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A Partner of Choice

**AIR METHODS CORPORATION (AMC) PREPARED TESTIMONY H.B. 1374**  
PREPARED REMARKS BEFORE THE COLORADO HOUSE FINANCE COMMITTEE | APRIL 23, 2014  
MR. DENNIS MCCALL, AMC DIRECTOR OF OPERATIONS

Chairwoman Court and honorable members of the Finance Committee, thank you for the opportunity to testify on behalf of H.B. 1374. My name is Dennis McCall, I am the Director of Operations for Air Methods Corporation, headquartered here locally in Englewood, Colorado. Air Methods is the world's largest provider of air ambulance services, operating the 5<sup>th</sup> largest FAA Certificate with roughly 450 aircraft across 49 states.

In our operations across the country, Air Methods experiences first-hand the spectrum of states' aviation business environments. Air Methods is proudly located in Colorado, and appreciates the work of the General Assembly since 2005 to cultivate a more aviation-friendly business environment in our state. This work continued in the last legislative session with the passage of H.B. 1080, evidence that Colorado has recognized the benefits to becoming more competitive for aviation business.

Unlike many states, Colorado limits its aviation sales tax exemption to only Part 121 commercial airlines and its fly away exemption to only operators based outside of Colorado. H.B. 1374 would expand the exemption to include on-demand air carriers, also known as Part 135 operators, who do not use their aircraft in Colorado. It would also extend the fly away exemption to operators based in Colorado with large national fleets, including Air Methods. Part 135 operators like Air Methods not only outnumber major airlines, but help bring the same sort of skilled jobs needed by airlines, especially mechanics. These are the same sort of skilled jobs that H.B. 1080 aimed to bring to Colorado. Expanding the current sales tax exemption to a broader portion of the aviation sector will encourage the growth and expansion of aviation in Colorado among Part 135 operators at over thirty airports throughout Colorado.

H.B. 1374 brings Colorado closer to parity with many other states which have more expansive aviation sales tax incentives. For example, Wyoming and Oklahoma have sales exemptions for all commercial operators, which include both Part 121 and 135 operators. This is similar to Kansas, Nebraska and Texas' exemption for any licensed carriers operating in the state. Texas especially has long been a center for aviation manufacturing, research and development, and airline headquarters, all of which has been nurtured by its longstanding aircraft sales exemption. Pennsylvania is also extremely aviation friendly, having had a rotorcraft exemption since 2009 and adding a fixed-wing exemption last year.

Many other states across the country are currently moving to make their states more competitive and attract aviation business. New York is considering a bill to expand its sales exemptions to General Aviation operators. Florida voted last legislative session to expand its exemption on maintenance and equipment sales and use taxes to rotary aircraft, in addition to fixed wing aircraft. Their tax exemption previously limited the types of aircraft based on weight and type of aircraft, but their legislature is moving to now expand it to a blanket exemption for the sale of any aircraft in the state.

Air Methods is supportive of its home state becoming more aviation friendly, like many of the other states in which it operates. We thank the Committee and the Assembly for their consideration of this issue and their attention to our industry, and look forward to helping to build a stronger aviation sector in Colorado.



Statement in Support of HB 14-1374  
By Martin J Moser and Sara S. Platt Moser  
Owners of Moser Aviation, LLC

Good Afternoon Chairman Court and members of the committee, and thank you for the opportunity to testify in support of HB 14-1374.

I am the founder and CEO of Moser Aviation, LLC, an on demand air carrier, as addressed by this bill. My wife Sara and I started Moser Aviation, LLC in 2008 and have operated the company since 2009 at Centennial Airport on the south side of Denver. We offer aircraft charter, aircraft management and aviation consulting services to the state of Colorado and nation-wide. Since 2009 we've had an economic impact on the local community of nearly \$10 million dollars, and we are considered a small company in our industry. We employ 11 full time and 2 part time employees and have an annual payroll approaching \$800,000.00. We are proud to be Colorado job creators, and to add to the economic activity in the state where we have chosen to make our business and our home.

