



TO: Chairman Rick Gudex, committee members  
Senate Committee on Economic Development & Local Government  
FR: Greg Laabs, Vice President and General Manager  
Gulfstream Aerospace, Appleton facility  
DA: October 23, 2013  
RE: Gulfstream Aerospace support of SB 348

Good morning, my name is Greg Laabs and I serve as Vice President and General Manager of the Gulfstream Appleton facility. Gulfstream Appleton employs more than 850 technicians, engineers, and support personnel. Our facility provides aircraft service maintenance for small and large jets. Gulfstream has eight (8) total maintenance facilities across the United States, including Wisconsin. Six of those eight states exempt parts and maintenance from the state sales tax.

In addition to providing all types of aircraft maintenance, we manufacture the final completion phase of building aircraft at our Appleton site. In fact, the Appleton facility is the new elite engineering site and nationwide, the premier location for custom interiors.

#### **Competitive disadvantage**

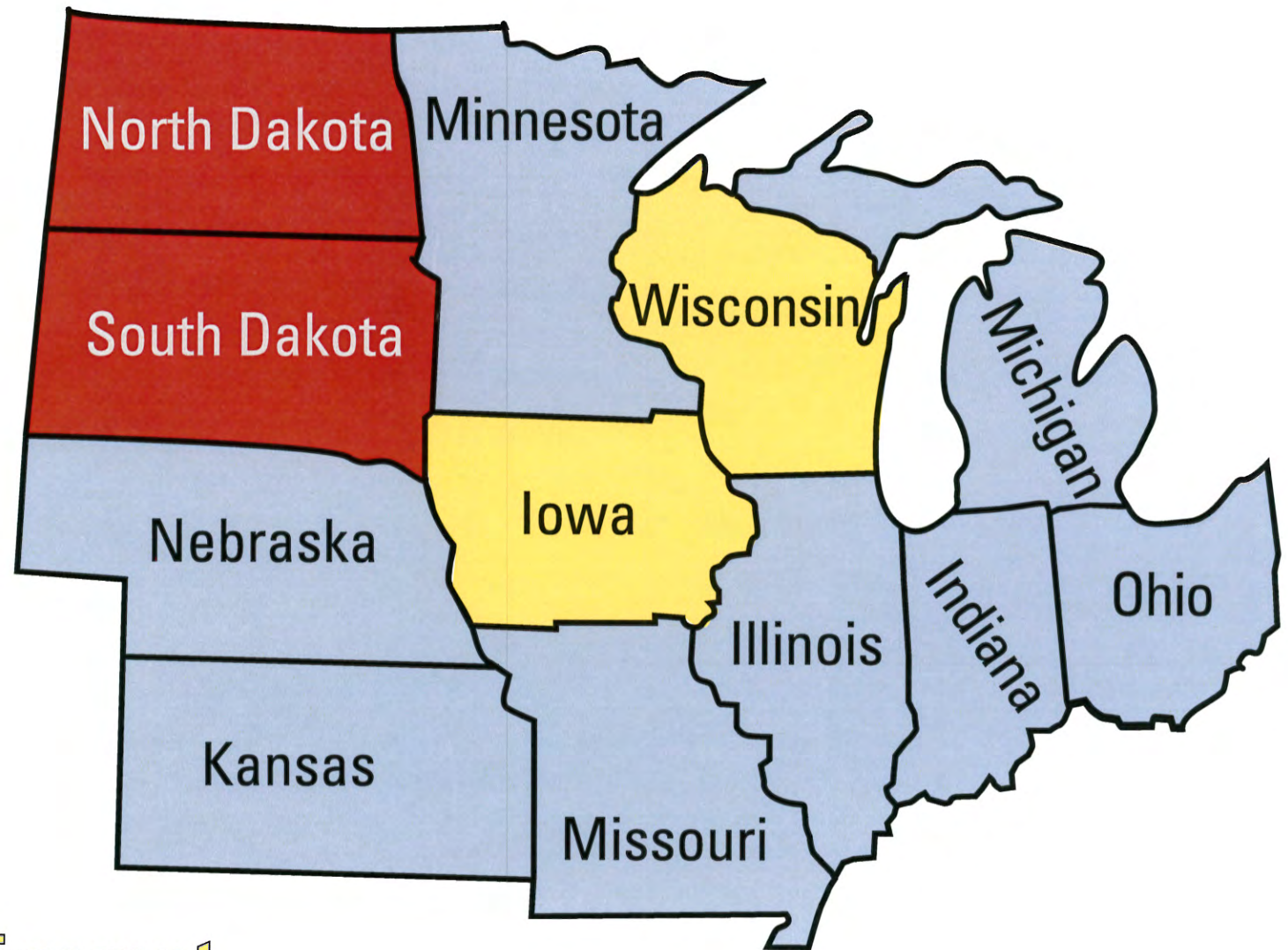
- We are surrounded by states that have eliminated the sales tax on parts and maintenance for all aircraft.
- Maintenance needs are growing nationally; as the fleet grows, so does the need for routine, FAA-required service and repairs.
- Our neighboring states – 24 states in total – all exempt parts and maintenance from the state sales tax.
- It is extremely difficult to compete for business without a level playing field
- Gulfstream Appleton is able to draw customers from all over the US and all over the world. We need to be able to maintain these customers, but the sales tax as a separate line-item is hindering our abilities to attract and retain business.

