



SB 189 Establishing a task force on airport subsidy

Testimony for Senate Business and Transportation – 2.22.2017

We agree with the need for a task force to look into the costs and benefits of the subsidies of airports that Oregon grants which are in addition to those we offer as federal grants.

In 2015, when we were preparing testimony on the effort to raise aviation fuel taxes above Oregon's lowest in the country status, we gathered the following comparative information.

Neighboring states charge between three and 27 times more in jet fuel taxes than Oregon. The [Tax Foundation recently compared effective state jet fuel taxes](#), including both fuel and sales taxes:

California 27c	Colorado 12.7c	Hawaii 16.1 c
Washington 4c	Idaho 7c	New Mexico 9.5c
Oregon 1c	Utah 3c	Nevada 4c

In Colorado, where jet fuel taxes total 12.7 cents per gallon, "There are no general funds used to meet the needs within the Colorado Aviation System, the needs are funded solely through the taxes collected by those actually using the aviation system."¹

Solution: Support HB 2075 and increase Oregon's aviation fuel tax. The increase of 4c per gallon in HB 2075 should generate an additional \$13 m per biennium in revenue for our airports. An amendment to 12c per gallon will bring in an additional \$39 m per biennium. Either will help conserve Oregon's precious general and lottery fund dollars for other services.

Legislation in 2015 did raise our fuel tax to 3c a gallon.

In addition to local taxpayer funding of municipal airports, we currently support aviation through both state-provided benefits and property tax exemptions.

¹ [According to their website](#), and confirmed by phone with staff in Colorado.

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ConnectOregon funding of aviation infrastructure averaged \$20 m/biennium between ConnectOregon I and V.

Funding Cycle	Amount Awarded
ConnectOregon I	\$22,808,910
ConnectOregon II	\$26,905,916
ConnectOregon III	\$25,192,855
ConnectOregon III Rural Airports	\$ 4,618,198
ConnectOregon IV	\$10,152,170
ConnectOregon V	\$ 6,567,195
Total for Aviation	\$96,245,244

Property tax expenditures for aircraft and airport users cost roughly \$12 m/biennium.

#1 Property Tax Exemption/partial exemption for aircraft.²

Instead of taxing the value of aircraft, we do most other business or pleasure equipment which uses public facilities; aircraft owners are exempt from paying personal property tax, unless they are air transportation companies, in which case they are 40% exempt. The benefit will cost counties, cities, k-12 education and special districts significantly in 2017-19. Instead, owners pay an annual fee; it collects \$400,000 rather than \$23.2 million a biennium. Thus 4000 Oregon-based aircraft are exempt from property tax. Only aircraft weighing more than 75,000 pounds pay property taxes, this is aircraft such as 727's. We don't know if any planes this size call Oregon home. This same property tax exemption applies to pleasure aircraft. We tax yachts but not airplanes.

Evidently Oregon is treating planes like cars. But a property tax on the value of aircraft could be generating \$2.3 m from smaller planes³ and \$20.9 m this biennium for larger planes⁴, according to the Tax Expenditure Report. This wouldn't be a problem for public fairness, were other aviation taxes paying for airports, as wheeled vehicles support roads and bridges. But as you can see above, aviation is not self-supporting. It has drawn a lot of Oregonian's funds for its use via ConnectOregon. There are additional blessings for those aircraft.

#2 Property Tax Exemption for leased facilities at city or port-owned airports.⁵

No property tax is imposed on leased airport or port property in cities other than Portland, even when the property is leased to a for-profit business. The Tax Expenditure Report estimates that under ORS 307.120, twelve counties don't collect taxes from 367 properties. This tax break is estimated to cost local communities another \$19.4 m a year, however there is no breakdown between airport and port facilities. Assuming one half the benefit goes to airport users such as

² Oregon Tax Expenditure Report 2013-15, page 309

³ Oregon Tax Expenditure Report 2017-19, page 327

⁴ Oregon Tax Expenditure Report 2017-19, page 281

⁵ Oregon Tax Expenditure Report 2017-19, page 251

those who rent hangers, repair airplanes or handle air freight, or lease various passenger facilities, this tax exemption provides another \$9.7 million of benefit per biennium.

As you can see, aviation has drawn a lot from Oregon, in property tax breaks, low fuel taxes, and ConnectOregon grants. Our fuel taxes for planes, now at 3 cents a gallon remain very low.⁶ Perhaps owners of planes should pay property taxes on their assets similarly to how floating homes are taxed, pay taxes on airport facilities, and stop getting ConnectOregon grants.

These issues definitely deserve study. We're very glad to see SB 189 proposing a task force on airport subsidies.

⁶ Oregon Tax Expenditure Report 2017-19, page 282