

2009 SENATE FINANCE AND TAXATION

SB 2374

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2374

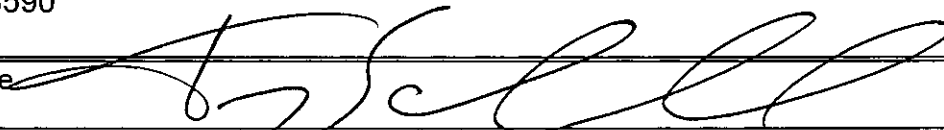
Senate Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: 02/04/2009

Recorder Job Number: 8590

Committee Clerk Signature



Troy Schuchard

Minutes:

Vice Chairman Miller: Opened hearing on SB 2374.

Senator Dwight Cook, District 34: Testified as a sponsor and in support of the bill. There will be amendments that will come for this bill.

.50 Kelvin Hullet, Bismarck-Mandan Chamber of Commerce: See Attachments #1 and #2 for testimony in support of the bill and amendments suggested.

4.55 Chairman Cook: Do you think that out of states that bring their aircraft for repair, do you think they would come hereIs that what other states do?

Kelvin Hullet: That is what the other state's do.

Chairman Cook: This does not take the in state planes to go out of state to get planes repaired?

Kelvin Hullet: We would hope not.

Senator Triplett: If more than half of the states give this exemption, sooner or later everyone will travel elsewhere to get their repairs and this seems to me to be a lot of excess travel. I don't think anyone will be picking up their business and moving it because of that.

Kelvin Hullet: I think that that is a question that needs to be answered.

7.30 **Paul Vetter, Executive Air, Bismarck:** Testified in support of the bill. I'm the guy who sent our plane to Oklahoma for repairs because we saved over \$12,000 on those repairs. It was an easy business decision. We think it would be beneficial if that same feature was here in North Dakota. I feel it would be beneficial.

8.37 **Chairman Cook:** In the future would you fly the planes out of state to be repaired?

Paul Vetter: For some of the major repairs...possibly.

Vice Chairman Miller: Does this include helicopters?

Paul Vetter: It would.

Senator Dotzenrod: Did you decide to have the plane to be repaired there because it would be tax exempt?

Paul Vetter: Yes

10.18 **Fred Adams, North Dakota Aviation Association:** Testified in support of the bill. See Attachment #3 for proposed amendment. We want to include those in the airport directory.

12.45 **Senator Dotzenrod:** On the economic activity, would the overhaul work on airplanes lead to the tractor-trailer industry asking for the same benefit?

Fred Adams: It is a valid argument. I think the backers of this bill are trying to bring in new business. The parts are exempt, but labor, hotels, food etc. while here is not.

Vice Chairman Miller: Does Minnesota have this.

Fred Adams: I do not know?

Vice Chairman Miller: Do small spray planes get included?

Fred Adams: Some folks may do their own, or they go in various places around the state. The opportunity would be there.

16.40 **Darrel Pittman, President, North Dakota Aviation Council:** Testified in support of the bill with the amendments passed by Mr. Adams.

18.40 **Jonathan, Simmers, Bismarck Aero Center:** Testified in opposition to the bill with a few technicalities. See Attachment # 4 for testimony. I've been doing a lot of soul-searching and realize my opposition is due to a technicality. Our organization stands to lose without the proposed amendments. We don't want to compete with traveling repair guy's, or the moving toolbox.

22.05 **Senator Dotzenrod:** Did you see amendments by Mr. Adams? It seems that they would satisfy you.

Jonathan Simmers: I'm not sure if I saw them verbatim, but from discussions with him, I would agree with you.

Chairman Cook: Do we have any other tax codes where we tax in-stators and not out-of-stators?

25.28 **Myles Vosberg, Tax Commissioners Office:** Answers Chairman Cook's question.

Senator Dotzenrod: That is only by virtue of Montana's law.

Senator Dotzenrod: I understood that this was something we could not do.

Chairman Cook: You thought that was discriminatory.

Myles Vosberg: I cannot answer that question.

Chairman Cook: Closed hearing on SB 2374.

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2374

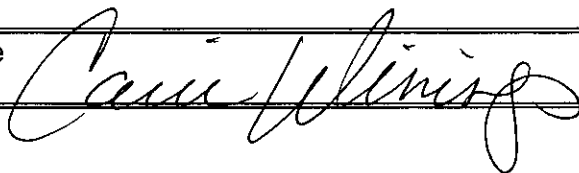
Senate Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: 02/04/2009

Recorder Job Number: 8672

Committee Clerk Signature



Minutes:

Chairman Cook: Reopened discussion on SB 2374. Passed out proposed amendments from Kelvin Hullet.

