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Senate Bill 437 (as introduced 5-1-01)
Sponsor: Senator Bill Bullard, Jr.
Committee: Finance

Date Completed: 5-22-01

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.

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.

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 the bill would have a very minimal, if any, impact on sales tax revenue on an ongoing basis. The bill also proposes to hold the School Aid Fund harmless from the sales tax exemption granted to domestic air carriers. 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.

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

Fiscal Analyst: J. Wortley

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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.