

2015 Aviation Equipment Tax Stakeholder Survey

Introduction

In 2015, the Minnesota Department of Transportation's Office of Aeronautics conducted a stakeholder survey about the 2013 legislative change exempting taxes on equipment and parts for repair and maintenance of aircraft and equipment and parts to upgrade and improve aircraft. The purpose of this legislative change is to encourage the growth of the aviation services industry in Minnesota.

In 2013, legislation was enacted in [Chapter 143](#), which amended [297A.82 subd. 4](#) by adding the following provision (f):

Subd. 4. **Exemptions.** (a) The following transactions are exempt from the tax imposed in this chapter to the extent provided.

(f) The sale or purchase of the following items that relate to aircraft operated under Federal Aviation Regulations, Parts 91 and 135, and associated installation charges: equipment and parts necessary for repair and maintenance of aircraft and equipment and parts to upgrade and improve aircraft.

The provision in (f) exempts certain transactions from the tax imposed regarding the sale, purchase of and associated installation charges for equipment and parts necessary for repair and maintenance of aircraft and equipment and parts to upgrade and improve aircraft.

The effective date was June 30, 2013 and applies to sales and purchases made after that date.

Stakeholder Survey Information

The online survey form and survey response information from completed surveys is found below.

Minnesota
AVIATION EQUIPMENT TAXES

Please

give Aeronautics and the Legislature

your **input!**



Minnesota **AVIATION EQUIPMENT TAXES SURVEY**

Please Print

Are you an aircraft owner? Yes No

Are you in an aviation business? Yes No

If **yes**, please describe:

Have these tax exemptions impacted you in a positive way? Yes No

If **so**, how?

Have these tax exemptions impacted you in a negative way? Yes No

If **so**, how?

What other comments do you have regarding the aviation tax exemptions?

May we contact you with follow up questions? Yes No

Your contact information:

Name

Address

Phone

Email

Thank you for your participation!

In **2013**, Minnesota State Law was changed to provide a **tax exemption** for the sale or purchase and associated installation charges of equipment and parts necessary for repair and maintenance of aircraft. This includes equipment and parts to upgrade and improve **aircraft** (under FAA Regulations, Parts 91 and 135).

The **purpose** of this change is to encourage the growth of the aviation services industry in the state.

In **2016**, MnDOT Aeronautics will report to the Legislature on the **impact** of these tax exemptions on aircraft repairs, maintenance, and improvements. **Your input** will help provide a more complete assessment of the tax exemption impacts on **private businesses** and **aviation** in Minnesota.

Please return to:



**Minnesota Department of Transportation
 Office of Aeronautics
 Attn: Aviation Equipment Taxes Survey**
 222 E. Plato Blvd
 Saint Paul, MN 55107-1818
 aeriinfo.dot@state.mn.us
 www.mndot.gov (click on the airplane)
 Connect with us on Twitter and FaceBook

Print

Submit

Are you an aircraft owner? Yes – 6 No - 7

Are you in an aviation business? (If yes please describe) Yes – 11 No – 3

- “FAA Certified Repair Station specializing in avionics”
- “We are a Maintenance Repair and Overhaul (MRO) facility performing maintenance for transport category aircraft” Aviation Gasoline Excise Tax
- “General Aviation – Piston Engine Airplanes – small business FBO Maintenance & Flight School”
- “Aircraft Maintenance FBO, A6 Aerial Applicator”
- “Operate a maintenance shop”
- “Preheat systems manufacturing in MN and sold worldwide”
- “Aircraft Charter, Aircraft Management”
- “Aircraft management and charter”
- “FBO, Flight School, Club”
- “Manager of an FBO”
- “FBO – aircraft parts and maintenance services”

Have these tax exemptions impacted you in a positive way? (If so, how?)