Senator Triplett: Moved for the amendments presented by Kelvin Hullet.

Senator Anderson: Seconded.

A voice vote was taken: 6 yeas, 0 nays, 1 absent.

Senator Triplett: Moved a Do Not Pass As Amended.

Senator Anderson: Seconded.

A Roll Call vote was taken: Yea 6, Nay 0, Absent 1 (Senator Oehlke).

Senator Miller will carry the bill.

FISCAL NOTE
Requested by Legislative Council
02/06/2009

Amendment to: SB 2374

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2007-2009 Biennium		2009-2011 Biennium		2011-2013 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			(\$33,000)	(\$3,000)		
Expenditures						
Appropriations						

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2007-2009 Biennium			2009-2011 Biennium			2011-2013 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Engrossed SB 2374 creates a sales and use tax exemption for aircraft repair parts.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

If enacted, Engrossed SB 2374 is expected to reduce state general fund and state aid distribution fund revenues by an estimated \$36,000 in the 2009-11 biennium.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Name:	Kathryn L. Strombeck	Agency:	Office of Tax Commissioner
Phone Number:	328-3402	Date Prepared:	02/07/2009

FISCAL NOTE
Requested by Legislative Council
01/26/2009

Bill/Resolution No.: SB 2374

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2007-2009 Biennium		2009-2011 Biennium		2011-2013 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2007-2009 Biennium			2009-2011 Biennium			2011-2013 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

SB 2374 creates a sales and use tax exemption for certain aircraft repair parts and paint.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

SB 2374 specifies the financial investment requirements of a qualifying repair facility. Once qualified, the paint and repair parts used by that facility will be exempt from sales and use taxes. It is currently not known how many repair facilities have met or will meet the investment level required for the sales tax exemption during the 2009-11 biennium. The fiscal impact cannot be determined.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Name:	Kathryn L. Strombeck	Agency:	Office of Tax Commissioner
Phone Number:	328-3402	Date Prepared:	02/03/2009

Date: 02/04/09

Roll Call Vote #: 1

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO.: 2374

Senate Finance and Taxation Committee

Check here for Conference Committee Amendment made by
Legislative Council Amendment Number Kelvin Hullet

Action Taken Do Pass Do Not Pass Amended

Motion Made By Senator Triplett Seconded By Senator Anderson

Senators	Yes	No	Senators	Yes	No
Sen. Dwight Cook - Chairman			Sen. Arden Anderson		
Sen. Joe Miller - Vice Chairman			Sen. Jim Dotzenrod		
Sen. David Hogue			Sen. Constance Triplett		
Sen. Dave Oehlke					

Total: Yes 2 No 0

Absent 1

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

Date: 02/04/09

Roll Call Vote #: 2

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO.: 2374

Senate Finance and Taxation Committee

Check here for Conference Committee Kevin Hullett Amendments

Legislative Council Amendment Number _____

Action Taken Do Pass Do Not Pass Amended ^{AS}

Motion Made By Triplet Seconded By Anderson

Senators	Yes	No	Senators	Yes	No
Sen. Dwight Cook - Chairman	✓		Sen. Arden Anderson	✓	
Sen. Joe Miller - Vice Chairman	✓		Sen. Jim Dotzenrod	✓	
Sen. David Hogue	✓		Sen. Constance Triplet	✓	
Sen. Dave Oehlke					

Total: Yes 6 No 0

Absent 1 Oehlke

Floor Assignment Senator Miller

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

SB 2374: Finance and Taxation Committee (Sen. Cook, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO NOT PASS** (6 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). SB 2374 was placed on the Sixth order on the calendar.

Page 1, replace lines 7 through 11 with:

"Gross receipts from the sale or service of aircraft engines or engine repairs and modifications and replacement parts and the sale of aircraft frame repairs and modifications, aircraft interior modification, avionics, and paint. The exemption must be limited to aircraft repairs, modification, and replacement parts for any aircraft brought into this state exclusively for the repairs or modifications and to repairs or modifications made to aircraft by a repair facility that meets the requirements of a federal aviation administration-approved part 145 repair station."

