



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

Issue Statement

Sales Tax Exemption for Aircraft Parts and Labor

This issue paper supports the removal of a competitive disadvantage that impairs Iowa's aerospace industry job retention and creation. Specifically, this paper supports expansion of the current Iowa sales tax exemption that applies to "air carrier" aircraft to include all aircraft.

Background

- Aviation in Iowa is responsible for 16,549 jobs with a payroll of \$587 million dollars.
- Five of Iowa's neighboring states (IL, MN, MO, NE, WI) have a sales tax exemption of aircraft parts and labor.
- One of the criterion for evaluating facility growth and investment in aviation facilities is the presence of a State sales tax exemption on aircraft parts and labor.
- Neighboring states with the tax exemption enjoy considerably more robust aerospace economic development.
- Indian Hills Community College and Iowa Western Community College are leaders in aircraft maintenance degrees. Such an exemption would help grow local jobs and potentially keep more of our young people who are educated in Iowa, staying in Iowa.
- Average maintenance technician wage ranges between \$18-\$35/hr.

Issue Statement

- Thirty-four States have the sales tax exemption placing Iowa employers at a competitive disadvantage.
- This bill is about helping Iowa employers offer competitive pricing to rival prices offered by out-of-state companies, an especially important consideration when planes are, by definition, very portable.
- This is NOT a tax break for aviation companies because sales taxes are passed onto the customer.
- Sales tax is shown as a separate invoice line item paid for by the customer, not the service provider.
- Current Iowa Statute limits the parts and labor exemption to "air carrier" only, thereby, excluding many of Iowa's aerospace employers.
- Non-competitive tax laws drive repair work and subsequent revenue to neighboring states.
 - The following list is a sample of Iowa aviation employers who have lost work because of Iowa's noncompetitive sales tax environment. Elliott Aviation, Des Moines; Des Moines Flying Service, Des Moines; Jet Air Inc., Iowa City; Classic Aviation, Pella, Leading Edge Aviation, Spencer, Spencer Avionics, Spencer; CAMMAir, Spencer; Carver Aero, Council Bluffs.