



To the Joint Committee on Revenue

December 14, 2021

RE: Testimony in support of *An Act Relevant to the Repeal of the Sales Tax Exemption for Aircraft* (H.2923/S.1797).

Chairman Hinds, Chairman Cusack, and distinguished members of the Joint Committee on Revenue:

Thank you for the opportunity to submit testimony on behalf of the Massachusetts Budget and Policy Center (“MassBudget”), in support of H.2923/S.1797: *An Act Relevant to the Repeal of the Sales Tax Exemption for Aircraft*.

The bill would end the current sales and use tax exemptions for aircraft and aircraft parts. These exemptions are economically regressive, fiscally costly, and environmentally destructive:

- **Economically regressive:** Owning and operating an aircraft is expensive, which means that aircraft owners tend to be wealthy. Providing special tax preferences for aircraft owners disproportionately benefits households with high income and wealth, and thereby increases inequality in the Commonwealth.
- **Fiscally costly:** According to the Department of Revenue’s Fiscal Year (FY) 2022 Tax Expenditure Report, the current special exemption for aircraft and aircraft parts from the sales tax will cost the Commonwealth’s General Fund **\$23.7 million** in FY 2022. This is more than enough revenue, for instance, to eliminate fare collection and replace fare revenue at all 15 regional transit authorities, based on the 2019 fares paid by RTA riders before the pandemic.

- **Environmentally destructive:** Transportation is the largest and fastest growing source of climate change emissions in the Commonwealth. Air travel consumes extraordinarily large volumes of fuel, which is especially harmful for the environment and the climate. Exempting aircraft, or their parts and storage, from sales taxes has the effect of subsidizing air travel, which worsens global warming and air pollution. Eliminating the tax exemption would better align tax policy with state strategies to address climate change impacts.

We urge the Committee to favorably pass this bill out of Committee.

Sincerely,

Phineas Baxandall
Senior Analyst
Massachusetts Budget and Policy Center