Renumber accordingly

2009 TESTIMONY

SB 2374

#1



February 5, 2009
Testimony on Senate Bill 2374
Kelvin L. Hullet, President
Bismarck Mandan Chamber

Chairman Cook and members of the Committee. My name is Kelvin Hullet and I am here today representing the Bismarck-Mandan Chamber. We are bringing this bill before you today at the suggestion of one of our members. Late last year, Executive Air came to the Chamber and discussed their recent experience in Oklahoma of having an aircraft repaired.

After the repair, Executive Air was told that the work would be sales tax exempt because they were from out of state. Executive Air thought this was a worthy concept to pursue and asked that the Bismarck Mandan Chamber try to assist in getting something similar introduced in North Dakota. From our standpoint, anytime we can help attract new investment and business to North Dakota while expanding our existing small businesses is worthy of consideration.

Today, I am submitting amended language to you for consideration. Unfortunately, in the drafting stage, the intent of what we were attempting to accomplish was unclear. This language will clarify our intent.

This bill is NOT intended for in-state aircraft.

It is an exemption for aircraft coming into North Dakota to have repair work completed. This legislation is intended to be an economic development piece that enables us to compete with other states that are doing similar incentives. Our intent is to assist in generating primary sector jobs that pay high wages and brings income into the state.

As we researched this issue, we found that over 30 other states currently offer a similar exemption for repair and service. Some, like Iowa were passed in the 1990's. Other's like Ohio and Missouri were passed in 2008. We have provided for you a sampling of the laws found in other states across the nation.

We removed the \$2 million dollar investment requirement.

As we reviewed it with the Tax Department, it was unclear how to determine who met that criteria and it complicated the bill. So, that language was struck from the current draft.



We removed the weight limit on airplanes.

When we looked at the language from other states, it covers a wide range. From 12,500 pounds to 100,000 pounds. Or, a take off weight of 6,000 pounds. As this bill generated discussion, it is apparent that in our state, the ability to service aircraft smaller than a jet will be helpful to building our infrastructure.

In the current language, a business is required to have a FAA, Part 145 license.

As we looked at the model language, that seemed to be a standard requirement. In North Dakota, there are currently 14 such licensed repair stations. Our intent is not to eliminate anyone, it is simply to find some gauge of how to regulate this exemption. Others may want to bring forward amendments to the language as part of the process and they are certainly welcome to do so.

According to the 2004 report on the impact of aviation on North Dakota, the aviation industry and airport system exceeds \$1 billion in economic impact and provides 10,902 jobs. The study is conducted every five years by the North Dakota Aeronautics Commission using an FAA planning grant.

What I found in the report is that as of 2004, there were 739 people directly employed by Fixed Base Operators. The total jobs created by the state's 63 FBO's was 1,478 with an economic impact of just over \$58 million dollars.

It would be our hope that by providing this exemption, the aviation service industry in North Dakota can continue to grow. While this bill is not going to create a rush of planes coming to our state, keeping a level playing field and even providing a competitive advantage over other states is in our best interest.

In closing, Mr. Chairman and members of the Committee, I hope you agree with our intent to provide another opportunity to expand the aviation service industry in North Dakota and enhance our competitiveness by providing a do-pass on Senate Bill 2374.

Wyoming Exemption

The law exempts from excise taxation "the sale of aircraft repair, remodeling or maintenance services at a Federal Aviation Administration certified repair station including, but not limited to, repair or replacement materials or parts.

Missouri

The exemption will apply to purchases of materials, replacement parts and equipment purchased for use directly upon, and for the modification, repair, replacement and maintenance of aircraft, aircraft power plants, and aircraft accessories from January 1, 2009, to January 1, 2015.

Connecticut Exemption

(76) **Aircraft repair or replacement parts.** Sales of and the storage, use or other consumption of repair or replacement parts exclusively for use (A) (i) in aircraft owned or leased by a certificated air carrier or (ii) in aircraft having a maximum certificated takeoff weight of six thousand pounds or more or (B) in the significant overhauling or rebuilding of aircraft or aircraft parts or components on a factory basis.

(77) **Aircraft repair services.** Sales of aircraft repair services when such services are rendered in connection with (A) (i) aircraft owned or leased by a certificated air carrier or (ii) aircraft having a maximum certificated takeoff weight of six thousand pounds or more or (B) the significant overhauling or rebuilding of aircraft or aircraft parts or components on a factory basis.

