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Oxford Airport tenant wins tax case against state

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Article Text:

OXFORD - The state Supreme Court has ruled in favor of a large air carrier at Waterbury-Oxford Airport in a case involving the state's attempt to collect sales and use taxes from the company.

The court upheld a lower court ruling that concluded pilot training services purchased from out-of-state vendors by Key Air aren't subject to the state's sales and use tax.

The state Department of Revenue Services disagreed and maintained that the pilot training services were subject to state tax.

Key Air, one of two largest companies at the state-owned airport, operates air charters, hangar rentals, fuel sales and other services. The other is Keystone Aviation Services. Both are leaseholders at the airport.

Both companies also are the subject of a complaint filed this fall by Merrill Lynch Mortgage Capital in Waterbury Superior Court after the two failed to repay a \$55.8 million loan. A request for an appointment of a receiver to perform services by the companies has been withdrawn to allow time to negotiate a resolution.

In the tax case, Key Air filed an appeal to the Superior Court after the Department of Revenue Services performed a sales and use tax audit of its business. It determined that from July 1, 1997 through June 30, 2000, the business had failed to pay the sales and use taxes associated with pilot training services from out-of-state vendors.

The Superior Court ruled that pilot training services were excluded from the definition of taxable business management services under state law.

The Supreme Court affirmed the trial court's ruling, according to the opinion written by Justice

Flemming L. Norcott Jr. The other justices concurred.

Key Air was represented by attorneys **David M. Bohannon**, **David C. Grigsby** and Jeffrey R. Babbin. According to **Bohannon** and Grigsby, Key Air is pleased with the ruling and said it's been a very positive financial relationship between the state and Key Air.

The state was trying to secure money for the period of the audit, and it reserved the right, depending on the outcome of the litigation, to claim past and future sales and use taxes, **Bohannon** said. As of Jan. 11, 2006, Key Air owed \$128,513.58 in sales and use tax, and to calculate what it would owe to Tuesday, the total would be roughly \$152,000, he said.

Key Air has invested more than \$26 million in property, equipment and leasehold improvements at the airport, and generated tax and leasehold revenues to the state, **Bohannon** said.

Attorney General Richard Blumenthal, who helped prosecute the case, said the decision is a very limited and discreet statutory interpretation of the state tax law, so there is no possible review by the U.S. Supreme Court. He said a federal court will not hear an appeal that involves only a state issue.

"The Department of Revenue Services had a different view of the law, which we believed had merit," Blumenthal said. "But we accept and value the state Supreme Court's ruling."

OXFORD, CT - 22 MAY 2009 -052209JT03- A Mooney airplane takes off at the Waterbury-Oxford Airport in Oxford. Republican-American archive

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