#### **Opportunity for growth**

- Our company invests more than \$5 million every year in more than 300 other businesses in Wisconsin that provide goods and services for our operations.
- This is truly a “remove it and they will come” piece of legislation
- Our Appleton facility has expansion opportunities but one of the factors is whether we can draw business in; removal of this tax will create that level playing field and allow us to grow our operations.
- Over the last 5 years, the Gulfstream fleet has grown at the same pace it did in our first 20 years as a company; again, this simply means more and more maintenance work. We would like to see those jobs come here.

We urge your support today of SB 348. Wisconsin is at a competitive disadvantage compared to other states. Thank you for the opportunity to provide comments.

# Sales Taxation of Aircraft Parts



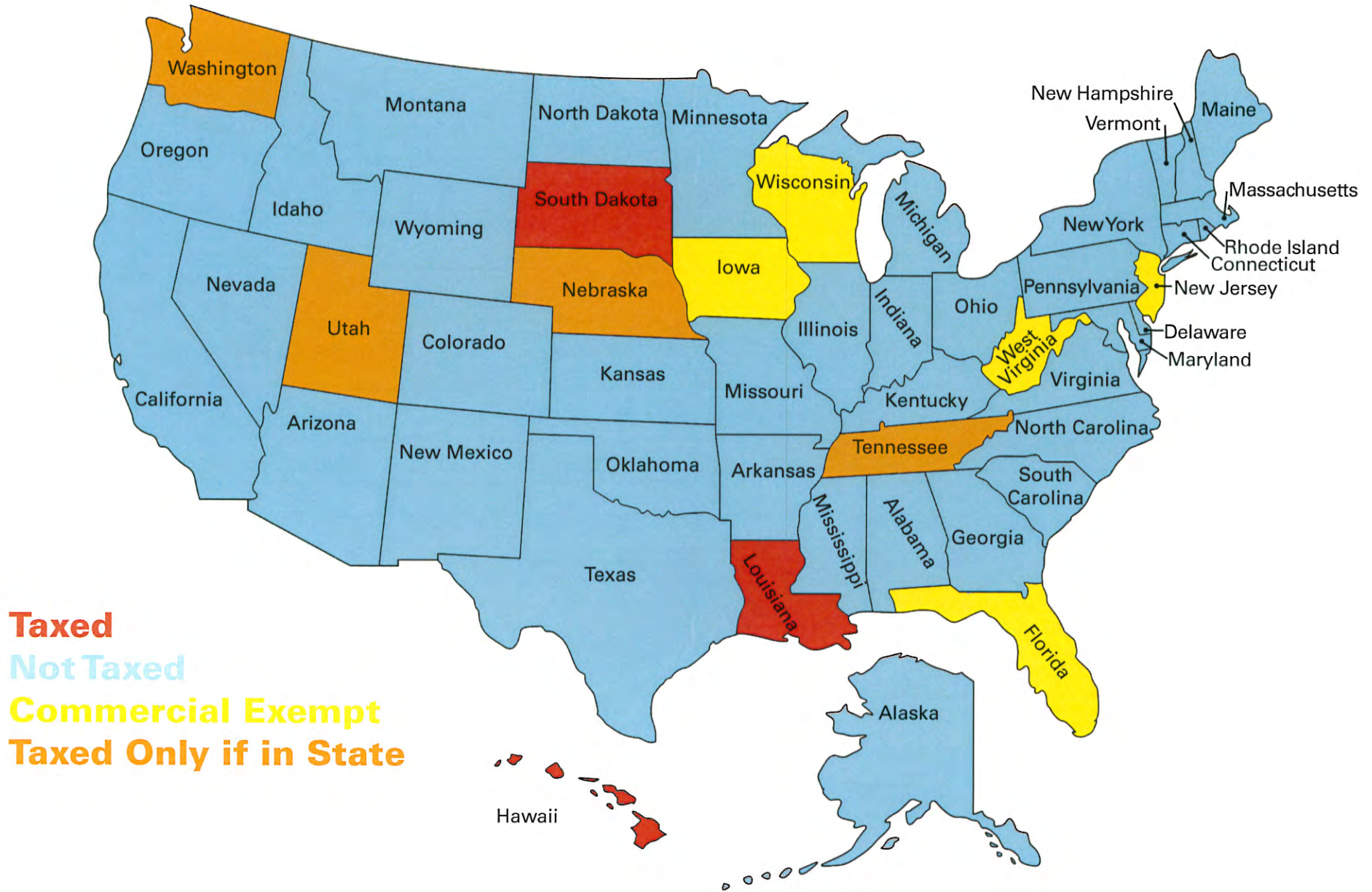
**Taxed**

Not Taxed

Commercial Exempt



# Sales Taxation of Aircraft Maintenance Labor





October 23, 2013

Senator Richard Gudex, Chairman  
Senator Jerry Petrowski, Vice-Chairman  
Senator Joseph Leibham  
Senator Julie Lassa  
Senator Lena Taylor

*Re: EAA Support for Senate Bill 348*

EAA (the Experimental Aircraft Association) is the world leader in recreational aviation. With an international membership of more than 180,000 people in more than 110 nations, including 18,000 members in Wisconsin, EAA brings together aviation enthusiasts, pilots and aircraft owners who are dedicated to sharing *the Spirit of Aviation* by promoting the continued growth of aviation, the preservation of its history and a commitment to aviation's future.

EAA strongly supports Senate Bill 348, which would exempt aircraft parts, maintenance, and labor from sales and use tax to operators and owners of aircraft in the state of Wisconsin. We believe that this exemption will greatly benefit and preserve Wisconsin's aviation and related-field industries, as well as benefiting Wisconsin general aviation pilots and aircraft operators.

Because aircraft are capable of traversing long distances with relative speed and ease, the market for aircraft parts and maintenance is unusually competitive across state lines. Aircraft operators, like every other consumer group, are very price-conscious—and aircraft parts and labor are very expensive, making even small percentage differences in price become several thousand dollar differences. Operators know that the cost of transporting an aircraft out of state to have major service completed in a state without an aircraft parts and labor sales tax—versus a home-base state with those taxes—is more than justified.

As an example, it would take me approximately an hour of flight time to take a small, single-engine Cessna to an overhaul facility in Wheeling, Illinois, where there is no sales tax on aircraft parts, maintenance, or labor. I would burn 16 gallons of aviation gasoline during my round trip at a cost of approximately \$105. The engine overhaul, on the other hand, would cost roughly \$20,000—assuming that it goes smoothly and no other labor needs to be done. At Wisconsin's current sales tax rate of 5%, I