Kansas Exemption

K.S.A. 79-3606(g) exempts all sales of aircraft including remanufactured and modified aircraft sold to persons using directly or through an authorized agent such aircraft as certified or licensed carriers of persons or property in interstate or foreign commerce under authority of the laws of the United States or any foreign government or sold to any foreign government or agency or instrumentality of such foreign government and all sales of aircraft, for use outside of the United States and sales of aircraft repair, modification and replacement parts and sales of services employed in the remanufacture, modification and repair of aircraft.

Florida Exemption

The amount charged customers for labor associated with the maintenance or repair of a fixed wing aircraft with a maximum certified takeoff weight of more than 15,000 pounds or a rotary wing aircraft (e.g., helicopters) with a maximum certified takeoff weight of more than 10,000 pounds is exempt from sales and use tax.

Equipment Used in Aircraft Repair or Maintenance

The sale of equipment used to maintain or repair fixed wing aircraft and rotary wing aircraft is exempt from sales and use tax when the equipment:

- Includes replacement engines, parts, and/or equipment used to maintain or repair the aircraft.
- Is used on an aircraft with a maximum certified takeoff weight of 15,000 pounds or a rotary wing aircraft with a maximum certified takeoff weight of more than 10,300 pounds.
- Is installed on aircraft maintained or repaired in Florida.

New Jersey

Sales of aircraft or repair services to an "air carrier," and repairs to certain business aircraft, including machinery or equipment installed on such. N.J.S.A. 54:32B-8.35.

Texas Exemption

Labor charges to repair, remodel, maintain or restore an aircraft are not taxable. For example, a labor charge to replace a tire or avionics on an aircraft is not subject to sales tax.

When a repairer bills a single charge for parts and labor, the repairer should not collect sales tax from the customer. The repairer should pay tax, however, when buying the parts from the supplier.

No sales tax is due on component parts for aircraft exempt from sales tax. (See *Exemptions* above.) The exemption covers such things as air cargo containers that are secured or attached to the aircraft while in flight, radar equipment or other electronic devices used for navigational or communications purposes, food carts, smoke detectors, fire extinguishers, seats, battery chargers and diagnostic equipment. The exemption does not apply, however, to machinery, tools and equipment that support the overall aviation operation, such as baggage loading and handling, garbage and other waste disposal and booking reservations.

No tax is due on machinery, equipment or replacement parts and accessories with a useful life of more than six months used to overhaul or repair jet turbine aircraft engines. The exemption covers aluminum oxide, nitric acid and sodium cyanide used in electrochemical plating, as well as electricity or natural gas used in the off-wing processing, overhaul or repair of a jet turbine engine or its parts for a licensed and certificated carrier.

Indiana

Effective July 1, 2007, an aircraft brought to Indiana to be repaired, re-modeled refurbished, remanufactured or subject to a pre-purchase evaluation is exempt from Indiana use and/or aircraft excise tax. A "repair station" is a person who holds a repair station certificate issued by the FAA. However, the aircraft must be properly titled or registered in another state. The purchase of parts used to repair the aircraft is subject to Indiana sales tax.

Iowa

Exempt sale or rental of aircraft parts. Effective May 1, 1995, and retroactive to July 1, 1988, gross receipts from the sale or rental of tangible personal property permanently affixed to any aircraft as a component part of that aircraft are exempt from tax. The term "component parts" includes, but is not limited to, repair or replacement parts and materials.

d. Exempt performance of services. Effective May 1, 1995, and retroactive to July 1, 1988, gross receipts from the rendering, furnishing, or performing of services in connection with the repair, remodeling, or maintenance of aircraft (including aircraft engines and component materials or parts) are exempt from tax.

Oklahoma

Beginning July 1, 2002, sales of aircraft engine repairs, modification, and replacement parts, sales of aircraft frame repairs and modification, aircraft interior modification, and paint, and sales of services employed in the repair, modification and replacement of parts of aircraft engines, aircraft frame and interior repair and modification, and paint.

The exemption provided by this paragraph shall be limited to aircraft repairs, modification, and replacement parts for aircraft weighing more than nine thousand (9,000) pounds gross take-off weight and less than three hundred thousand (300,000) pounds gross take-off weight and which aircraft are brought into this state exclusively for such repairs or modification. The exemption provided by this paragraph shall be limited to repairs or modifications made by an aircraft repair facility.

