

## **SALES TAX: PLANE PARTS**

### **House Bill 5113 (Substitute H-1) First Analysis (12-4-97)**

**Sponsor: Rep. Kirk A.Profit  
Committee: Tax Policy**

#### ***THE APPARENT PROBLEM:***

The Use Tax Act contains an exemption for the storage, use, and consumption of certain aircraft by companies engaged in the commercial transport of passengers or cargo. It also contains an exemption, updated and extended in 1996, on aircraft parts and materials when affixed in Michigan to certain kinds of aircraft used in commercial passenger and cargo operations. Legislation has been introduced to put similar exemptions into the General Sales Tax Act, which is a companion to the Use Tax Act.

#### ***THE CONTENT OF THE BILL:***

The bill would amend the General Sales Tax Act to exempt sales to a domestic air carrier of an aircraft, or parts and materials affixed in this state to an aircraft that has a maximum certified takeoff weight of at least 6,000 pounds. The bill would not apply to shop equipment or fuel.

The term "domestic air carrier" is limited to entities engaged in the commercial transport for hire of air cargo, passengers, or a combination of air cargo and passengers as a business activity.

MCL 205.54p

#### ***FISCAL IMPLICATIONS:***

The House Fiscal Agency and the Department of Treasury have estimated that the impact on revenue would be minimal. (12-3-97)

#### ***ARGUMENTS:***

##### ***For:***

The bill would place in the General Sales Tax Act exemptions for aircraft and airplane parts and materials similar to those that already exist in the Use Tax Act. It would apply to businesses engaged in the transport for hire of cargo and/or passengers. Proponents say the bill will have no revenue impact because the law now discourages the kind of sales the bill would exempt.

#### ***POSITIONS:***

The Department of Treasury supports the bill. (12-3-97)

Analyst: C. Couch

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.