

Support HB 1178 - Sales & Use Tax Exemption for Property Used in Space Flight

Coalition Supporting HB 1178:

<i>Aurora Economic Development Council</i>	<i>Economic Development Council of Colorado</i>
<i>Ball Aerospace</i>	<i>Lockheed Martin Space Systems;</i>
<i>The Boeing Company</i>	<i>Sierra Nevada Corporation</i>
<i>CO Association of Commerce & Industry</i>	<i>DigitalGlobe, Inc.</i>
<i>CO Economic Development Commission</i>	<i>Douglas County Business Alliance</i>
<i>CO Springs Regional Business Alliance</i>	<i>CO Space Business Roundtable</i>
<i>Denver South Economic Development Partnership</i>	<i>Denver Metro Chamber of Commerce</i>
<i>Satellite Broadcasting & Communications Association</i>	<i>CO Space Coalition</i>

Bill Sponsors: Representatives Ferrandino, DelGrosso, Duran, Holbert, Kraft-Tharpe, Lawrence, May, McNulty, Waller, Williams & Young. Senators Hodge, Grantham, Harvey, Scheffel & Steadman.

Description & Purpose of HB 1178: Creates sales & use tax exemption for qualified property used in space flight. Currently, CO provides a temporary sales and use tax exemption period for the testing of property. However, companies that build space flight property may need to store and maintain such property for a longer period of time – until delivery of the property and launch into space. Based on CO’s tax structure, companies have made the decision to store and maintain space property in competitive states that provide this exemption.

Benefits of this legislation to Colorado:

- **Aligns with Study Recommending Growth of Colorado’s Space Industry:** The Brookings Institute partnered with OEDIT and wrote “*Launch! Taking Colorado’s Space Economy to the Next Level.*” The report stated that “CO relies heavily on federal funding and contracts - a significant and systemic weakness in sustaining a strong aerospace economy. The report indicates CO would benefit from private & state-implemented strategies designed to stimulate private sector space industry growth”^{**};
- **Competition from Leading States:** Sales and use tax exemptions play a key role in states’ efforts to encourage new space companies to enter the market. Arizona, California, Florida and Virginia have all passed similar legislation and are considered leading states in the aerospace and defense industry;^{**}
- **Immediate Effect on Decision-Making by Aerospace Companies:** When deciding on potential location sites, aerospace companies will factor in this exemption which has near-term and long-term beneficial effects on employment, job growth and the state’s economy.
- **Creates High-Paying Jobs:** Creates highly skilled, highly paid direct jobs with average salaries of \$100,000 responsible for the design, building, testing and operation of space flight property. The bill also creates indirect jobs such as corporate staff, security, legal staff, human resources staff, accounting staff and subcontractor jobs. **Potential # of jobs = 354.**
- **Increases Capital Investment:** This will encourage capital expenditures of equipment, machinery, parts, and supplies used in the manufacturing process. Over 1/3rd of Colorado’s space economy jobs (16,825 positions), fall into the “supply and support” category of space manufacturing and services.

Economic Benefits Generated by Colorado’s Space Industry:

Employment: CO space industry directly employs over 66,000 workers across the military, civil, and private domains, of which the private space sector represents 2.6% of CO’s workforce;

Economic Impact: The aerospace sector contributed \$8.7 billion to CO’s economy in 2011 (3.8% of CO’s private sector gross domestic product (GDP));

High-Paying Jobs: Private sector space employees earned an average of \$92,500 annually in 2011, compared to the state private-sector average of \$49,000.

*Mark Muro et al., “Launch! Taking Colorado’s Space Economy to the Next Level” (Washington: Brookings Institution, 2013).

**Cal. Rev. & Tax Code § 6380; S.B. 19, 2013 Leg, 2013-2014 Sess. (Cal. 2013); Fla. Stat. §212.08.