



Airlines for America®
We Connect the World

Representative John E. Bradley
Chairman
House Revenue and Finance Committee
259 – S Stratton Office Building
Springfield, Illinois 62706

Representative Jack D. Franks
Chairman
State Government Administration Committee
267 – S Stratton Office Building
Springfield, Illinois 62706

Representative David Harris
Minority Spokesman
House Revenue and Finance Committee
221 – N Stratton Office Building
Springfield, Illinois 62706

Representative Robert W. Pritchard
Minority Spokesman
State Government Administration Committee
200 – 3N Stratton Office Building
Springfield, Illinois 62706

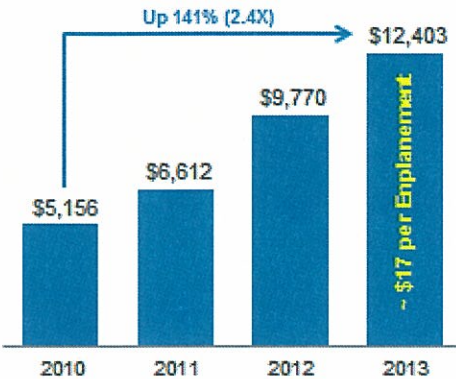
Dear Chairmen Bradley and Franks and Minority Spokesmen Harris and Pritchard,

Airlines for America® (A4A) is the largest and oldest trade organization representing America's passenger and cargo airlines. Annually, commercial aviation helps drive more than \$1 trillion in annual U.S. economic activity and more than 10 million U.S. jobs. Commercial aviation is a major economic driver for Illinois, where airlines have more than 35,000 employees and retirees, operate more than 560,000 flights and carry nearly 48 million passengers, and contribute close to 5% of the state's GDP. The attached slide contains more info about our industry's impact in Illinois.

When airlines are profitable, we grow the number of flights offered and passengers served, and we reinvest in the product to enhance our customers' travel experience and to make our operations more efficient. This in turn translates to significant economic and employment gains for hub markets and the states in which they are situated, as you can see in the slides below:

Improving Finances Enabling Significant Reinvestment in Customer Experience
 Airline CapEx Up ~141% Since 2010, With Plans to Invest an Additional \$11-12B in 2014

U.S. Airline* Capital Expenditures (\$ Millions)



Planned 2014 Capital Expenditures: \$11-12B

- » Aircraft, engines, winglets, spare parts
- » Ground equipment, loading bridges
- » Airport facilities, aircraft hangars
- » Premium seats, new aircraft interiors
- » Maintenance facilities and machinery
- » Bag carousels, carts, scanners
- » In-flight entertainment and Wi-Fi
- » Computers, kiosks, mobile technology

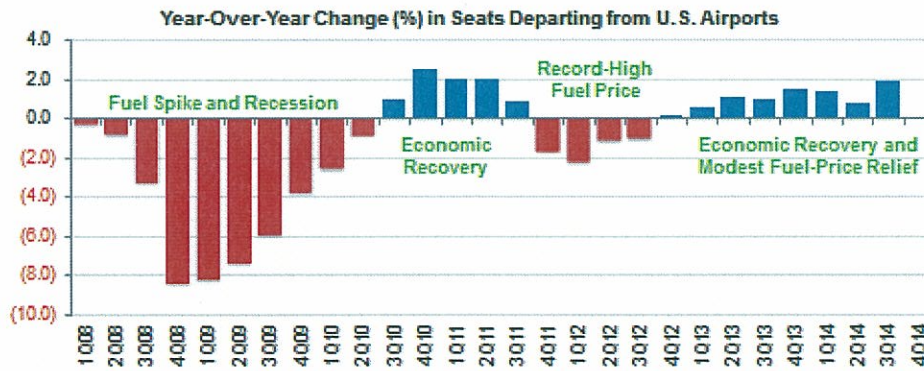
* SBC Wings of Alaska, Allegiant, American/US Airways, Delta, Hawaiian, JetBlue, Southwest, Spirit and United



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As Airlines Generate Modest Returns on Capital, Customers Are Seeing More Seats Scheduled to Depart from U.S. Airports – Two Years of Growth

"We'd like more flights. But you're not going to have any flights if the airlines don't make money, so we understand their predicament." (Larry Cox, president and CEO of the Memphis-Shelby County Airport Authority, "Regional airlines face closings, bankruptcy," USA Today, Aug. 20, 2012)



Source: Innovata (via OAG) published schedules as of March 28, 2014 for all airlines providing scheduled passenger service from U.S. airports to all destinations



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You have asked interested parties to comment on how the Illinois tax structure compares to other states. The major aspect of Illinois' state and local tax structure that makes it an outlier for our industry is the heavy tax burden it places on the purchase of jet fuel for domestic flights. The price of jet fuel has

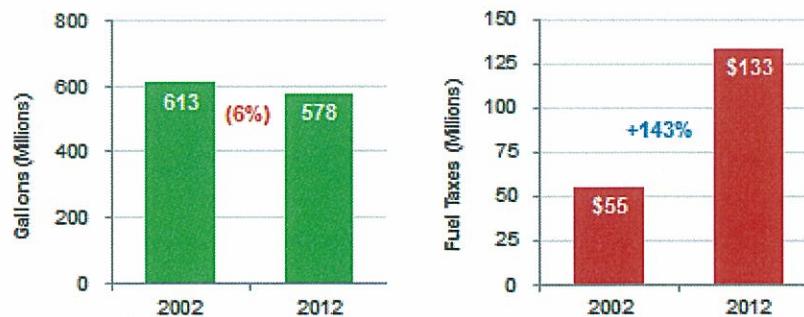
escalated dramatically in the last five years – up 54 percent from \$1.90 per gallon in 2009 to \$2.92 thus far in 2014 – as has the price of other petroleum products. It now represents approximately one-third of the cost of operating a U.S. passenger airline. As you know, Illinois can be one of the most expensive states in the country in which to do business, and the punitively high overall jet fuel tax burden on flights departing Chicago in particular can have a smothering effect on additional Illinois-based job creation and expansion for our industry.

The Chicago region and Illinois as a whole have the highest effective tax burden on the purchase of jet fuel in the nation. Illinois subjects airline jet fuel in Illinois (for domestic use) to its Retailer’s Occupation tax at rates as high as 9.85% of the purchase price, dependent upon the retailer’s sales location. In addition, the City of Chicago subjects jet fuel delivered to a Chicago airport to an additional 5 cents per gallon excise tax. In both cases the tax revenues are used for general government purposes and not available to support aviation operations or investment.

Part of what makes the Illinois jet fuel tax structure particularly onerous is the fact that as the price of fuel increases, the amount of the tax increases so that even if an airline significantly reduces consumption, the tax liability could actually *increase*. This not only unfairly burdens our operations in Illinois as compared to other states, but it also puts Illinois at a competitive disadvantage. As you will see below, in the recent past, carriers have reduced Illinois jet fuel consumption and yet paid **more** in jet fuel taxes to Illinois and its jurisdictions:

Illinois Reaping Jet Fuel Tax Windfall Despite Decreasing Consumption by Industry

→ From 2002 to 2012, American, Southwest and United reduced jet fuel consumption in Illinois by 35 million gallons (down 6%), but paid \$78 million (up 143%) more in jet fuel taxes



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