would pay \$1000 in sales tax for the parts and labor at my home field for the same work—making the two-hour round trip flight to Illinois worth \$895 in savings. This effect is obviously greatly magnified with more complex aircraft. For most recreational pilots and the vast majority of commercial general aviation operators in Wisconsin, the cost savings for major maintenance makes the decision to stay in state or go to a neighboring state with no aviation sales tax an easy one.

EAA spoke with owners and technicians at repair facilities based in Oshkosh to get a perspective on how other states' aviation sales tax exemptions are affecting their business, and we were not surprised to learn that they are already operating at a disadvantage. Steve Myers, for example, is the owner of Myers Aviation, a nine-employee shop in Oshkosh specializing in aircraft salvage, rebuilding, and overhaul. He has already experienced instances where customers purchased major, expensive components for a rebuild from a state with no aviation sales tax and brought the components to him for installation, rather than allowing him to provide the parts with the sales tax. He cannot place the major components on his work order, and he does not receive any revenue for the components. This obviously cuts deeply into his margins and has a profoundly negative effect on his business. It also has profoundly negative effects for the state of Wisconsin, because as his business loses out to businesses in states with no aviation sales tax, he is unable to hire more skilled, highly paid technical labor—the type of skilled labor that provides payroll tax revenue to the state, pays state income taxes, and keeps employment numbers up. As it stands now, Wisconsin is not taking revenue from the sale of those major components, Steve's business is not earning a profit on the sale, and his business is less competitive—putting a strain on his ability to expand, or even retain, his workforce. This is specifically the kind of triple-jeopardy situation that Senate Bill 348 will eliminate.

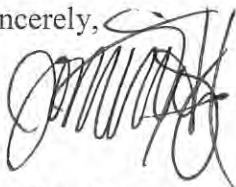
The converse of this situation is fortunately true: If Senate Bill 348 becomes law, Wisconsin will be one of the states where aviation businesses draw customers from other states that levy an aviation sales tax. The multiplicative effects of a strong aviation industry in terms of payroll and income taxes, real estate value stability, skilled employment rates, and the state's retention of a skilled labor pool are self-evident.

EAA is particularly interested in preserving Wisconsin's infrastructure of local aircraft maintenance shops. We believe that if the majority of revenue-intensive major maintenance business is being flown out of state, local shops will be left with only small, relatively inexpensive maintenance tasks. This would put many shops in serious risk of closure or relocation to another state. This type of decay in the availability of local repair facilities would be a serious barrier to general aviation in Wisconsin, and Wisconsin traditionally enjoys a very strong general aviation community including pilots, operators, and manufacturers.

