



A MEMBERSHIP ORGANIZATION
REPRESENTING THE INTEREST OF ALL
PUBLIC USE AIRPORTS IN IOWA

Iowa Lost Work/Employment Support Sales Tax Exemption for Aircraft Parts and Labor

Background

Iowa's sales tax policy is negatively impacting aviation employment. Thirty-four states have a sales tax exemption for aircraft parts and labor and two states have legislation proposed to exempt aircraft parts and labor. The average wage for aircraft technicians range from \$18-\$35/hr. Lost aircraft maintenance work equals lost employment opportunities for our Community College graduates.

Iowa Aviation Employers and Lost Work

Elliott Aviation, Des Moines, estimated that this past fiscal year they lost \$3 million - \$4 million in sales as a direct result of Iowa's aviation tax policy.

Des Moines Flying Service estimated that this past fiscal year they lost \$800,000-\$1 million in sales as a direct result of Iowa's aviation tax policy. In 2018, Des Moines Flying Service estimated their loss at \$1.75 million in parts and at least \$140,000 in labor sales, the equivalent of one full-time technician.

Jet Air Inc., Iowa City, because of the Illinois tax savings for aircraft services, Jet Air invested and sent maintenance technicians to avionics training at their Illinois location and not their Iowa City location. As a result, nearly \$1 million in avionics and other related work was completed in their Illinois facility and not in Iowa. Jet Air sent two aircraft to a maintenance provider in Missouri for avionics work that were overflow from their Illinois shop. Missouri has the aircraft parts/labor sales tax exemption.

Classic Aviation, Pella, reports they have gone through considerable effort to become one of a limited number of Cirrus Aircraft service centers. There are over 8,000 Cirrus aircraft flying all of which need a 10 year parachute overhaul. This work ranges in cost between \$18,000 to \$20,000. When bidding this work, Classic Aviation is at a \$1,000 competitive disadvantage to our neighboring states who do not have sales tax on aircraft maintenance. As a result, Classic Aviation has lost considerable work opportunities.

Leading Edge Aviation, Spencer, reports losing specialized service work on Beechcraft Bonanza aircraft. The lost work is directly attributed to Iowa's 7 percent tax on this 300-hour labor project. The service work has gone to tax-friendly states.

Spencer Avionics and CAMM Air, Spencer, provide aviation services to customers of a radius of more than 300 nautical miles to our community. Much of the work quoted is for avionics installation, inspection and/or repair work. CAMM Air struggles to be competitive due to the additional 7 percent Iowa tax. These customers travel a few hundred miles for these needed services. Competition for the work is price sensitive. Decisions are made based on which maintenance shop has the best price and Iowa business are at an immediate 7 percent cost disadvantage. In a recent example, an Iowa base aircraft had avionics work performed in a neighboring state who does not have the sales tax. This resulted in \$111,000 of lost revenue for Spencer Avionics.

Bottom Line - Aviation is a mobile industry and state sales tax matters greatly when it comes to where aircraft owners choose to have repair projects done. With Wisconsin, Illinois, Missouri, Kansas, Nebraska and Minnesota all tax free, it is easy to fly an additional 100 miles to go across the state border and avoid paying the added 7 percent tax.