

Testimony for House Transportation Committee Meeting on Aviation Sales Tax Relief

Mr. Chairman and members of the Transportation Committee, I am David Ford, President of Keystone Helicopter Corporation. On behalf of both Keystone and our parent, Sikorsky Aircraft Corporation, I would like to thank you for the opportunity to address the committee on the vital issue of aviation sales tax relief in Pennsylvania.

Keystone Helicopter is a leading industry provider of rotorcraft services and products. Founded in Pennsylvania in 1953 by industry icon Peter Wright, Keystone was acquired by Sikorsky Aircraft, a division of United Technologies Corporation, in 2005.

Keystone currently does significant helicopter maintenance, repair and modification work for a variety of customers, primarily from other states. In the past 5 years, Keystone has expanded from a \$40M business with <200 employees to a \$150M business with > 500 employees. The company recently moved to a new 27 acre / 150,000 sq ft *Heliplex* adjacent to Chester County Airport and is exploring whether to move additional work from a nearby state to its Keystone facility in Pennsylvania.

As you know, the Commonwealth of Pennsylvania levies a 6% sales tax on sales of aviation product and services. This tax is a significant deterrent to future expansion, especially when one considers that virtually every adjacent state has enacted sales tax relief for aviation products and services, placing Keystone at a significant competitive disadvantage. Conservatively, Keystone loses 10% of the business it bids on due to the impact of the 6% sales tax on its pricing. Elimination of this burden could result in additional business, additional revenue, and jobs for the State of Pennsylvania.

Further expansion of the existing Keystone facility would have the potential to create more than 250 jobs and approximately \$18M in construction that would flow almost exclusively to Pennsylvania-based companies. This would generate additional tax revenue for Pennsylvania and create additional construction jobs. In fact, the increased revenue to Pennsylvania would more than offset the \$800K in sales taxes collected in 2006 from the aviation products and services sales tax. The impact to municipal and local economies also would be significant, as new hires would spend locally and also generate additional local tax revenue. A large part of that growth - primarily additional labor force - is subject to Pennsylvania's 3.07% personal income tax. For illustrative purposes, 275 jobs at an average taxable income of \$60K/position would generate in excess of \$500K annually for the State of Pennsylvania, based on a 3.07% personal income tax rate. In addition, an expansion also would generate additional tax revenue for Pennsylvania, based on the incremental corporate profit that is likely to result. In addition, Keystone's profit is subject to 9.99% corporate tax.

We urge you to consider eliminating the sales tax levied on aviation products and services, as this tax currently places Pennsylvania's aviation companies -- and Pennsylvania itself -- at a competitive disadvantage. Pennsylvania's sales tax should be brought in line with that in Pennsylvania's neighboring states. I have attached for your reference a copy of the State of Connecticut's legislation.

Thank you for the opportunity to express our views, and we would be please to provide any additional information the Committee may wish.

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