

# Legislative Analysis



## **EARMARK SALES TAX FOR STATE AERONAUTICS FUND**

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**House Bill 4025 (H-3)**  
**Sponsor: Rep. Dave Agema**  
**Committee: Transportation**

**Complete to 6-22-11**

### **SUMMARY OF HOUSE BILL 4025 AS REPORTED 6-22-11**

**House Bill 4025** would amend Section 25 the General Sales Tax Act (1933 PA 167) to change the current distribution of sales tax revenue. After the allocations and distributions of sales tax revenue currently provided in Subsection 2 (constitutional revenue sharing) and Subsection 3 (School Aid Fund), the bill would direct revenue from the sales tax imposed at 4% on the retail sale of aviation fuel and aviation products to the State Aeronautics Fund (SAF) created in Section 34 of the State Aeronautics Code. The SAF is a state-restricted fund used to support aeronautics regulatory functions of the Michigan Department of Transportation, as well as capital airport improvement grant programs administered by the department.

The H-3 substitute would set a floor of \$10 million for this earmark and would make the change effective with the fiscal year ending September 30, 2013.

### **FISCAL IMPACT:**

The House Fiscal Agency does not have an independent estimate of the sales tax collections related to the sale of aviation fuel or aviation products in Michigan. The 2009 report of the Transportation Funding Task Force (TF2) offered an alternative recommendation regarding aeronautics funding to "redirect the state sales tax on aviation fuel and products – or an equivalent amount from unallocated sales tax revenue – to aviation purposes." The TF2 report further indicated that "Sales tax collected on aviation fuel averaged about \$85 million per year between 2000 and 2007. The portion of this revenue not constitutionally allocated would be 25 percent of the sales tax levied at the rate of four percent, about \$14.1 million per year. Sales tax collected on other aviation related sales was \$4.5 million, as reported by the Michigan Department of Treasury. The portion of this revenue not constitutionally allocated is \$750,000."

We do not know the source of or, as noted above, have an independent verification of the figures used in the TF2 report. Redirecting sales tax revenue to the State Aeronautics Fund would effectively reduce the amount of General Fund revenue available from the sales tax – the amount left over after the constitutional earmarks. The increased earmarking would effectively reduce General Fund revenue, and would have to be offset by reductions in General Fund programs or through a combination of reductions in General Fund programs and other statutory sales tax earmarks (Comprehensive Transportation Fund, statutory revenue sharing, or health programs).

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