EAA stands for lowering barriers to entry for aviation in terms of cost and access, and Senate Bill 348 is exactly the type of legislation that succeeds in lowering these barriers. Therefore, our association wholeheartedly and enthusiastically offers our support for this bill.

If any of you would like explanation or amplification of any point made here, please do not hesitate to contact me on my direct office line at (920) 426-6103.

Sincerely,



Jonathan Harger  
Government Advocacy Specialist



# BUSINESS

**Automotive:** Ford working to pitch Lincoln brand to younger buyers. **2D**

**Trends:** Finding balance amid stock price volatility is latest challenge for investors. **3D**

**Transportation:** Entrepreneur seeks to harness helium to haul cargo. **8D**



## Plane repair tax sending work away

*"Engine changes can cost a half-million dollars or more. You throw on a 5.5% sales tax, and it can really put you at a disadvantage."*

Jeff Baum,  
president and CEO,  
Wisconsin Aviation

### Aircraft maintenance companies say they lose business to nearby states

By **JOE TASCHLER**  
jtaschler@journalssentinel.com

The sales tax on parts and labor for maintenance of privately owned aircraft in Wisconsin is sending potential customers flying off to other states where such work is tax-exempt, hindering job growth here, aviation and business interests say.

Efforts to exempt the aircraft work from sales taxes date back at least six years, but the issue surfaced again this month when the Legislature's Joint Finance Committee again considered a sales tax exemption for the

work.

Instead, legislators put forth a proposal for a \$2 million aviation grant program to be administered by the problem-riddled Wisconsin Economic Development Corp.

While those in the industry say they appreciate the grants, they also say that anyone who needs a federally mandated inspection or overhaul of a privately owned aircraft is flying past Wisconsin because they can avoid sales taxes on the work in places such as Michigan, Ohio, Missouri or Indiana.

The sales taxes do not apply to commercial aircraft or aircraft used to transport passengers — so-called air taxi service. "If it's a non-commercial airplane, we have to charge sales tax on parts and labor," said Bruce Botterman, owner and founder of NewView Technologies, a family-owned aircraft maintenance business in Oshkosh.

"There's millions of dollars at stake," Botterman said.

Aviation companies say the tax policy puts Wisconsin at a competitive disadvantage to neighboring states.

"It puts companies such as ours, but

primarily the larger ones such as Gulfstream in Appleton and Citation Service Center in Milwaukee, at a distinct disadvantage, because some of your bigger inspections on some of your larger aircraft, your jet aircraft, can run you \$100,000," said Jeff Baum, president and CEO of Wisconsin Aviation in Watertown.

"Engine changes can cost a half-million dollars or more," he added. "You throw on a 5.5% sales tax, and it can really put you at a disadvantage."

Please see **AIRCRAFT, 7D**



From page 1

**AIRCRAFT**

# Planes fly to other states

A 5.5% tax would add an extra \$27,500 to a \$500,000 airplane overhaul bill.

The mode of transportation makes it fairly easy to take the business elsewhere.

"These airplanes travel at high rates of speed. It's not hard to jump across the state line with them and have somebody else do the work and create the jobs and revenue in that state," Baum said.

"So the airplane doesn't come to Gulfstream in Appleton. It goes to Gulfstream somewhere else, or the work doesn't come to the Citation Service Center in Milwaukee," Baum added. "Who loses out? I mean, are the top dogs at Cessna and Gulfstream going to have their salaries cut? No. It's the hourly workers on the floor who don't have that work.

"That's where the impact is."

**Damper on competition**

Wisconsin Manufacturers & Commerce, the state's largest business lobby group, says it has been asking legislators for a sales tax exemption on such work because the tax is limiting the ability of companies to grow and add jobs in Wisconsin.

"It seemed like a reasonable request to make to keep us competitive with these other states," said Jason Culotta, director of tax and transportation policy for WMC.

Senate President Mike Ellis (R-Neenah) said members of the budget-writing Joint Finance Committee discussed including a tax exemption but at the last moment decided to go with a grant program instead. Ellis, whose district includes the Gulfstream Aerospace facility in Appleton, said he didn't know why lawmakers went with a grant program and said the tax exemption would have been better.

"We're losing business to other states," he said. "This tax credit would have alleviated that problem."



PHOTO COURTESY OF GULFSTREAM AEROSPACE

Gulfstream Aerospace says its aircraft finishing and service center in Appleton is at a competitive disadvantage to other service centers because of the sales taxes for certain work done in Wisconsin.

