

January 14, 2020

The Honorable Guy Guzzone
Chair, Budget and Taxation Committee
Miller Senate Office Building, 3 West Wing
11 Bladen Street
Annapolis, MD 21401-1991

RE: Senate Bill 121 – Sales and Use Tax – Aircraft Parts and Equipment – Exemption

Dear Chairman Guzzone and Distinguished Committee Members,

The management and employees of Royal Aircraft Services, LLC in Hagerstown MD would like to express strong support for SB 121 - Aircraft Parts and Equipment - Exemption.

Maryland, and Hagerstown in particular, have played a powerful role in aviation history. Attendance at a Hagerstown Aviation Museum Open Airplane Afternoon event is evidence that Maryland's youth are still fascinated by, and profoundly interested in aviation. And the packed classes of prospective aircraft mechanics at Hagerstown's PIA campus are proof that our youth are very interested in pursuing careers in aircraft maintenance. Unfortunately, these students will not be transitioning into entry-level positions in Maryland after graduation, because there are none.

Finding a starting position with an aircraft mechanic's license, but no actual hands-on work experience, requires a move out-of-state to connect with a growing business where the graduate can continue their on the job training and build the experience needed to work independently. Entry-level opportunities with a Maryland company are extremely rare. There are no "new" or "up-and-coming" General Aviation Maintenance facilities in Maryland to provide these job opportunities, while there are growing opportunities in every other state in the northeast.

Avionics installation and maintenance job openings have increased dramatically over the last few years thanks to an FAA mandate to re-equip older aircraft with Automatic Dependent Surveillance-Broadcast Out (ADS-B) equipment. Nearly every aircraft flying (except brand new ones) needed to have new equipment installed to comply. Maryland missed this growth opportunity entirely, because we chose not to remain competitive. Saying that Maryland "chose" this may seem like an overly harsh criticism, since we didn't actually "do" anything to intentionally become an unattractive place to have installation work done. As I learned very quickly in the military, when faced with a rapidly changing situation "indecision" IS a decision, and can lead to a much worse outcome than a "bad" decision you can correct from.

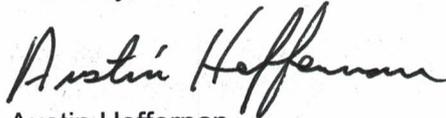
The "choice to do nothing", in spite of ample testimonial evidence provided year after year warning about the growing number of states exempting aircraft parts and equipment from sales

tax was a choice that has led to bad consequences. Today, Maryland is the only remaining state in this region that does not provide any form of sales tax exemption on aircraft parts and components except for Delaware, with an insignificant sales tax of 0.384%. And Maryland is the last place an aircraft owner needing major equipment upgrades would choose to have work done.

A great deal of concern was expressed in prior sessions about uncertainty over the potential amount of lost sales tax revenue if Maryland joined other states in the northeast and mid-atlantic that were exempting aircraft parts and equipment from sales tax. In reality, that concern is now moot, because aircraft owners are flying their aircraft out of, and over Maryland every day to have installation and upgrade work done in neighboring states where they will not be charged sales tax. And Maryland is losing tax revenues from fuel sales, restaurants, rental cars and all the other goods and services aircraft owners make use of when they drop their airplane off at a shop to have work done. More importantly, Maryland is losing income tax revenue and participation in the local economy by graduates of programs like PIA who move out-of-state post-graduation and never return, and from experienced technicians who would be need to be recruited from out-of-state if there were any work for them here.

We respectfully ask for a favorable decision on SB 121 - Aircraft Parts and Equipment - Exemption to create a level playing field for Maryland's General Aviation businesses since it will: create an environment allowing existing businesses to grow and add employees, attract new businesses to our airports, generate new corporate and personal income tax revenue and spur additional economic growth and development by businesses that provide goods and services for new customers and employees. It's a win - win endeavor that will benefit General Aviation businesses and the State's coffers, while allowing Maryland's aviation maintenance students the opportunity to pursue employment at home following graduation.

Sincerely,

A handwritten signature in black ink that reads "Austin Heffernan". The signature is written in a cursive style with a large, sweeping initial "A".

Austin Heffernan
Royal Aircraft Services, LLC