



DENVER INTERNATIONAL  
AIRPORT

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***Aircraft Parts Sales & Use Tax Exemption  
Proposal***

***October 9, 2013***

***Government and Finance Committee***

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## Aircraft Parts Tax Background

- The City's 3.62% sales & use tax is currently levied on all aircraft parts that are stored, used, consumed and/or distributed in Denver
- The sales & use tax on parts generates approximately \$3M in taxes annually
- Airlines have raised this as a major issue making DIA non-competitive with other hubs



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## Aircraft Parts Exemption Proposal

- Exemption will be phased in over time
  - 2014: tax will be capped at the lesser of half of what was paid in 2013 or half of the total tax bill accumulated throughout the year
  - 2015 & beyond: aircraft parts will be 100% exempt from sales & use tax
- The exemption will extend to aircraft parts and aircraft simulator parts (as defined by the DRMC)
  - Aircraft simulator parts are defined as “tangible personal property that is originally designed and intended to be permanently affixed or attached as a component part of an aircraft and will also function when it is permanently affixed or attached as a component part of an aircraft simulator”.
  - This exemption does not extend to parts that are attached to aircraft simulators that are not designed to be permanently affixed or attached as a component part of an aircraft.
- Exemption is scheduled to sunset in 2040 without further action by the City



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## Aircraft Parts Exemption Benefits

- DIA's \$22.3B annual economic impact dependent on flights
  - Airlines do respond to cost changes in a market
  - \$3M in annual savings may allow for flights currently "on the bubble" to make sense in the Denver market
- Continues Denver and DIA's strategy to find ways to make the market more competitive for carriers
  - DIA has long history of finding ways to reduce costs
  - Actions taken last year to pay down debt and lower costs for all carriers has resulted in more service than Denver otherwise would have enjoyed
- Lower maintenance costs will lead to more jobs being created in the City
  - Use tax applied to parts was a key consideration for Frontier when maintenance was moved to Milwaukee
- DIA is looking at other ways to lower costs for the carriers to continue the City's track record of investing in our carriers

