
Senate Fiscal Agency
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Senate Bill 627 (Substitute S-5 as reported by the Committee of the Whole)
Sponsor: Senator Walter H. North
Committee: Finance

CONTENT

The bill would amend the General Sales Tax Act to exempt from the sales tax sales to a domestic air carrier or to a person for lease to a domestic air carrier of one or more of the following:

- An aircraft that had a maximum certified takeoff weight of at least 6,000 pounds, for use solely in the transport of air cargo, passengers, or a combination of air cargo and passengers.
- Parts and materials, excluding shop equipment and fuel, affixed or to be affixed to an aircraft that had a maximum certified takeoff weight of at least 6,000 pounds for use solely in the transport of air cargo, passengers, or a combination of air cargo and passengers.

The bill provides that a "domestic air carrier" would be limited to entities engaged primarily in the commercial transport for hire of air cargo, passengers, or a combination of air cargo and passengers as a business activity.

Proposed MCL 205.54x

Legislative Analyst: G. Towne

FISCAL IMPACT

This bill, along with Senate Bill 630 (S-5), would exempt the purchase of certain airplanes and airplane parts from the sales and use taxes, and as a result sales and use tax collections would decline an estimated \$1.3 million in FY 1999-2000 and \$0.5 million in FY 2000-01. The higher revenue loss in FY 1999-2000 would result from the retroactive use tax exemption proposed in Senate Bill 630 (S-5) for certain planes purchased after September 1996. This estimated loss in revenue would affect the General Fund and School Aid Fund. General Fund/General Purpose revenue would decline an estimated \$0.7 million in FY 1999-2000 and \$0.3 million in FY 2000-01. School Aid Fund revenue would decline an estimated \$0.3 million in FY 1999-2000 and \$0.2 million in FY 2000-01.

Date Completed: 5-11-00

Fiscal Analyst: J. Wortley