



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS



Telephone: (517) 373-5383
Fax: (517) 373-1986

House Bill 5506 (as reported with amendments)
Sponsor: Representative Kirk A. Profit
House Committee: Tax Policy
Senate Committee: Finance

CONTENT

The bill would amend the Use Tax Act to extend indefinitely an exemption from the use tax for certain aircraft parts and materials, by deleting the December 31, 1996, expiration date.

Currently, the use tax does not apply (until January 1, 1997) to parts and materials affixed or to be affixed in Michigan to certain aircraft owned or used by a domestic air carrier. To qualify for the exemption, an aircraft must be any of the following:

- Purchased after December 31, 1992, for use solely in the transport of air cargo, and have a maximum takeoff weight of at least 12,500 pounds.
- Purchased after June 30, 1994, and used solely in the regularly scheduled transport of passengers.
- Purchased after December 31, 1994, have a maximum takeoff weight of at least 12,000 pounds, and be designed to have a maximum passenger seating of more than 30 seats and be used solely in the transport of passengers.

The bill would delete the purchase dates from the list of qualifications.

MCL 205.94k

Legislative Analyst: G. Towne

FISCAL IMPACT

Under current law, the Treasury Department was required to complete a report on the effects and cost of this use tax exemption by July 1996. Apparently, not enough of the airplane repair businesses in Michigan provided the Department of Treasury with the information needed to make this estimate, so it was not possible for the Department to fully assess the benefits and cost of this exemption. In the FY 1996-97 Tax Expenditure Appendix to the Executive Budget, prepared by the Department of Treasury, it is estimated that if this use tax exemption were extended, it would reduce use tax revenue by \$10 million in FY 1996-97. The revenue that would be lost by extending this exemption would reduce General Fund revenue by \$6.7 million and School Aid Fund revenue by \$3.3 million.

Date Completed: 12-10-96

Fiscal Analyst: J. Wortley

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