



AIRCRAFT OWNERS AND PILOTS ASSOCIATION

421 Aviation Way • Frederick, MD 21701-4798
Telephone (301) 695-2000 • FAX (301) 695-2375
www.aopa.org

**Testimony before the Ways and Means Committee
In Support of Assembly Bill 438
November 21, 2013**

Chairman Marklein and Committee Members,

My name is Bryan Budds from AOPA and I am appearing before the committee on behalf of more than 6,500 AOPA members, and your constituents, *in Wisconsin* to address an economic issue that transcends aviation.

Assembly Bill 438 would level the playing field for the 45-plus Wisconsin aviation maintenance facilities that have been operating at a significant competitive disadvantage for several years now -- affecting *commerce* across the State -- the ramifications of which have resulted in countless job losses and missed economic activity.

By passing Senate Bill 349, the Wisconsin Legislature would allow the State's aircraft maintenance facilities to compete with neighboring states that have recently enacted similar exemptions -- regionally, these states include Minnesota, Illinois, Indiana, Michigan, and Ohio. Because of the mobile nature of aircraft, Wisconsin is continually competing with these other States -- and is currently losing the battle as jobs and economic opportunity simply crosses the border.

Consider a small, 4-seat Cessna 172 that needs a \$20,000 engine replacement. In Wisconsin, an aircraft owner in Eau Claire would pay nearly \$1,000 in sales tax while they could take a 30 minute flight to the Twin Cities and avoid that tax altogether. Further, consider a King Air C90 similar to the one being used by a local charter operator in Northern Wisconsin. An engine overhaul for this aircraft, being chartered by numerous local businesses to get across the country, can have a sales tax exceeding \$12,500 for one engine and more than \$25,000 for overhaul of the aircraft's two engines. Again, this sales tax can be avoided by simply flying to Indiana, Minnesota, or Michigan -- and represents tangible savings for businesses operating on very thin margins.

Further, multiple states that passed similar exemptions did so in spite of record budget shortfalls and in the depth of the recession. This serves as a real testament to the efficacy and value of this measure in terms of yielding tangible growth in jobs, investment, *and even* in long-term overall state revenue that far outweigh the 'lost collections' or fiscal notes associated with the bills. In fact, these measures have been so effective over the long-term in other states like Massachusetts and New York, that when these policies were vetted, along with every other tax exemption on the books in a desperate bid for revenue, the aviation tax exemptions were not only continued, but declared to be permanent vital measures for the sake of their respective state economies.

Even more encouraging, is the fact that states like Maine which recently enacted a similar maintenance tax exemption in conjunction with a thawing economy and a rebounding aviation industry, has experienced such quick and substantial short term business and job growth that, I have to say, surpassed even our most optimistic projections. For example, in Bangor, Maine, C&L Aerospace immediately committed to a \$3 million expansion of their existing 40,000 square-foot maintenance facility and doubled their workforce from 40 to 80 technicians within *months* of the bill's passage. At another local business, Oxford Aviation in Oxford, Maine added 20 additional technicians as their overhaul and restoration work doubled with the ink barely dry on their own version of this legislation.

Similarly, following passage of a similar bill in Indiana the results were immediate. Eagle Creek Aviation Services added a second shift of workers to support the increases maintenance activity occurring at their facility. Further, a Hawker Beechcraft maintenance operation in the State reported hiring is up 75% and additional job growth is expected as more and more business returns to the State.

Now, as we look at this measure in Wisconsin, through our careful analysis of the state aviation infrastructure not only in terms macro-factors like geography and existing business assessments, but also in terms of seemingly minor characteristics like pavement condition index, based aircraft locations and other detailed, but relevant, factors; we believe that Wisconsin is not only poised to yield similar per capita economic dividends to these other state success stories we have referenced -- but we actually believe the state is positioned to potentially experience *even greater* results.

We are cognizant of the fact that this is one of many issues the Committee and the Legislature is considering this session. But if given proper consideration, we believe that you will find that not only may this measure be the best dollar--for--dollar jobs measure before the legislature, but you will also realize the economic cost and peril of postponing this measure for even one more year.

Thank you again for allowing me to testify, and please do not hesitate to contact me if you have any questions, or would like further information.