



AIRCRAFT OWNERS AND PILOTS ASSOCIATION

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

September 20, 2007

The Honorable Andy Dillon
Speaker, Michigan House of Representatives
P.O. Box 30014
Lansing, MI 48909-7514

RE: House Bill 5196

Dear Mr. Speaker:

The Aircraft Owners and Pilots Association (AOPA) represents the general aviation interests of more than 413,000 pilots nationwide – including more than 12,000 in Michigan – and I am writing to express our opposition to provisions of House Bill 5196. This bill would extend the State's Sales and Use tax beyond tangible personal property to services as well. We understand that this legislation was discharged out of committee without any hearings or opportunities for our Michigan members to express their concerns, and may be headed to the floor of the House for a vote in the next few days.

We are concerned because this legislation would extend the sales and use tax to cover the additional costs of servicing the aircraft owned by our members, adding to the already high cost of operations, while bringing an insignificant amount of additional revenue to the state. We estimate that, the total additional revenue to the state is likely to be less than \$500,000, which would nonetheless have a big impact on Michigan's private aircraft owners.

By its nature, aviation does not recognize state lines. Aircraft owners living close to states that border Michigan with more favorable tax environments will choose to purchase and service their aircraft in those states. Not only would HB 5196 create an unfavorable tax environment for aviation in Michigan, it would be likely to depress the level of aviation-related business activity at Michigan airports, thus impacting airport revenues, local businesses and economies. It would certainly include aircraft service providers, and likely aircraft sales as well, since the two are often closely linked. These revenues generated by the sale, storage and service of those aircraft could easily go to neighboring states.

Many states, recognizing the special nature of aviation, are taking their tax policies in a very different direction - exempting service, sales and equipment used in aviation, and often the aircraft itself. They have seen and understood the value of having a vital, growing aviation sector in their state economies. Remember, aviation businesses provide highly skilled, well-paying jobs, while generating broad tax, transportation and economic benefits statewide.

Given the economic good sense that this exemption makes for the entire aviation community, including pilots, aircraft sales and repair businesses and employees, as well as the state as a whole, we strongly urge to revise HB 5196 to exempt aviation services from this extension of the sales and use tax.

Thank you for your consideration of our comments. We hope you will take the time to make the right economic choices for Michigan aviation.

Sincerely,

Gregory Pecoraro
Vice President, Regional Affairs

Member of International Council of Aircraft Owner and Pilot Associations