

TN airports may lose money after FedEx gets big tax break

*This is the first of a three-part series about a special tax break state officials gave FedEx last year.*

Going by Tennessee law, the people at FedEx have to pay jet fuel taxes to help upkeep 79 airports around the state, but they didn't like that law so they lobbied for a tax break.

And last year state officials granted them one.

As Tennessee Watchdog reported last year, FedEx will have a \$10.5 million cap on the amount of aviation fuel tax they pay into what's called the state's Transportation Equity Fund. The Memphis Commercial Appeal said no other airline in the state comes close to paying what FedEx does.

The state's jet fuel tax is currently 4.5 cents a gallon. The revenue from that tax goes to the state's 79 airports, many of which are small, in rural areas and cater to businessmen and women who fly in on private jets.

Some of the people who run those airports rely on that money for their maintenance and lighting needs, among other things, they said. State officials, these airport officials went on, pushed this tax break through with such zeal that they never bothered to consult with them first.

Even Bob Mullins, one of five commissioners on Tennessee's Aeronautics Commission, tasked with advising state officials about all things aviation, said what the state did blindsided him. "I'm just one little bitty pee in a big old pod, but I will say no commissioner was consulted in this decision-making that I'm aware of, not one, as far as how it would affect the state of Tennessee," Mullins said.

“We didn’t even know about it until two weeks before it happened.”

Jo Ann Speer, who manages the Union City Airport, said state officials never spoke with her about how the tax break would affect airport operations.

John Black, with the Smyrna Airport, said a lot of companies won’t come to an area if they’re not immediately impressed with the airport.

Mullins said that with less money smaller airports can’t keep their facilities spruced up with repaving, resurfacing, and drainage.

“Who wants to land a \$10 million airplane at an airport that has that happening to it?” Mullins asked.

“The airport system won’t be able to do anything but mow grass because we won’t have the funds we need.”

Mullins also said one airport, which he would not identify, is already in a state of limbo with its maintenance needs because of the cuts, which he expects will hit hardest in about two years.

State Sen. Mark Norris, R-Collierville helped push this tax break through, and he said he did so at the behest of Republican Gov. Bill Haslam’s office.

Haslam spokeswoman Jennifer Donnals, however, said in an emailed statement that the governor did not take a position on the matter.

Regardless, Norris said this week “the communications and the work with airport stakeholders have been after the fact.”

Tennessee Department of Transportation spokeswoman B.J. Doughty would not comment on what Mullins and Speer said. As reported in 2014 FedEx paid \$32 million of the \$48 million in jet fuel taxes the state received.

Last year, Doughty said the state collected \$35.7 million and has thus far collected \$24 million this fiscal year. She said the decrease in revenue is due to the decline in fuel prices.

“Fuel usage has continued to be steady,” Doughty said in an emailed statement.

“As a result, project prioritization has largely focused on safety and maintenance projects. In past years with higher fuel prices and larger revenue collections, prioritization has permitted a greater level of modernization/expansion projects.”

State Rep. Mark White, who also pushed for the tax break, said FedEx pays 75 to 80 percent of what goes into the Transportation Equity Fund.

“They said they felt like they were being treated unfairly,” White said.

“The burden is on one company.”

When asked for comment, FedEx spokesman Jack Pfeiffer referred to a letter the company’s Executive Vice President Christine Richards wrote to the Commercial Appeal last year.

“Less than a third of the tax paid by FedEx is returned to Memphis International Airport,” Richards wrote.

“The remainder is distributed to and subsidizes large airport operations and general aviation airports across the state. The users of these airports should have to bear the real cost of these facilities.”

As reported last year, Tennessee charges a higher tax on aviation fuel than most surrounding states.

FedEx employs about 36,000 people in Memphis.

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