"We've been trying to get (Gulfstream) to expand, and this is absolutely a wet towel on competitiveness," he added. "When you tack on that extra expense, you're literally driving jobs out of Wisconsin and out of the Fox Valley."

Gulfstream, a division of defense conglomerate General Dynamics, operates nine service centers worldwide, including the Appleton facility. The Appleton site handles final manufacturing for certain aircraft models and also does major service and modification work on large-cabin aircraft.

The facility employs 840 people and has another 50 contract employees. The company says its annual payroll at the Appleton facility is \$60.4 million. It has three hangars with slots for 21 aircraft and 275,200 square feet of space.

"Because Wisconsin has a tax on the parts and equipment used in the repair and maintenance of aircraft, while nearby states don't, it's easy for operators to neglect visiting Wisconsin for maintenance in favor of Minnesota, Michigan or Illinois, where they can just as easily have service work performed and won't incur the tax," said Gulfstream spokeswoman Heidi Fedak. "This tax does have an impact on our (Appleton) service center operations."

The state's Legislative Fis-

cal Bureau estimates that the sales tax generates \$2 million to \$3 million annually for Wisconsin.

**Tax revenue vs. jobs**

The grant program passed by the Joint Finance Committee doesn't address the competitiveness issue, WMC's Culotta said.

"The concern is that, if we don't keep up with what the other states are doing, we're going to lose investment and we might have disinvestment at some point," he said.

But some argue the tax exemption would be nothing more than corporate welfare at a time when states, including Wisconsin, are trying to cut costs and bring in every dollar they can.

"We sometimes hear concern about the impact of such policies on state revenue. That's an understandable concern," said Dan Hubbard, spokesman for the National Business Aviation Association in Washington. "What we have found is, when the exemption is put in place and the businesses involved can remain competitive, jobs at those businesses are retained or added. Those workers pay taxes and we find that revenue generation meets or more than offsets any concern about revenue" lost to a sales tax exemption.

Still, if you can afford a corporate jet, shouldn't you be able to afford the sales taxes on the work done to

maintain it?

If an aircraft owner is doing a complete overhaul — a new interior, new paint, new engines or maybe putting in new generation radio navigation equipment, "that bill could get very big," Baum said.

"You might be talking \$1 million or more. Now you start adding on \$55,000 in sales taxes and people say 'I think it looks a lot better down in Indiana'" to have the work done.

"I mean, we get hung up on these clichés, that if they are wealthy enough to own the airplane they can afford the sales tax," Baum added.

"That may or may not be true. But that's not the point.

"Nobody throws away money, and especially, nobody likes to throw money at the government if they don't have to. Therefore, many people will say, 'OK, look. If I can get this same job and I can get it done for \$23,000 less by simply moving the airplane to Indiana instead of Wisconsin for this work, I'm going to do that, all things being equal.'"

Patrick Marley of the Journal Sentinel staff in Madison contributed to this report.





# **NEWVIEW**

**TECHNOLOGIES Inc.**



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CRS**  
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Good morning Chair Gudex and committee members. My name is Bruce Botterman and I am the owner and founder of NewView Technologies, Inc., a family-owned aircraft maintenance business at Wittman Regional airport in Oshkosh. The business is an FAA certified Repair Station and specializes in aircraft window repair and polishing, certification of aircraft instruments and systems used for instrument flight, installation of avionics into aircraft and performing major and minor maintenance of piston powered aircraft.

I have been earning a living in aviation since 1962. As an FAA certified aircraft technician and inspector, my experience includes working for a major Air Carrier, FAA certified air taxi and air freight carriers, full service aviation services companies (FBO's), and for the last 18 years with NewView.

Our business depends on required and optional repair and service work on aircraft. The majority of our customers operate aircraft used for business purposes; however, the current sales tax exemption in Wisconsin only applies to aircraft used for charter or commercial use. Our neighboring states exempt business-use aircraft from the sales tax creating a distinct disadvantage in Wisconsin. Aircraft are inherently mobile and can be flown out of State to have work done.

Some of our work is attained by providing a bid to the owner / operator of the aircraft. The sales tax is a separate line item on the bid sheets, and with Wisconsin being at a disadvantage this affects successful bids. Some of the jobs we bid are very expensive and if an owner can fly the plane to Indiana or Michigan and pay \$20-\$50,000 less, then they will. And with them goes the job retention and creation in the aviation industry.

We have an opportunity in Oshkosh, the Fox Valley and around the state to retain and create family-supporting jobs and careers in aviation. Our state hosts the EAA every single year; thousands of airplanes are flying into Wisconsin to showcase this industry, and we have the education and training within the technical colleges, including Fox Valley Tech. Training and keeping technical personnel in Wisconsin is a very good return of the educational investment in our educational system.

I respectfully request your support for this legislation to help foster additional growth and prosperity for this industry. I appreciate the opportunity to provide comments and I'd be happy to answer any questions you may have.

