



# Offshore Logistics, Inc.

## Interoffice Communication

**To:** Air Logistics Pilots  
**From:** Ric Fira  
**Date:** December 31, 2002  
**Subject:** Louisiana Withholding on Non-LA Resident Pilots

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From time to time, we field requests from pilots resident outside of Louisiana (nonresident pilots) for exemption from Louisiana income tax withholding based on the fact that much of their work is performed offshore and not in Louisiana. Up to now, our policy, based on guidance from the Department of Revenue and interpretation of Louisiana law, has been to subject a nonresident pilot's wages to Louisiana withholding if the pilot were assigned to and operating out of a base located in Louisiana.

Based on further research and consultation, we now believe the Company has a basis for changing its policy. Our new policy is based on the following tax position:

Wages earned by a nonresident pilot, who performs his or her regular duties on a helicopter in more than one state, are not subject to Louisiana income tax withholding, unless more than 50% of the compensation is earned within the State. For this purpose, 50% of an employee's compensation is considered earned in a state in which the flight time in such state exceeds 50% of the employee's total flight time for the entire calendar year.

Therefore, if this 50% threshold is not surpassed in Louisiana, wages earned by nonresident pilots are subject only to the income tax withholding provisions of their resident state, provided that the company has a presence in that state which requires it to withhold in that state. Since our flight records indicate that, in general, only about ten percent of our overall flight time is in Louisiana airspace, our pilots will generally fall below this 50% threshold.

Therefore, beginning with the January 3, 2003 paydate, our new policy on state income tax withholding will be as follows, depending on which category below applies:

- Pilots resident in states with no income tax:

Taxable wages of pilots who are residents of states that impose no individual income tax on wage income - Florida, Nevada, Texas, Tennessee, Alaska, New Hampshire, South Dakota, Washington, or Wyoming - will not be subjected to Louisiana income tax withholding regardless of the pilot's assigned base. Therefore, no state tax liability should result for these pilots unless his flight time exceeds the above threshold in a

particular state.

- Pilots resident in states with an income tax on wages (other than LA):

Since Air Logistics does not have a taxable presence outside of Louisiana and Texas, we are not required to withhold state income tax attributable to states other than Louisiana. So, the wages of pilots who are residents of states with a state income tax where Air Logistics has no taxable presence - for example, Mississippi or Colorado - will not be subjected to state income tax withholding in Louisiana or any other state. Since these pilots will generally have a tax obligation to their resident state and since no state income tax will be withheld, each nonresident pilot will be solely responsible for meeting any estimated tax deposit obligations of his/her resident state. In this regard, you should consult your tax advisor.

- Pilots resident in Louisiana:

This policy will have no effect on the income tax withholding for Louisiana resident pilots since the company is obligated to withhold Louisiana income tax on Louisiana residents regardless of the fact that income may be earned outside of Louisiana.

In any particular instance in which a nonresident pilot incurs more than 50% of his/her flight time in Louisiana airspace, this policy will not apply, and the company will be obligated to withhold Louisiana taxes.

Furthermore, this particular policy will also not apply to employees other than pilots since it is based solely on services provided by a pilot who is providing those flight services both within and without Louisiana.

The company looks forward to administering this revised policy and will gladly address any questions you may have that may not be addressed in the above.