

FedEx got special tax break while keeping close ties to Haslam

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

FedEx officials in Memphis threatened to pull out of Tennessee because they didn't enjoy paying a jet fuel tax that goes to upkeep the state's 79 airports, but one aviation expert says company officials were bluffing.

That expert, Scott Niswonger of Greeneville, owns a charter service that flies people in and out of the state. Niswonger told Tennessee Watchdog that FedEx officials are in no position to leave Memphis.

If what he said is true then Republican Gov. Bill Haslam and members of the Tennessee General Assembly gave in to an empty ultimatum.

As reported, FedEx lobbied for a tax break — a \$10.5 million cap — on the amount of jet fuel they pay, which state officials granted last year.

That \$10.5 million cap is about one-third of what they previously paid into what's called the state's Transportation Equity Fund. Until last year FedEx paid about 70 percent of what went into it. Money from that fund pays for maintenance, paving and other needs at all the state's airports.

As reported, airport officials all over Tennessee are prepping for big cuts and to learn how to do without.

"FedEx was never going to leave Memphis. I'm pissed about it," Niswonger said when asked about FedEx CEO Fred Smith and the tax cap that company got.

"Smith's civic obligation ought to be to the state that kept him afloat when he didn't have two cents to rub together. They

forgot it was their home state who got them started in the first place. Too many state and federal dollars have been invested.” FedEx officials have accepted thousands of dollars from taxpayers over the past decade to stay in Tennessee, according to GoodJobsFirst.com

State officials and those in Shelby County, where FedEx is located, gave company officials that money.

There are questions as to whether this goes beyond just another case of corporate welfare and whether cronyism is at work.

Haslam, according to numerous people interviewed, pushed hard for FedEx’s tax cap. Campaign finance records show FedEx officials donated generously to Haslam’s 2010 and 2014 gubernatorial campaigns.

Also, according to numerous press reports, Smith serves on the board of directors for Pilot Flying J, a chain of truck stops owned by Haslam’s family, where Haslam once served as president.

Vacating the premises

Tennessee Aeronautics Commissioner Larry Mullins said FedEx officials threatened to leave Tennessee if they didn’t get the jet fuel tax cap.

Jo Ann Speer, manager of the Everett-Stewart Regional Airport in Union City, said the same thing.

But State Sen. Mark Norris, R-Collierville, who pushed for the cap last year, said FedEx never threatened to leave — they just threatened to get most of their jet fuel from other states like Kentucky and North Carolina where it’s cheaper.

Tennessee, as reported last year, charges a higher tax on aviation fuel than most surrounding states, 4.5 cents a gallon.

Norris said he pushed for this legislation at Haslam's behest. "The administration thought it important to move with alacrity," Norris said.

But legislators relied on a master's thesis written by a University of Tennessee Knoxville student who warned FedEx would leave Tennessee unless it got that tax cap.

FedEx spokesman Jack Pfeiffer, in an emailed statement, declined to answer any of our questions. Instead, he referred to a letter to the editor Executive Vice President Christine Richards wrote the Memphis Commercial Appeal last year.

In that letter Richards said Tennessee, even with the cap, "is far less attractive for expansion of maintenance of flights than either the Indianapolis or Greensboro FedEx Express hubs."

Corporate welfare

According to Good Jobs First, FedEx's operations all over the country have taken millions in government subsidies.

In Tennessee, the state's Department of Economic and Community Development gave the company \$250,000 for its Ground Package System last year, according to Good Jobs First's website.

Since 2006 the company has accepted at least \$150,000 from Shelby County for its Supply Chain Services, according to the website. County officials handed out the money through a PILOT program.

"These PILOTs allow up to a 90 percent reduction on a company's real property taxes as well as its personal property taxes for up to 15 years, although additional PILOTs can be granted beyond that length of time," Good Jobs First said.

Good Jobs First identified FedEx as one of seven Shelby County-based companies that didn't meet the county's stated job-performance expectations in exchange for receiving that money.

Haslam's ties to FedEx

According to the state's campaign finance disclosure reports, Smith and other top FedEx brass donated a lot of money to both of Haslam's gubernatorial bids.

In 2010, for instance, Smith donated \$2,500 — the maximum he was legally allowed to donate at the time. Executive Vice President Robert Carter donated the same amount. Executive Vice President T. Michael Glenn donated \$500.

FedEx officials donated even more money for Haslam's 2014 reelection campaign.

Smith donated \$3,800, which was \$100 shy of the maximum he could donate that year. CEO Michael Ducker donated \$2,000. Carter donated \$3,800. Richards donated \$2,000. Executive Vice President Alan B. Graf donated \$2,000. Glenn donated \$1,000.

As for Smith's involvement with Pilot Flying J, a company spokesperson who asked that we not give out their name, refused to answer any questions.

Haslam spokeswoman Jennifer Donnals would not address the issue in a series of questions emailed to her office.

Norris, though, said if crony capitalism were at play then Haslam would have exempted FedEx from paying the tax altogether.

Speer said she couldn't comment for sure one way or the other, but she did have a few thoughts.

“It probably doesn’t look good, but we don’t really know what the reasons are and why,” Speer said.

“State officials probably did what they felt they had to do.”

In 2012 Smith told the Memphis Commercial Appeal he had no plans to pull FedEx out of Tennessee.

At a Southern Legislative Conference in Memphis in 2011, which Haslam and Norris attended, FedEx officials David Bronczek said the company had more than 5,000 flights pass in and out of Memphis every month. He also boasted of how proud the company was of its Memphis location.

Contact Christopher Butler at chris@tennesseewatchdog.org

Follow Tennessee Watchdog and receive regular updates through [Facebook](#) and [Twitter](#)

Follow Chris Butler on his professional Facebook page [Chris Butler Writer/Journalist](#)