

Legislative Analysis



AIRPORT PARKING TAX: USE OF REVENUE

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House Bill 5154 as introduced
Sponsor: Rep. Brian Palmer
Committee: Tax Policy

Complete to 1-25-06

A SUMMARY OF HOUSE BILL 5154 AS REPORTED FROM COMMITTEE 1-24-06

The bill would amend Section 7a of the Airport Parking Tax Act (Public Act 248 of 1987) which governs the disposition of Airport Parking Tax revenue. [The act applies only to parking facility transactions at Detroit Wayne County Metro Airport.] The act provides for the first \$6 million of Airport Parking Tax revenue to be distributed (by way of the Airport Parking Tax Fund created in the Act) to the State Aeronautics Fund (SAF) created in the state Aeronautics Code (Public Act 327 of 1945) to be used only to match federal funds for safety and security projects at Michigan airports. House Bill 5154 would expand the permitted uses of the \$6 million to include non-federal participating projects.

Section 7a currently indicates that the \$6 million "*shall be used exclusively for safety and security projects at state airports, including reimbursement to the comprehensive transportation fund of amounts used to pay principal and interest on bonds issued on or before December 31, 2007 by the state transportation commission under section 18b of 1951 PA 51, MCL 247.668b, to provide the matching funds by this state for federal funds to be used for safety and security at state airports.*"

The department would like to expand the permitted uses to include non-federal participating projects, i.e. projects funded exclusively with SAF and local matching funds. To accomplish this, the bill would simply insert the word "and" so that the sentence would be amended to indicate that the \$6 million in airport parking tax revenue credited to the SAF "*shall be used exclusively for safety and security projects at state airports, including reimbursement to the comprehensive transportation fund of amounts used to pay principal and interest on bonds issued on or before December 31, 2007 by the state transportation commission under section 18b of 1951 PA 51, MCL 247.668b, AND to provide the matching funds by this state for federal funds to be used for safety and security at state airports.*"

MCL 207.377a

BACKGROUND INFORMATION:

The Airport Parking Tax Act established an excise tax "on persons engaged in the business of providing an airport parking facility." Airport parking facilities are defined in the act as within the boundaries or within five miles of the boundaries of a "regional airport facility," meaning an airport servicing 4 million or more enplanements annually.

The Detroit Wayne County Metro Airport is the only airport in Michigan meeting the act's definition of "regional airport facility." As a result, the airport parking tax is levied only at airport parking facilities at Detroit Wayne County Metro Airport and within five miles of that airport.

When the airport parking tax was first established in 1987, the tax rate was 30 percent of the amount of parking facility transactions. Under the original provisions of the act, Wayne County received 100 percent of the "on premises" parking tax and 80 percent of tax on "off-premises" parking. The city of Romulus received 20 percent of the "off-premises" parking tax. In FY 2001-02 this equated to \$13 million to Wayne County and \$1.1 million to the city of Romulus.

The Airport Parking Tax Act was amended by Public Act 680 of 2002 (HB 4454). Public Act 680 reduced the tax rate from 30 percent to 27 percent effective January 1, 2003. In addition, the 2002 amendments changed the distribution of tax proceeds so that starting with the 2002-03 fiscal year, the SAF would receive the first \$6 million of tax revenue, the city of Romulus the next \$1.5 million, and Wayne County the balance of the tax collected.

Public Act 680 directed that the tax proceeds distributed to Wayne County "be used only for indigent health care." Wayne County's share of the tax is estimated to be \$10.6 million for FY 2005-06.

Public Act 680 of 2002 also established a sunset for the tax; it repealed the Airport Parking Tax Act, and thus authority to impose the tax, effective December 31, 2007, or when all airport safety and security bonds authorized under the act are retired, whichever date is later.

FISCAL IMPACT:

Under current law, \$6 million in airport parking tax revenue is credited to the SAF each state fiscal year. The \$6 million is restricted to matching federal funds for safety and security projects at Michigan airports – either directly or through debt service on bond projects. The bill would expand the permitted uses of the \$6 million to include non-federal participating projects, i.e., projects funded exclusively with SAF and local matching funds. The use of these funds would still be limited to safety and security projects at Michigan airports. The distributions of airport parking tax revenue to the SAF, the city of Romulus, and Wayne County would be unaffected by the bill.

For additional information on state Aeronautics capital projects, see the House Fiscal Agency memo to the House Committee on Tax Policy, *ASAP and Aeronautics Capital Outlay Programs*. The memo can be found on the House Fiscal Agency website at <http://www.house.mi.gov/hfa/alpha.html>

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■ 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.