Yes – 11 No – 3

- “Definitely – we have hired more people because our workload on installations has grown so much”
- “These exemptions allow us to remain competitive with MRO’s in other states. Removing the exemptions would put us at a competitive disadvantage by an 8% margin”
- “It has directly reduced my costs to operate...It’s tough to get new students because of the cost – this helps”
- “I installed new Garmin Avionics and did not have to pay the sales tax. This helped me pay for the equipment”
- “Lowered our cost of operation. Less administration costs collecting taxes we aren’t paid to collect”
- “Telling our customers there is no sales tax on parts lowers their cost!”
- “Our FBO and MRO facilities near bordering states are not losing business to folks that would fly to airports in other states without the tax”
- “I have owned aircraft in the past and hope to own another in the future. The ownership cost is already very high and every bit of help/tax relief is very helpful”
- “Reduced costs by using local avionics shop for aircraft upgrades”
- “Allowed aircraft owners to operate in the state of MN”
- “Reduced costs – MN is more competitive”

- “Modern technology improves training”
- “It makes all of our maintenance services more cost effective”
- “While we cannot quantify how much additional business we received as a result of the exemption, we believe the law has increased aviation parts sales which would not have occurred if the tax exemption was not implemented”

Have these tax exemptions impacted you in a negative way? (If so, how?)

Yes – 0 No – 14

- “Definitely not”
- “That has not been a factor.”

What other comments do you have regarding the aviation tax exemptions?

- “Please don’t start adding taxes again on installs & part sales; it has a negative impact on our business!”
- “It is critical for us to remain competitive in this very difficult market. The tax exemption on parts and equipment on parts and equipment has given us that competitive edge that allows us to continue to expand our business and hire additional employees”
- “A customer on the fence about making minimum safe repairs to an engine, or upgrading decided to go with the updated improvements because of the big sales tax savings. Great Idea!!! Now we just need to do something about the cost of liability insurance”
- “The new Garmin equipment increases my flight safety”
- “Good step in the right direction, aircraft ownership & operations are already high enough that people are not flying as much as before”
- “Having a fuel tax exemption would benefit smaller GA airplanes much more than sales tax. Please consider fuel tax exemption”
- “My company provides six jobs at GHW airport in a town of 2-3,000 people. Keeping a favorable business climate is key to keeping my employees there”
- “I am on our local airport board and know very well the costs involved with aviation. It is vital to continue to extend tax exemptions in aviation. Our city owned airports have limited budgets as it is. Please work with the exemptions”
- “Tax changes in MN have given me a reason to consider basing additional aircraft in MN”
- “Could rebates be offered to help order newer planes?”
- “This helps General Aviation grow and allows us to have a greater volume of business and be more competitive”
- “We believe another aspect of the legislation continues to have a negative impact on jet fuel sales at Duluth International Airport and mostly likely at other Minnesota airports which provide US Customs clearing services for transient aircraft. We respectfully request that the legislature amend to legislation which increased the tax on jet fuels and special fuels which went into effect on July 1, 2014.
- Our business sells jet fuel at Duluth International Airport and we have spent a considerable amount of effort and expense to convince transient general aviation jet aircraft operators to stop in Duluth solely to purchase fuel when Duluth is not their final destination. This line of

business has grown from approximately 30 aircraft/year to over 300 aircraft/year since we began operations 10 years ago. While we cannot quantify how much business we have lost as a result of the 10 cents per gallon tax increase that went into effect, we believe it has adversely influenced this highly competitive, price sensitive market and caused transient aircraft to stop for fuel at airports outside of Minnesota.

- We recognize that a considerable amount of effort was expended to enact the related legislation and that eliminating this tax increase statewide would require tax revenues to be increased elsewhere. Therefore, we propose that only the five Minnesota international airports of entry designated by the Secretary of the Treasury in 19 CFR 122.13 be exempt from the jet fuel tax entirely or at least the 10 cent tax increase: Baudette International, the two airports in Duluth (Duluth International and Sky Harbor), and the two airports in International Falls (Fall International and Ranier International).
- People have asked whether only exempting fuel sales for international arrivals would be acceptable, but unfortunately, it is not practical nor sufficient to retain and grow this line of business. While it is relatively easy to identify international arrivals because those aircraft have to clear US Customs prior to fueling, we would have to rely on the pilot's word to determine whether the aircraft is departing for an international or domestic destination...however, it is an industry standard for fuel providers to only ask for information required to provide requested services.
- [We] estimated that the statewide tax revenue impact of amending the legislation as requested would have been less than \$80,000 based on 2012 general aviation jet fuel sales”