As used in this paragraph, the term "aircraft" shall have the same meaning as such term is defined in Section 6001 of this title. The term "aircraft repair facility" shall mean any facility which either is an aircraft manufacturer's authorized service facility or a facility which repairs, modifies or replaces aircraft parts in which more than Three Million Dollars (\$3,000,000.00) was invested to establish the new facility or expand an existing facility and which construction was commenced or was in progress on or after July 1, 1999

St. Louis Business Journal - July 7, 2008
<http://stlouis.bizjournals.com/stlouis/stories/2008/07/07/story10.html>

St. Louis Business Journal

Friday, July 4, 2008

Spirit Airport to add jobs if aircraft repair tax dropped

St. Louis Business Journal - by Rick Desloge

Justin Giessman's family aircraft repair business -- AVMATS, **Aviation Maintenance and Technical Support**, at **Spirit of St. Louis Airport** in Chesterfield -- has been losing work to competitors in neighboring states that did not charge sales tax on aircraft repair parts.

Giessman said he monitored the lost work until it hit \$3 million. "I quit keeping track after that," he said.

That's when Giessman, a vice president with AVMATS, took his concerns to airport officials at Spirit who took their plan to eliminate the tax to the Missouri General Assembly.

The result is a bill before Missouri Gov. Matt Blunt that could have business -- and additional jobs -- flying into Chesterfield Valley. Literally.

Giessman and other aviation repair companies said the measure, which would eliminate sales tax on aircraft repair parts, will make Missouri more competitive with neighboring states that have already dropped the tax.

"The majority of our customers are getting bids from companies in surrounding states" that have no sales tax on aircraft parts, said Bill McLendon, president of **JetCorp**, which employs 150 people at its headquarters at Spirit of St. Louis. Profit margins are already thin in the business, and Missouri's sales tax bumps up the cost enough that customers take their repairs to states without the tax, he said.

McLendon said his company is considering a major investment in the region, one that could bring as many as 100 jobs to Spirit, but he's waiting to see if Blunt signs the transportation bill.

AVMATS has 256 employees, most of whom work at the company's offices at Spirit and at an office in O'Fallon, Mo. The company employs 70 at **MidAmerica Airport** in Mascoutah, Ill.

All the states surrounding Missouri, except Iowa, have eliminated the sales tax on aircraft repair parts, said John Bales, director of aviation at Spirit, who worked with Missouri legislators to get the measure passed. Missouri had a sales tax exemption for charter and commercial airlines in place, but not for corporate and general aviation, he said.

The sales tax put the airport at a disadvantage compared to other states, just as Spirit was in the process of expanding with 40 new aviation tenant sites, said Darin Cline, director of intergovernmental relations for St. Louis County, which owns the airport.

"There were no wholesale exits (of tenants with aircraft), but we were bleeding," Cline said.

Rep. Neal St. Onge, a Ballwin Republican who handled the bill, said he's been told by Blunt's office that the governor intends to sign the legislation July 3. A spokesman for Blunt said the governor's office continues to review the 95-page measure.

Gene Harbula, a senior vice president with Sabreliner, which overhauls aircraft at locations in Perryville, Ste. Genevieve and St. Mary's, Mo., said once aircraft operators start working with a repair facility, they frequently maintain those relationships unless there's an incentive to move the work elsewhere. "We have had people decline to come here because of the tax," he said. "I don't want to give anyone a reason to go elsewhere."

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BRIAN CASSIDY

Bill McLendon of JetCorp said his company could be adding up to 100 jobs locally if the bill eliminating the aircraft repair parts tax passes.

[View Larger](#)

Ohio governor approves tax exemption for aircraft repairs

By John Nolan

Staff Writer

Tuesday, June 24, 2008

Gov. Ted Strickland has approved legislation to end Ohio's sales tax on parts and labor involved in repair and maintenance work on small aircraft.

The provision which will lift that tax in 90 days was included in a \$1.3 billion capital appropriations bill that Strickland signed on Tuesday, June 24, said Keith Dailey, his press secretary. The Ohio House and Senate approved the tax exemption and sent it to Strickland as part of the capital projects bill.

The tax exemption should help Ohio aviation maintenance companies reclaim business from aircraft owners who have been able to save thousands of dollars by flying their planes to states which don't have a similar tax, said Iftikhar Ahmad, Dayton's director of aviation. The exemption applies to general aviation, which includes smaller aircraft owned by individuals and businesses.