Bruce Botterman, NewView Technologies

**Career board experience includes:**

Fox Valley Technical College Flight and Airframe and Powerplant/Avionics advisory board, Oshkosh Chamber of Commerce, the Fox Cities Chamber of Commerce, the Green Bay Chamber of Commerce, the Fox Cities Convention and Tourism Bureau, the EAA Friendship Committee, an FAA Aircraft Maintenance Safety Counselor, National Business Aircraft Association, National Aviation Transportation Association, Wisconsin Aviation Trades Association, Wisconsin Aviation Hall of Fame, Experimental Aircraft Association, Wisconsin 2003 Business of the year, and Wisconsin DOT 2005 Outstanding Achievement in Aviation Award.





October 23, 2013

Dear Senator,

As the Manager of Waukesha County Airport, I am writing to support Wisconsin State Senate Bill 348. This job creating bill proposes to exempt the repair and maintenance of all aircraft and aircraft parts from the sales and use tax – an exemption already realized by 36 States in our nation.

Aviation is an interstate business. Aircraft owners have many choices regarding maintenance facilities in other states, many times with flights shorter than the time it takes to drive a car to another town or city. All of our neighboring states, except Iowa, exempt maintenance companies from charging their customers tax on aircraft parts and labor. Business is literally flying out of Wisconsin and good paying aviation maintenance jobs are being supported and created in other states.

Waukesha County Airport is the busiest General Aviation Airport in the State and is ranked in the top 5% of general aviation airports in the entire country. Our activity creates an annual economic impact of \$80 million dollars to the local economy, and supports over 900 jobs. The small businesses that provide aircraft maintenance are one of the major reasons that pilots and corporations fly to and base their aircraft at our airport. Last year, two of those maintenance companies each billed over \$30,000 in sales and use tax to their customers. Combined, this equals 800 hours of labor at their average shop rates. The potential perform additional labor thanks to the savings provided to their customers means more highly skilled, good paying jobs created here in the state.

Airports are economic engines that fuel their communities through job creation, travel and tourism, and economic development. Additional activity at your local airport means additional revenue for your community. We strongly believe that aircraft maintenance jobs are family supporting careers, and that the passage of this bill will increase aircraft maintenance business not only in Waukesha, but in the entire State. I urge your support and ask you to please contact me if you have questions, concerns, or require additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "Kurt Stanich", written over a white background.

Kurt Stanich





WISCONSIN MANUFACTURERS & COMMERCE

**TO:** Members of the Senate Economic Development and Local Government Committee

**FROM:** Jason Culotta  
Director, Tax & Transportation Policy

**DATE:** October 23, 2013

**RE:** Support for Senate Bill 348

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Wisconsin Manufacturers & Commerce (WMC), the state's chamber of commerce, urges your support of Senate Bill 348. This legislation creates a Wisconsin sales tax exemption for aviation labor and parts. In order to maintain and expand our existing aviation industry and the jobs that industry brings to the state, the Legislature should swiftly adopt this legislation.

Wisconsin has aviation maintenance businesses in communities around the state such as Appleton, Eau Claire, Madison, Milwaukee, and Watertown. The jobs this industry provides are high-paying and contribute significantly to the regional economies fortunate enough to have them.

All of our neighboring states, save Iowa, have adopted a similar sales tax exemption. This leaves Wisconsin vulnerable to the loss of work – and ultimately, jobs – if the Legislature does not act to align our state with the actions undertaken by other states.

The choice facing Wisconsin policy makers is clear. By not adopting this sales tax exemption, Wisconsin will soon forgo the jobs and economic activity that come from this industry. By enacting this legislation, Wisconsin will choose to compete for this work and more of the quality jobs that this industry employs.

Again, WMC calls upon the Legislature to embrace job creation and economic competitiveness by supporting passage of Senate Bill 348.



To: Chairman Rick Gudex, Committee members  
Senate Committee

Fr: Charles Swain

Da: October 23, 2013

Re: Support of SB 348

Thank you Chairman Gudex and committee members for the opportunity to submit comments in support of SB 348. My name is Charles Swain and I have been in the aviation business since 1967.

I have owned and operated Beaver Aviation, Inc., located in Juneau, Wisconsin since 1975. Our primary business is annual inspections of private and business aircraft from single thru light twins. I am currently a board member of the Wisconsin Aviation Hall of Fame and I served 32 years as a County board member in Dodge County where I served as chairman of the board for 16 years.

My primary concern with the tax structure in Wisconsin is the competitive disadvantage we are currently experiencing. I want a level playing field because as you all know, business competition is difficult enough without a competitive disadvantage. Adding a 5.5% sales tax to every job when all my competitors in Michigan, Minnesota, Indiana, and Illinois can avoid that, makes it difficult to maintain customers and even more difficult to expand my business operations.

