



Minnesota Business Aviation Association
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State Airports Funding Proposal

This proposal is based upon the following data:

- Fuel Consumption amounts and distribution from 2008
- Turbine Aircraft Registered in MN from 2006
- Non-Jet General Aviation Aircraft historical averages from 1996-2006
- No changes to any Av-Gas powered, military, CAP, or otherwise currently exempt aircraft
- Interest Income Consistent with Airports Fund 15 Year Avg.

<u>Fuel Tax</u>	<u>CURRENT</u>
0 - 50,000 @ .05	
50,001 -150,000 @ .02	
150,001 ó 200,000 @ .01	
<u>Above 200,000 @ .005</u>	
TOTAL (2008)	\$3,418,000

- **Effective Rate of \$.0085 per Gallon**

<u>Fuel Tax Commercial Air Carrier</u>	<u>PROPOSED</u>
>75 million @ .05	\$8,885,000
>150 million @ .02	\$1,500,000
>300 million @ .01	\$1,500,000
<u>>300 million @.005</u>	<u>\$ 0</u>
TOTAL (2008)	\$11,885,000

- **Effective Tax rate of \$.035 per Gallon**
- **Does not include General Aviation Jet Fuel Tax which would be captured in the below inflated rate**

Fuel Tax Corporate

PROPOSED

64.3 Million Gallons @ \$.06 per Gallon = Total (2008) \$3,858,000

- This would increase contribution from transient aircraft ó including charter and fractional ó which currently contribute \$.05/Gal, no registration fees and qualify for volume refunds
- No GA operator, including fractional will approach 75MM Gallons annually, therefore receive \$0 refund

A/C Registration

PROPOSED

Aircraft Registered in MN will pay \$0.50 per pound of Maximum Gross Takeoff Weight ó a number easily obtained.

Total Registered Weight in 2006 = \$1,951,325

This is based upon the most current list of registered aircraft the MBAA had access to for MN ó will be higher amount for 2008

Total Revenue From above

General Aviation Turbine Aircraft Registration	\$1,951,325
Jet Fuel Tax	<u>\$3,858,000</u>
TOTAL GA Jet Aircraft contribution	\$5,809,325
General Aviation (non-turbine) A/C registration remains un-changed and contributes approx. \$300,000 annually	\$300,000
Av-Gas 10 Year Average Generates	<u>\$280,000</u>
Total Revenue for small general aviation aircraft	\$580,000
	<u>Interest Income</u>
Average from 1991-2006	<u>\$1,049,734</u>
Grand Total for State Airports Funds	\$19,324,059

Highlights of this Proposal:

- Additional revenue to be generated through fractional aircraft operators paying \$.50 / LB is not included in above forecast
- Utilizes current State of MN Administrative Processes
- Increases revenue contribution by transient aircraft.
- Eliminates 60 Day Rule which is misunderstood and impossible to enforce
- Large hub airlines at MSP would see a reduction in total tax and therefore Cost per Enplaned Passenger
- FBO fuel sales for GA aircraft would have minimal negative effect (\$.06/gal)
- Flight Line Property Tax is not eliminated, but is also not required in order to achieve integrity
 - FLPT is backfill instrument which is not understood by participants
 - FLPT was permanently reduced in 2002 and never reinstated
 - Can still be kept in law in case of extenuating shortfalls
Just not depended upon annually

This proposal could be adopted for an initial period of 5 years in which the state of Minnesota could pursue the following:

- Create tax exempt status for aviation maintenance and manufacturing.
- Allow sales tax on aircraft or a portion thereof to be dedicated to the State Airports Fund.
- Explore enforcement of registration fees on aircraft in MN
- Explore Landing Fee on non-registered aircraft operating in MN
- Explore the impact of fractional owned aircraft who will contribute \$.50/LB of GTOW going forward

Just as cost per enplaned passenger (CEP) is good for the MAC and commercial airlines, assuring total cost of aircraft ownership is beneficial for the general aviation community. Keeping costs competitive for aircraft operators has proven successful in other states and is good policy for the State of Minnesota and the State Airports Fund.

The MBAA looks forward to input from all committee members in order to further our common goal of solidifying the funding sources for the State Airports Fund.

Respectfully Submitted,

Neil Brackin
President
Minnesota Business Aviation Association