachusetts—and to our bottom line—primary, secondary and tertiary revenue gains.

The Massachusetts airport managers stand firmly against a course reversal by our legislature. We are urging the state's lawmakers to heed the status quo—with all that aviation tax relief has already delivered to Massachusetts. If, on the other hand, the Governor's repeal is successful, we believe any tax revenue gains will be negated by the taking off of jobs and businesses—bound for more favorable, tax-friendly destinations elsewhere in New England.

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