Wisconsin is an optimal state to expand and grow the aviation industry. My experience is vast working as a licensed airframe and powerplant mechanic, working for a major airline and through my work on the board of the Wisconsin Aviation Trades Association. As a state, we have strength in manufacturing, training and education and the existing businesses to add jobs here.

I urge your support of this legislation. I don't want to see another job leave Wisconsin for a state that exempts this sales tax. Thank you for your attention to this matter.





To: Chairman Richard Gudex and Members of Senate Committee on Economic Development and local Government.

From: Jeffrey Baum, President and CEO, Wisconsin Aviation Inc.

Date: October 23, 2013

RE: Support of Senate Bill 348 – sales and use tax exemption for aircraft parts, maintenance, and labor.

Thank you for the opportunity to express our support for SB 348. With the passage of this bill, Wisconsin will no longer be at a competitive disadvantage with its neighboring states.

Wisconsin Aviation is the state's largest full-service fixed-base operator and provider of general aviation services including aircraft maintenance and avionics services. As a fixed-base operator, we are granted the right by an airport to provide necessary aircraft maintenance on location. As economic engines within communities, local airports have the capacity to facilitate business and provide needed jobs. Investments in airports and the aviation industry are investments in the state's economy.

Wisconsin's aviation industry is currently at a distinct disadvantage. Despite Wisconsin's central location, aircraft owners are literally flying over Wisconsin to seek repairs at a lower cost. Twenty-four (24) states have already adopted sales and use tax exemption for aircraft maintenance.

With the cost and frequency required in aviation repairs, the addition of a 5.5% sales tax could add anywhere from hundreds to tens of thousands to the overall bill. These additional costs are avoidable and lead aircraft owners to leave the state for their repairs and keep out of state aircraft from coming to Wisconsin for service. Eliminating these additional costs would allow us to compete on pricing with out-of-state rivals which would lead to increased demand and in turn, job growth. We have documented cases where Wisconsin Aviation has lost bids to out of state competitions because of the 5 ½ % difference. When this happens, our bottom line suffers, our aircraft technicians lose work hours and pay, and the state loses from the resulting decline in purchasing power.

According to a 2010 WI DOT report, the total statewide economic impact of the aviation industry was \$7 billion. That same report also revealed that in just 8 years, the total jobs impact rose from 42,000 to 90,000 jobs. In order to sustain this growth and robust presence in the state's economy, it is crucial that we level the playing field and be able to compete for business across state lines.

Thank you for the opportunity to share our support for SB 348. We hope you consider what is best for Wisconsin's aviation industry and economy when making your decision.

Dane County Regional Airport  
3606 Corben Court • Madison, WI 53704  
608-268-5000 • 800-594-5359

CORPORATE HEADQUARTERS  
Watertown Municipal Airport  
1741 River Drive • Watertown, WI 53094  
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Dodge County Airport  
N6491 State Hwy 26 • Juneau, WI 53039  
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**W I S C O N S I N A V I A T I O N . C O M**



## AIRCRAFT OWNERS AND PILOTS ASSOCIATION

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www.aopa.org

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### Testimony of Mark Kimberling from the Aircraft Owners and Pilots Association (AOPA) in **Support of Senate Bill 348**

Before the *Wisconsin* Senate Committee on Economic Development and Local Government

October 23, 2013

Chairman Gudex and Committee Members,

My name is Mark Kimberling from AOPA and I am appearing before the committee on behalf of more than 6,500 AOPA members, and your constituents, *in Wisconsin* to address an economic issue that transcends aviation.

Senate Bill 349 would level the playing field for the 45-plus Wisconsin aviation maintenance facilities that have been operating at a significant competitive disadvantage for several years now -- affecting *commerce* across the State -- the ramifications of which have resulted in countless job losses and missed economic activity.

By passing Senate Bill 349, the Wisconsin Legislature would allow the State's aircraft maintenance facilities to compete with neighboring states that have recently enacted similar exemptions – regionally, these states include Minnesota, Illinois, Indiana, Michigan, and Ohio. Because of the mobile nature of aircraft, Wisconsin is continually competing with these other States – and is currently losing the battle as jobs and economic opportunity simply crosses the border.

Consider a small, 4-seat Cessna 172 that needs a \$20,000 engine replacement. In Wisconsin, an aircraft owner in Eau Claire would pay nearly \$1,000 in sales tax while they could take a 30 minute flight to the Twin Cities and avoid that tax altogether. Further, consider a King Air C90 similar to the one being used by Lakeshore Aviation in Manitowoc. An engine overhaul for this aircraft, being chartered by numerous local businesses to get across the country, can have a sales tax exceeding \$12,500 for one engine and more than \$25,000 for overhaul of the aircraft's two engines. Again, this sales tax can be avoided by simply flying to Indiana, Minnesota, or Michigan – and represents tangible savings for businesses operating on very thin margins.

