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Senate Bill 437 (Substitute S-1 as reported)
Sponsor: Senator Bill Bullard, Jr.
Committee: Finance

CONTENT

The bill would amend the General Sales Tax Act to exempt from the tax, beginning January 1, 1996, sales of certain aircraft and parts and materials affixed to aircraft that were sold to a person for lease to a domestic air carrier operating under a certificate for on demand charter issued by the Federal Aviation Administration.

Currently, the Act exempts from the sales tax sales to a domestic air carrier of an aircraft or parts and material affixed to an aircraft that has a maximum certified takeoff weight of at least 6,000 pounds for use in the transport of air cargo and/or passengers. (A domestic air carrier is an entity engaged primarily in the commercial transport for hire of air cargo, passengers, or a combination of air cargo and passengers as a business activity.) Under the bill, this exemption also would apply to such sales, beginning January 1, 1996, to a person for lease to a domestic air carrier operating under a certificate for on demand charter issued by the Federal Aviation Administration.

The bill would require the State Treasurer to determine by January 1 each year the amount of revenue lost from the State School Aid Fund (SAF) in the preceding State fiscal year due to the current and proposed exemption for aircraft and parts and materials affixed to aircraft. The State Treasurer would be required to deposit that amount into the SAF from the General Fund.

MCL 205.54x

Legislative Analyst: G. Towne

FISCAL IMPACT

State Government. It is estimated that this bill would eliminate a current contested liability, covering several years, totaling less than \$400,000. This liability has not been paid, so under this bill the State would not have to issue a refund. It is also estimated that this bill would have very minimal, if any, impact on sales tax revenue on an ongoing basis. The School Aid Fund (SAF), which receives about 73% of sales tax collections, would be held harmless under the bill; however, due to the way the hold-harmless section is worded, the SAF would be held harmless from the loss in sales tax revenue due to the total exemption granted domestic carriers when purchasing airplanes, and not just on the expanded exemption proposed in this bill. It is not known at this time how much revenue the SAF would gain under this proposal, and how much the General Fund/General Purpose budget would lose, but it could potentially be several million dollars.

Local Government. Changes in sales tax collections can have an impact on local revenue sharing, but it appears this bill would not have any appreciable impact on local governments.

Date Completed: 5-30-01

Fiscal Analyst: J. Wortley

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Bill Analysis @ <http://www.senate.state.mi.us/sfa>

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.