



421 Aviation Way
Frederick, Maryland 21701

T. 301-695-2000
F. 301-695-2375

www.aopa.org

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The Honorable Ernie Otten
Chair, Taxation Committee
South Dakota Senate
Legislative Post Office
500 E. Capitol Avenue
Pierre, SD 57501

Dear Chairman Otten:

The Aircraft Owners and Pilots Association (AOPA), a not-for-profit membership organization, is the world's largest aviation organization, representing the interests of general aviation aircraft owners and operators – including over 1,400 in South Dakota. Since 1939, AOPA has been committed to ensuring the safety, future viability, and development of general aviation airports and their facilities as a part of our national transportation system. We write to express our support for South Dakota Senate Bill 80.

South Dakota's current aircraft sales tax and registration fee structure requires aircraft owners to pay an initial, one-time registration fee of 4% of the aircraft's value in lieu of sales or use tax. Each subsequent year, an additional fee based on the weight and age of the aircraft is assessed. While the existing system appropriately collects the registration fee in lieu of sales or use tax for both conventionally manufactured and homebuilt aircraft, homebuilt aircraft owners are unfortunately being targeted by the South Dakota Department of Revenue for back sales and use taxes on individual components of their aircraft.

Homebuilt aircraft, which are assembled by the owner and later authorized for flight by Federal Aviation Administration (FAA) inspectors, are built in a sequential process beginning with the purchase and construction of the outermost airframe. As assembly progresses, the owner must purchase each additional component, such as the engine or engines, avionics, and others critical systems. Being that these components will become or are already part of a complete aircraft and subject to South Dakota Department of Transportation (SDDOT) 4% original aircraft registration fee, the individual components purchased for installation in a homebuilt aircraft should, just as the original components of a conventionally-built aircraft, be exempt from South Dakota's sales and use taxes. However, multiple homebuilt aircraft owners, who have paid the 4% initial aircraft registration tax as well as the recurring annual fee are now being pursued by the South Dakota Department of Revenue for back sales and use taxes on the purchase of their individual aircraft components.

Senate Bill 80 would rectify this double taxation situation by providing these aircraft homebuilders with a tax credit equal to the amount of sales tax paid on the individual aircraft components with the condition that the aircraft have paid the 4% original aircraft registration fee to the State. Further, Senate Bill 80 presents the Legislature with an opportunity to ensure the State's 2,300 general aviation aircraft owners, which contribute over \$300 million to the South Dakota economy annually, are presented with a fair, equitable, and transparent aircraft tax structure.

Thank you for your consideration of this important matter. Should you or your staff have any questions, please do not hesitate to contact me.

Very truly yours,


Bryan Budds

Great Lakes Regional Manager

cc: Senate Taxation Committee Members

AIRCRAFT OWNERS AND PILOTS ASSOCIATION