

Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bills 627 and 630 (as introduced 6-1-99)

Sponsor: Senator Walter H. North (S.B. 627)

Senator Don Koivisto (S.B. 630)

Committee: Finance

Date Completed: 4-12-00

CONTENT

Senate Bill 627 would amend the General Sales Tax Act, and Senate Bill 630 would amend the Use Tax Act, to exempt from the taxes aircraft and aircraft parts and materials sold to or used by a "domestic air carrier". The bills provide that a "domestic air carrier" would be 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.

Senate Bill 627 would exempt from the sales tax sales to a domestic air carrier of an aircraft, or parts and materials, excluding shop equipment or fuel, affixed in Michigan to an aircraft that had a maximum certified takeoff weight of at least 6,000 pounds, for use in the transport of air cargo, passengers, or a combination of air cargo and passengers.

Senate Bill 630 would create a use tax exemption for the storage, use, or consumption by a domestic air carrier of an aircraft purchased after December 31, 1998, for use in the transport of air cargo and/or passengers that had a maximum certified takeoff weight of at least 6,000 pounds. This would be in addition to the current exemptions for an aircraft purchased after 1992 for use solely in the transport of air cargo that has a maximum certified takeoff weight of at least 12,500 pounds; an aircraft purchased after June 30, 1994, that is used solely in the regularly scheduled transport of passengers; and an aircraft purchased after 1994 with a maximum certified takeoff weight of at least 12,000 pounds that is designed to have a maximum passenger seating configuration of more than 30 seats and used solely in the transport of passengers.

The Use Tax Act also exempts parts and materials, excluding shop equipment or fuel, affixed or to be affixed in Michigan to an aircraft owned or used by a domestic air carrier that is any of the following: an aircraft for use solely in the transport of air cargo that has a maximum certified takeoff weight of at least 12,500 pounds for taxes levied before 1997 and at least 6,000 pounds for taxes levied after 1996; an aircraft used solely in the regularly scheduled transport of passengers; or another aircraft that has a maximum certified takeoff weight of at least 12,500 pounds for taxes levied before 1997 and at least 6,000 pounds for taxes levied after 1996 and that is designed to have a maximum passenger seating configuration of more than 30 seats and used solely in the transport of passengers. For taxes levied after December 31, 1998, Senate Bill 630 would extend this exemption to an aircraft with a maximum certified takeoff weight of at least 6,000 pounds for use in the transport of a combination of air cargo and passengers.

Proposed MCL 205.54r (S.B. 627)

MCL 205.94 & 205.94k (S.B. 630)

Legislative Analyst: G. Towne

FISCAL IMPACT

These bills would reduce sales and use tax collections an estimated \$0.7 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 on certain planes purchased after December 31, 1998. This estimated loss in revenue would affect the General Fund and School Aid Fund. General Fund/General

Purpose revenue would decline an estimated \$0.5 million in FY 1999-2000 and \$0.3 million in FY 2000-01. School Aid Fund revenue would decline an estimated \$0.2 million in both FY 1999-2000 and FY 2000-01. These preliminary estimates are based on data collected by the Senate Fiscal Agency in 1997. An attempt is presently being made to update these data.

Fiscal Analyst: J. Wortley

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.