

# White Paper

## Examination of the state sales tax exemption for private luxury aircraft at Hanscom Field

### Summary

The state sales tax represents over 20% of the total revenue for the Commonwealth of Massachusetts, raising about \$8.7 B per year, and affects all citizens. While average citizens pay taxes on their appliances, automobiles, automobile repairs, furniture, cell phone service, restaurant meals, etc., there is a remarkable exemption in Massachusetts for the purchase of luxury private aircraft, parts, upgrades, and aircraft storage. This exemption places an undue burden on the normal taxpayer and benefits a few wealthy individuals.

### Tax exemption for aircraft

Chapter 64H of the Massachusetts General Laws provides for a number of exemptions from sales tax. This section contains the following:

Section 6. The following sales and the gross receipts therefrom shall be exempt from the tax imposed by this chapter:

(uu) Sales of repair or replacement parts exclusively for use in aircraft or in the significant overhauling or rebuilding of aircraft or aircraft parts or components on a factory basis.

(vv) Sales of aircraft.

It is important to note that commercial aircraft for public transportation or shipping have always been exempt from sales tax because they are a cost of goods sold for a business. The tax exemptions being discussed here, and the subject of chapter 64H, are for private luxury aircraft.

### Background of the exemption

The exemption of private luxury aircraft from sales tax was enacted as Chapter 177 of the Acts of 2001, effective March 1, 2002. The relevant excerpts of the Acts of 2001 are cited as follows:

Chapter 177

SECTION 19. Section 6 of chapter 64H of the General Laws, as appearing in the 2000 Official Edition, is hereby amended by adding the following 2 paragraphs:

(uu) Sales of repair or replacement parts exclusively for use in aircraft or in the significant overhauling or rebuilding of aircraft or aircraft parts or components on a factory basis.

(vv) Sales of aircraft.

SECTION 19A. Section 7 of chapter 64I of the General Laws, as so appearing, is hereby amended by adding the following 2 paragraphs:

(d) Storage, use or other consumption of repair or replacement parts exclusively for use in aircraft or in significant overhauling or rebuilding of aircraft or aircraft parts or components on a factory basis.

(e) Storage, use or other consumption of aircraft.

This law was quietly enacted in response to lobbying from aviation organizations. The exemption is not even found on the Massachusetts Department of Revenue web site; to find it you must go directly to the law.

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## Comparison with other states

The sales tax exemption for aircraft was uncommon. Other nearby states, except New Hampshire, all assessed significant sales taxes, according to a report from the Massachusetts Aeronautics Commission. **Note:** the chart below was used to show the taxes before the Massachusetts sales tax exemption was implemented and incorrectly shows the obsolete 5% tax rate for Massachusetts.

**TABLE 5  
COMPARISON OF AVIATION-RELATED  
SALES TAX RATES BY STATE**

State	Tax Rate On Aircraft	Tax Rate On Leases	Tax Rate On Parts	Tax Rate On Labor
Connecticut	6% (a)	6%	none	none
Maine (b)	6%	6%	6% (b)	none
Massachusetts (c)	5% (c)	5%	5% (d)	none
New Hampshire (a)	none	none	none	none
New York (d)	4% (e)	4%	4%	4%
Rhode Island	7%	7%	7%	7%
Vermont	5% (f)	5%	5%	none

### FOOTNOTES:

- (a) Aircraft with maximum weights greater than 6,000 lbs are exempt.
- (b) Parts sold to a scheduled airline are exempt.
- (c) Aircraft for scheduled commuter service are exempt.
- (d) Parts for scheduled commuter service aircraft are exempt.
- (e) Commercial aircraft are exempt.
- (f) Aircraft involved in air commerce are exempt.

## Justification of the exemption

Based on reviews of discussion of the legislation proposed in various states exempting sales tax for private luxury aviation, the following arguments are typically put forward:

**Claim: Private luxury aviation generates significant economic activity and jobs. This activity is beneficial and should be encouraged via a tax exemption.**

There is no evidence that sales tax exemption affects the level of economic activity related to private luxury aviation. Comparing economic or job indicators before and after the exemption was created shows no evidence that this exemption has created a SINGLE job in Massachusetts. Sales tax is a tiny fraction of the cost of private luxury

aviation. This is an absurd argument that could be used to justify exemption of almost any luxury products or services from sales tax.

**Claim: Other states have an exemption and we want to compete with them to get the aviation business. Lowering taxes will attract private luxury aviation to the state.** There is absolutely no evidence that people will engage in private luxury aviation based on sales tax exemption, or that people will relocate their aircraft based on sales tax incentives. Sales tax remains a very low percentage of the cost of aviation. The idea that lowering taxes will relocate aviation between states is absurd and could be used to justify the exemption of almost any product or service.

**Claim: Although reducing taxes will reduce revenue, the state will make up for this in beneficial offsets resulting from additional private luxury aviation activity.** There is no evidence of any gain in jobs, state revenue, or economic growth after this exemption was put in place. This again is an absurd argument that can be used to justify the exemption of almost any product or service from sales tax.

The above arguments are repeatedly used by lobbyists working on behalf of aviation interests in order to obtain a sales tax exemption loophole.

## Considerations for eliminating the exemption

The exemption of private luxury aircraft from sales tax places an undue burden on the taxpayer for the following reasons:

**The sales tax is a regressive tax which already is disproportionately levied on the lower and middle classes.** Creating an exemption for private luxury aircraft creates a loophole by which wealthy individuals avoid a tax on a type of property only affordable to the wealthy.

**Private luxury aviation should not be encouraged because the taxpayers subsidize this activity in many other ways.** Hanscom Field, for example, operates at a deficit every year, which means that the taxpayer is subsidizing every flight of a private luxury aircraft.

**The taxpayer even funds private luxury aircraft through their federal tax dollars.** In years past, Massport sought and obtained \$3M of federal taxpayer money in the form of an economic stimulus grant to pay for wear to taxiways caused primarily by private luxury aircraft.

**The main cost of operating private luxury aircraft is fuel, which drives the need for imported foreign oil, damaging our economy and national security, exponentially accelerates climate change.** We should not subsidize or encourage this type of activity.

**Private luxury aircraft are the most environmentally unsound form of transportation known.** A round trip to China in a private luxury aircraft creates more carbon equivalent emissions than the typical family in India creates *in their entire lifetime*. The taxpayers should not be subsidizing a form of transportation that is not likely to be a significant part of future environmentally sound transportation systems.

## Conclusion

There is no evidence that sales tax exemptions for luxury private aircraft are good for the citizens of Massachusetts. Since 2002 when this exemption was created, there is no evidence that a single job or dollar in state revenue has been created. The arguments that providing a loophole for luxury private aircraft somehow creates jobs or generates a net positive revenue for the Commonwealth are absurd and could be used to justify the elimination of sales tax on virtually any type of product.

The sales tax exemption for private luxury aircraft is the result of successful lobbying by well-funded special interests. Most people are unaware of this exemption and are justifiably angry when they learn of it. Loopholes like this provide incentives for private jet travel to increase. 2022 industry forecasts are expecting a 10% increase in private jet travel in coming years.