



- Washington County Government
- City of Hagerstown
- Hagerstown Community College
- Washington Co. Free Library
- Town of Williamsport
- The Greater Hagerstown Committee, Inc.
- Washington County Chamber of Commerce
- Visit Hagerstown (Local Convention & Visitor's Bureau)
- CHIEF (Hagerstown-Washington Co. Industrial Foundation)

Washington County Community Coalition

Lobbyist: John Favazza, Esquire Mannis Canning & Associates 410.263.7882 jfavazza@maniscanning.com

February 4, 2024

The Honorable Vanessa Atterbeary
Chair, Ways and Means Committee
House Office Building Room 131
6 Bladen Street
Annapolis, MD 21401

RE: House Bill 557 - Sales and Use Tax Exemption - Aircraft Parts and Equipment - Repeal of Reporting Requirement and Sunset

Dear Madam Chair and Distinguished Committee Members,

The Washington County Community Coalition, representing 9 community partner groups, would like to express our strong support for HB557 – Sales and Use Tax Exemption - Aircraft Parts and Equipment.

There are a variety of views in regard to tax policy, however there's a universal understanding that Maryland must remain competitive with surrounding states in order to have a strong and growing economy. Over the last 15 years, all of the states in the mid-atlantic region have exempted or capped sales tax on aircraft parts. The legislators in these states shared many of the same concerns in regard to impacts from lost sales tax revenue. However, one state after another implemented a tax exemption on aircraft parts recognizing the importance of growing this industry in their home state and supporting the many small businesses at their local airports. Since that time, several states recently extended their sunset clauses or made the exemption permanent, and no state has reverted back to taxing aircraft parts.

Maryland was at a significant competitive disadvantage with all of the states in our region until our state finally passed its own aircraft parts tax exemption legislation in 2020. Prior to the 2020 legislation, our repair and maintenance businesses saw the negative impacts of our state's non-competitive aviation tax policy. Local maintenance and repair shops at our airport had been forced to reduce jobs as much as 40% due to lost sales to surrounding states, like Pennsylvania, that exempted sales tax for aircraft parts for years. In addition, there were no new repair businesses being created at our local airport.

Today, thanks to the support of the General Assembly in 2020, plane owners and insurance companies needing aircraft maintenance can get their repair work done in Maryland at competitive prices without having to take a short flight to adjacent states to receive significant savings on their maintenance work.

It took a couple years for the positive effects of the 2020 legislation to kick in, but this economic incentive is working. Hagerstown Regional Airport (HGR) has over a dozen small businesses that are successfully competing with neighboring states to provide aviation repair and maintenance work. These businesses create jobs and produce income taxes, corporate taxes, and other secondary revenue benefitting our county and state. This has helped our airport to be a major economic development engine for this community contributing over \$300M in economic impact each year, and ranking in the top 3 public use airports in Maryland for total economic impact.



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Our Pittsburgh Institute of Aeronautics (PIA), which trains aviation mechanics and service technicians, continues to grow and provide workers for regional airports like BWI, Dulles, Reagan, as well as some of the smaller airports in Maryland. PIA has been recognized by FORBES magazine as the nation's #1 two-year trade school, with a 90% placement rate and median salaries over \$70,000. The school will be adding 35% more space in the coming year in order to take on more students. It is important to pass this bill and keep Maryland competitive with other states in the aviation repair business so that we can keep the workers we are training in our state.

In closing, we respectfully ask for your support of HB557 – Aircraft Parts and Equipment – Exemption. We are seeing first-hand the benefits of the original legislation. Passage of this bill will keep the exemption in place and maintain Maryland's competitiveness with our neighbors - allowing us to continue to grow and retain the aviation repair and maintenance industry at Maryland's airports.

Sincerely,

Paul Frey, Managing Partner for The Washington County Community Coalition