



January 1, 2017

Vermont Chamber of Commerce Position Statement
Aviation Sales Tax Exemption

For the record my name is Chris Carrigan, and I'm the VP of Business Development with the statewide Vermont Chamber of Commerce, which represents 1,500 members from Bennington to Newport and beyond. I also manage the Vermont Chamber's Manufacturing Division and the Vermont Chamber's Aerospace & Aviation Association.

Aircraft Maintenance as a Global Market Opportunity for Vermont

According to Visiongain, a market research firm, the commercial aircraft maintenance, repair and overhaul (MRO) market reached \$65.5 billion in 2016. MRO includes a range of services and hangar or workshop facilities to small repair companies for specific equipment, parts and components for both commercial and private aircraft.

Vermont has a combined \$2 billion aerospace manufacturing and aviation industry. According to the Economic Impact of Civil Aviation by State study done by the Federal Aviation Administration (FAA) in January 2015, the economic impact of civil aviation alone for the state of Vermont includes:

- \$1.1 billion in economic output
- \$316 million in earnings
- 11,081 jobs

Civil aviation, additionally, represents 2.3% of Vermont's gross domestic product (GDP).

Tax Exemption Vital for Competitive Advantage

Vermont's manufacturers, which perform aircraft maintenance for the global market, represent an integral part of Vermont's aerospace and aviation industry. Importantly, they rely on the aviation sales tax exemption for aircraft and depreciable parts to tap the worldwide MRO market opportunity and stay competitive in a competitive, global marketplace. The aviation sales tax exemption for private use is scheduled to sunset in July, 2018.

The aviation sales tax exemption applies to aircraft, both fixed wing and helicopter, as well as equipment and parts, including, but not limited to avionics and electronics, blades, gear boxes, landing gear, engines, and cabin interiors, to name a few.

For our members in aerospace manufacturing, MRO for both commercial and private use constitutes between 70-90% of their business and gross revenues. If allowed to sunset, repeal of the exemption will place our manufacturers at a competitive disadvantage. They will be forced to absorb the Vermont **6%** sales and use tax on everything sold, have to adjust their pricing, and they will lose business to neighboring states [MA (**5%**), NY (**4%**)] which have an exemption and NH, which has **no sales tax**. Simply put, customers will not pay sales tax on aircraft, equipment and parts related to maintenance in Vermont when they can go elsewhere and not have to pay the tax. Additional and unwanted consequences will include layoffs, salary reductions, other cost reductions and out-of-state relocation.

Vermont Chamber Position

The Vermont Chamber supports:

- Making permanent the sales tax exemption for both commercial and private and striking “such” in the 2nd bullet for subdivision (29).

Conclusion

In closing, Vermont has a thriving aerospace manufacturing and aviation industry. As a state, we have an opportunity to become a supply chain hub for global aerospace and tap the global \$65.5 billion market for aircraft maintenance, as well as the \$13.8 billion Québec aerospace cluster, which is part of a \$28 billion Canadian aerospace industry, for cross-border, supply chain opportunities. The Vermont Chamber advocates for a consistent tax policy conducive to the preservation and growth of the aerospace industry and its manufacturers, many of whom provide Vermonters with employment and a high standard of living. Making the aviation sales tax exemption permanent for both commercial and private will help accomplish this.

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