At present, the aircraft that we use in our business are subject to sales tax, either on the purchase of the aircraft or on the lease of those that we lease. This is not an insignificant amount of tax, as the state of Colorado collects 2.9% sales tax on the purchase of aircraft that are worth millions of dollars each. HB-14-1374 would exempt providers of on demand air transportation such as ourselves from the sales tax on the equipment we use in our business, and is a policy that would benefit the state of Colorado, by leveling the playing field for Colorado businesses, creating jobs and growing the economy, and by increasing aviation safety in our State.

#### ECONOMIC IMPACTS

Passage and implementation of HB 14-1374 would allow aircraft charter operators like us to reinvest the tax money saved into growing our businesses, either through the purchase of additional aircraft, or through other means. Additionally, the passage of the bill would encourage business aircraft owners to move their aircraft to Colorado, and to operate those aircraft as charter aircraft rather than as strictly private airplanes, further increasing the economic benefits of passing the bill. Aircraft operated under a charter certificate will generate more payroll and add more good jobs than an aircraft operated strictly for private use. In our case, we presently operate two aircraft, and employ 11 full time employees and 2 part time employees. Those two aircraft, if operated privately would employ only 5 people, less than half our current structure. Those additional six jobs have the secondary and tertiary economic benefits associated with any job creation, such as increase consumer spending, increased demand for housing, and the associate general impacts that additional jobs have on a local economy. The bottom line is this bill is most definitely a job creator for the State of Colorado.

With respect to revenues generated by the state, an aircraft operated as an on demand charter plane will fly about twice as much as an aircraft that is strictly used for private charter. Colorado collects an excise tax on fuel at a rate of \$0.06 per gallon on AVGAS and \$0.04 per gallon on jet fuel, plus 2.9% sales tax on the sale of jet fuel. The policy decision to encourage aircraft owners to operate their

aircraft as charter airplanes will increase the total fuel sales, and therefore increase the amount of revenue the state collects on aviation fuel excise taxes. Tax revenues will also increase as the addition of high paying jobs in Colorado will necessarily generate more revenue in terms of income taxes. Business income taxes will also increase, as those businesses who engage in on demand charter are subject to Colorado's business income tax.

#### LEVELING THE PLAYING FIELD

Currently, Colorado law exempts manufacturers from paying sales tax on equipment they buy or lease to use in their business operations, and exempts Commercial Airlines from paying sales tax on the aircraft they purchase or lease to use in their business operations. Providers of on demand aircraft charter however are not exempt from the sales tax due on the airplanes they use in their business operations at present. Passage of HB 14-1374 levels that playing field, and is very much in the spirit of the laws that exempt manufacturers and airlines from paying the taxes on the equipment they use in their businesses. Passage of this bill will necessarily encourage entrepreneurship, private enterprise and economic development within our State.

#### INCREASE IN SAFETY

Aircraft that are operated by on demand charter operators are operated more safely than airplanes used strictly for private use. Those operated as charter aircraft are subject to more stringent regulatory oversight from the Federal Aviation Administration. Part 91 of the Federal Aviation Regulations (FARs) governs the operation of all aircraft in the United States. Those that are operated for on demand charter are subject to the additional and more stringent requirements of either Part 135 or Part 121 of the FARs. Essentially, those more stringent regulations are designed to force the operator to take the necessary steps to ensure the safety of an aircraft and any passengers aboard that plane during on demand operations. Just as important as the FARs, the on demand operators are incentivized to operate more safely by market conditions. A charter operator with a poor safety record will necessarily generate less business than those with strong safety records. In a highly competitive market, poor safety records quickly lead to business failure. Responsible on demand operators, therefore, are usually operating safety systems that are far in excess of the requirements of the FARs. To reinforce the point, the National Business Aviation Association's accident statistics for 2012 show an accident rate of 6.44 accidents per 100,000 flight hours for aircraft operated under part 91 only (private use aircraft) and a rate of 1.04 accidents per 100,000 flight hours for those aircraft operated under part 135 or part 121 (on demand or scheduled airlines).

#### CONCLUSION

We definitely support the passage of this bill. It is absolutely a job creator for the state of Colorado. It will have a positive economic impact, a positive safety impact, and it improves the business environment within our state. We highly encourage you to vote for and pass this important legislation.