Operators of Federal Aviation Administration-certified aircraft repair stations, including Stevens Aviation at Dayton International Airport and Commander Aero Inc. at Dayton-Wright Brothers Airport, say the tax exemption would also help them attract new maintenance work, and hire additional workers. Both airports are owned by the city of Dayton.

There are 133 FAA-certified aircraft repair stations in Ohio, according to a study commissioned this year by a consortium of Ohio's largest airports, including Dayton International Airport.

Airport administrators see opportunities for expanding business in aircraft maintenance, Ahmad said Tuesday. "There will be more opportunities for us when the word gets out," he said.

The airport-financed study by Silverlode Consulting Corp. said states without a similar tax include Michigan, Indiana and New York. At least two, Indiana and Michigan, have had job growth in support activities for aviation, while Ohio's job growth rate has lagged behind the national rate in this category, the study concluded.

Ohio's 5.5 percent sales tax, plus the local add-on of 1.5 percent in places including Montgomery County, adds significantly to an airplane's repair and refurbishing bill, aircraft repair company officials have said.



Chapter 3: Statewide Impact of Market Segments

Table 20
FBOs/Others Impact 1994, 1999, 2004

FBOs/Others 1994 Economic Impact			
Expenditures (\$000)	Direct	Induced ¹	Total
Payroll	\$13,166	\$19,749	\$32,915
Taxes	\$397	\$596	\$933
Capital Improvements ²	\$1,436	\$2,154	\$3,590
Other Operating Expenses	\$18,269	\$27,404	\$45,673
Total	\$33,268	\$49,902	\$83,170
1994 Employment	914	914	1,828

FBOs/Others 1999 Economic Impact			
Expenditures (\$000)	Direct	Induced ¹	Total
Payroll	\$11,245	\$16,876	\$28,112
Taxes	\$107	\$161	\$268
Capital Improvements ³	\$169	\$254	\$423
Other Operating Expenses	\$4,027	\$6,041	\$10,068
Total	\$15,548	\$23,322	\$38,870
1999 Employment	582	582	1,164

FBOs/Others 2004 Economic Impact			
Expenditures (\$000)	Direct	Induced ¹	Total
Payroll	\$9,871 ⁵	\$14,807	\$24,678
Taxes	\$154	\$231	\$385
Capital Improvements ⁴	\$488	\$732	\$1,220
Other Operating Expenses	\$12,765	\$19,148	\$31,913
Total	\$23,278	\$34,918	\$58,196
2004 Employment	739	739	1,478

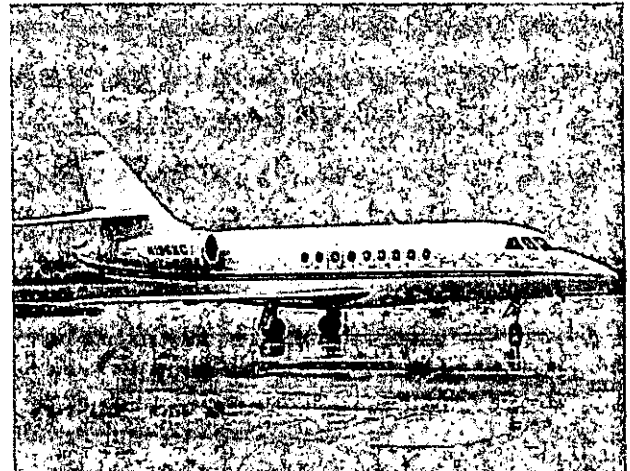
¹ Induced expenditures = Direct X 1.5.

² Average expenditures between 1990 and 1994.

³ Average expenditures between 1995 and 1999.

⁴ Average expenditures between 2000 and 2004.

⁵ Based on 363 at an average salary of \$15,978 and 376 at an average salary of \$10,829.



#2

Sales Tax Exemption for Sale and Repair of Specific Aircraft in North Dakota

A BILL for an Act to create and enact a new subsection to section 57-39.2-04 of the North Dakota Century Code, relating to a sales and use tax exemption for aircraft repair; parts; and to provide an effective date.

Section 1. A new subsection to section 57-39.2-04 of the North Dakota Century Code is created and enacted as follows:

Gross receipts from the sale or service of aircraft engines or engine repairs, modifications and replacement parts, sales of aircraft frame repairs and modifications, aircraft interior modification, avionics and paint. The exemption provided by this paragraph shall be limited to aircraft repairs, modification and replacement parts for any aircraft which are brought into this state exclusively for such repairs or modifications.

