

Legislative Analysis



AIRCRAFT USE AND SALES TAX EXEMPTIONS

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House Bill 4855

Sponsor: Rep. Michael Nofs

House Bill 4856

Sponsor: Rep. Lorence Wenke

Committee: Commerce

Complete to 10-10-05

A SUMMARY OF HOUSE BILLS 4855 AND 4856 AS INTRODUCED 6-1-05

The bills would amend the Sales and Use Tax Acts to provide exemptions in two cases.

- 1) The taxes would not apply to parts and materials (excluding shop equipment and fuel) affixed or to be affixed to an aircraft not based or registered in Michigan.
- 2) The taxes would not apply to the sale of an aircraft that is temporarily located in Michigan for the purpose of pre-purchase evaluation or post-sale work and that will not be based or registered in Michigan following the sale.

House Bill 4855 would amend the General Sales Tax Act (MCL 205.54x.) House Bill 4856 would amend the Use Tax Act (MCL 205.94k)

[There are currently sales and use tax exemptions for parts and materials for certain aircraft owned or used by domestic air carriers, as well as a sales tax exemption for certain aircraft.]

FISCAL IMPACT:

Although these bills would reduce sales and use tax revenue, the reduction is likely to be relatively small (in the range of \$1 to \$2 million) given the current level of activity.

Approximately 73% of all sales tax revenue is earmarked to the School Aid Fund (SAF), and 10% is dedicated to Constitutional revenue sharing to cities, villages, and townships. One-third of all use tax revenue is earmarked to the SAF; the remainder goes to the General Fund.

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