Further, multiple states that passed similar exemptions did so in spite of record budget shortfalls and in the depth of the recession. This serves as a real testament to the efficacy and value of this measure in terms of yielding tangible growth in jobs, investment, *and even* in long-term overall state revenue that far outweigh the 'lost collections' or fiscal notes associated with the bills. In fact, these measures have been so effective over the long-term in other states like Massachusetts and New York, that when these policies were vetted, along with every other tax exemption on



the books in a desperate bid for revenue, the aviation tax exemptions were not only continued, but declared to be permanent vital measures for the sake of their respective state economies.

Even more encouraging, is the fact that states like Maine which recently enacted a similar maintenance tax exemption in conjunction with a thawing economy and a rebounding aviation industry, has experienced such quick and substantial short term business and job growth that, I have to say, surpassed even our most optimistic projections. For example, in Bangor, Maine, C&L Aerospace immediately committed to a \$3 million expansion of their existing 40,000 square-foot maintenance facility and doubled their workforce from 40 to 80 technicians within *months* of the bill's passage. At another local business, Oxford Aviation in Oxford, Maine added 20 additional technicians as their overhaul and restoration work doubled with the ink barely dry on their own version of this legislation.

Similarly, following passage of a similar bill in Indiana the results were immediate. Eagle Creek Aviation Services added a second shift of workers to support the increases maintenance activity occurring at their facility. Further, a Hawker Beechcraft maintenance operation in the State reported hiring is up 75% and additional job growth is expected as more and more business returns to the State.

Now, as we look at this measure in Wisconsin, through our careful analysis of the state aviation infrastructure not only in terms macro-factors like geography and existing business assessments, but also in terms of seemingly minor characteristics like pavement condition index, based aircraft locations and other detailed, but relevant, factors; we believe that Wisconsin is not only poised to yield similar per capita economic dividends to these other state success stories we have referenced -- but we actually believe the state is positioned to potentially experience *even greater* results.

We are cognizant of the fact that this is one of many issues the Committee and the Legislature is considering this session. But if given proper consideration, we believe that you will find that not only may this measure be the best dollar--for--dollar jobs measure before the legislature, but you will also realize the economic cost and peril of postponing this measure for even one more year.

Thank you again for allowing me to testify, and please do not hesitate to contact me if you have any questions, or would like further information.

## APPLETON POST-CRESCENT

Legislative leaders miss opportunity for job growth (editorial)

Jun. 29, 2013 | 5 Comments

The leaders of the majority in the state Legislature came together this week to try to sell the idea that the tax cuts and small increase in property taxes that are part of the 2013-15 state budget will help Wisconsin grow jobs.

There's no reason to buy what they're selling.

The leaders — Assembly Speaker Robin Vos, Senate Majority Leader Scott Fitzgerald and Joint Finance Committee co-chairs Alberta Darling and John Nygren — made their pitch to the Wisconsin State Journal editorial board, saying that the measures will send a message to businesses to create jobs, according to the State Journal.

Logic will tell you that's not necessarily true.

The income tax cuts that are the largest piece of the cuts total \$651 million over the two-year budget. But their impact on an individual basis for low- and middle-income residents isn't going to make much of a blip on their personal economies. Even for the wealthy, it's hardly enough to cause a change in spending habits or a major purchase.

And even holding the property tax increase to an average of less than 1 percent will negate some of the income tax gain, especially affecting low- and middle-income residents.

Low taxes don't drive job growth. It's driven by demand for products and services. When demand goes up, businesses have to hire to meet the demand. What the budget offers most Wisconsinites in tax cuts won't increase demand for either products or services.

The Legislature did, however, miss an opportunity to truly increase demand in one industry.

The Joint Finance Committee considered a sales tax exemption on parts and labor for the maintenance of private aircraft. That would have benefited Gulfstream's operations at the Outagamie County Regional Airport.

The issue is that surrounding states do have a sales tax exemption, which puts Gulfstream and similar state businesses at a competitive disadvantage. Being able to compete on pricing with the rivals in the other states would have increased demand, which could lead to job growth.

But the exemption didn't appear in the final version of the budget bill. What happened? That's one of those mysteries that seems to come out of the Joint Finance Committee. Provisions get added to the bill or taken out of the bill and no one — even those on the committee — can say why.

That's a shame. There are other provisions in the state budget that seek to address economic development. It's too bad this sales tax exemption wasn't one of them.

We hope the Legislature takes it up as a standalone bill soon. As a prospect for much-needed jobs in Wisconsin, it looks like a winner.

<http://www.postcrescent.com/article/20130630/APC0602/306300093/Legislative-leaders-miss-opportunity-job-growth-editorial->