The exemption provided by the above paragraph shall be limited to repairs or modifications made to aircraft by a repair facility that meets the requirements of an FAA Approved Part 145 Repair Station.

Section 2. This Act is effective for taxable events occurring after June 20, 2009.

#3
Sign Witness Sheet at Lectern:

- Bill No. Senate Bill No. 2374
- Favor or Oppose Bill: Favor with amendment
- Name: Fred Adams, CAM (member of ND Aviation Association)

Chairman Cook and Senate Committee Members

I am Fred Adams, I live in Bismarck.

I am in favor with amendment to this Bill because,

1. The proposed tax exemption would be unfair to most of the 63 Airport Fixed Based Operators (FBO's) as listed in the 2007/08 ND Airport Directory published by the State Aeronautics Commission.
2. There are fourteen (14) FAA Certified Part 145 Repair Stations in the State of ND ([http://av-info.faa.gov/Repair Station.asp](http://av-info.faa.gov/Repair%20Station.asp)). Most of these would not qualify as the draft bill stands now.
3. Trying to administer the value of the facility at or more than two million dollars would add more government.
4. Most all of the 63 Airport Fixed Based Operators have investments on the airports and may employ personal who are FAA certified Airframe and Powerplant (A&P) licensed Mechanics.
5. An FAA Part 145 Certified Repair Station (CRS) is not the only method that paint and aircraft repair can be completed by compliance with current Federal Aviation Regulations (FAR's) and industry safety standards.
6. Trying to give economic stimulus to this ND industry is a good idea, but shouldn't this bill apply to all ND aviation facilities?
7. I would offer amended language for consideration:
8. Thank you for hearing these comments.

SENATE BILL NO. 2374

Introduced by
Senators Cook, Hogue, Oehlke
Representatives Grande, L. Meier, Nathe

- 1 A BILL for an Act to create and enact a new subsection to section 57-39.2-04 of the North
- 2 Dakota Century Code, relating to a sales and use tax exemption for aircraft repair parts; and to
- 3 provide an effective date.

4 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

5 **SECTION 1.** A new subsection to section 57-39.2-04 of the North Dakota Century Code
6 is created and enacted as follows:

7 Gross receipts from the sale of paint and parts for aircraft repair, modification, or
8 parts replacement made to aircraft by a repair facility that meets the requirements
9 of a federal aviation administration-approved part 145 repair station, *or any fixed*
10 *based operation listed in the North Dakota Aeronautics Commission's current listing*
11 *and employing a federal aviation administration certified Airframe and Powerplant*
12 *Mechanic.*

13 **SECTION 2. EFFECTIVE DATE.** This Act is effective for taxable events occurring after
14 June 30, 2009.



BISMARCK AERO CENTER

A DIVISION OF AIRCRAFT MANAGEMENT SERVICES INC.



air bp

February 4, 2009

Jon Simmers Statement and speaking notes to SB 2374

Mr. Chairman and members of the committee, my name is Jonathan Simmers. I am the General Manager at Aircraft Management Services dba Bismarck Aero Center located at the Bismarck Airport. We are a full service Fixed Based Operator. This bill could place our organization at a severe competitive disadvantage if passed with its current verbiage.

Our organization opposes Senate Bill_2374 unless the following amendments are considered:

- Our recommendations are based on the amended version of this bill submitted by the BisMan Chamber of Commerce.
- We recommend to amend the last paragraph requirements to remove FAA Approved Part 145 Repair Station verbiage as it is redundant with operators listed at the North Dakota Aeronautics Commission.
- We would also recommend to include "FBO's and or operators that are listed in the State Aeronautics Airport Directory." This eliminates any discrimination between maintenance operators and allows an even playing field for all FAA certified maintenance technicians that are employed at listed facilities with the North Dakota Aeronautics Commission. In addition, this eliminates out of state operators that move in to North Dakota by working out of their personal vehicle.
- Finally, we would recommend removing the last sentence to paragraph one and open up the tax base for this bill to include all North Dakota Aircraft in this exemption as well. As I look out for what is best for our industry in this state, I believe this bill will leave a sour taste in the mouths of the registered aircraft owners in North Dakota unless they are included.

If these outlined amendments were included, we would be pleased to support SB 2374. Thank you for considering our position on this bill. I submit these comments with great respect for our state's legislative process.