

WRITTEN TESTIMONY OF
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EXECUTIVE DIRECTOR, NORTH DAKOTA AERONAUTICS COMMISSION
BEFORE THE
SENATE FINANCE AND TAXATION COMMITTEE
MARCH 23rd, 2021
HOUSE BILL 1214

Chair Bell and members of the committee,

I am providing this written testimony to inform you of the Aeronautics Commission's support of House Bill 1214.

This past year, our agency has worked with the Tax Commissioner's office and the eight commercial service airports in North Dakota to determine an appropriate solution to a "loop hole" identified in century code 57-32-01. This regulation refers to the collection of property taxes on commercial terminal lease agreements that airline transportation companies have with our commercial service airports and is a tax in lieu of paying state registration fees and excise taxes. The property tax revenue that has been centrally assessed by the Tax Commissioners office is then returned to each respective airport to help with the costs of maintaining their facility.

The problem with the current tax code was identified when one of our major airline carriers claimed an exemption from the centrally assessed property tax since they "do not have any scheduled landings in the state." The claim maintains that since the mainline carrier has contracted with a regional carrier to fly their routes for them, that the mainline carrier should then not be centrally assessed a property tax. This is also an interesting claim since the aircraft that are flown to our airports have the mainline carrier's name imprinted on the aircraft and all passenger tickets are purchased through the mainline carrier's website. It is important to note that this air carrier did not claim an exemption in past years, although the agreement that they had with a regional carrier was also in existence.

It is also important to note that it is the mainline carriers whom have contractual agreements in place with multiple airports in North Dakota to lease property within the commercial terminal buildings. Due to the fact that the airports do not have agreements in place with the regional carriers, it is reasonable to assume that the mainline carriers are the responsible party for paying both the lease and the property tax payments on that lease.

We believe that the language presented to you in HB 1214 ensures the original intent of the tax code and will help to confirm that the appropriate entity that is leasing property from our commercial service airports are being taxed appropriately.