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Senate Fiscal Agency  
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**BILL ANALYSIS**

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Senate Bill 630 (Substitute S-5 as reported by the Committee of the Whole)

Sponsor: Senator Don Koivisto

Committee: Finance

## **CONTENT**

The bill would amend the Use Tax Act to exempt from the tax the storage, use, or consumption of an aircraft purchased by, or for lease to, a domestic air carrier after September 30, 1996, for use solely in the transport of air cargo and/or passengers, that had a maximum certified takeoff weight of at least 6,000 pounds. A "domestic air carrier" would be limited to a person engaged primarily in the commercial transport for hire of air cargo, passengers, or a combination of air cargo and passengers as a business activity.

Currently, the Act exempts 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 12,500 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 bill would apply these exemptions only to aircraft purchased before October 1, 1996.

The Act also exempts parts and materials, excluding shop equipment or fuel, affixed or to be affixed "in this state" to an aircraft owned or used by a domestic air carrier that is 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. The bill would refer to an aircraft for use solely in the transport of air cargo or a combination of air cargo and passengers, and would delete the phrase "in this state".

Currently, the tax applies to the laundering or cleaning of textiles under a sale, rental, or service agreement with a term of at least five days. This provision does not apply to textiles used by a restaurant or a retail sales business. The bill also would exempt a person in the business of providing dental services.

MCL 205.93a et al.

Legislative Analyst: G. Towne

## **FISCAL IMPACT**

This bill would reduce use tax revenue by granting exemptions on certain airplanes and airplane parts, and on laundry services purchased by businesses providing dental services.

Airplanes. Please see **FISCAL IMPACT** on Senate Bill 627.

Laundry. It is estimated this exemption would reduce use tax revenue by \$0.5 million in FY 2000-01. This loss in revenue would reduce General Fund/General Purpose revenue \$0.3 million and School Aid Fund revenue would decline \$0.2 million.

Date Completed: 5-11-00

Fiscal Analyst: J. Wortley