



Senate Fiscal Agency
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BILL ANALYSIS



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House Bill 4855 (Substitute H-2 as passed by the House)
House Bill 4856 (Substitute H-2 as passed by the House)
Sponsor: Representative Michael Nofs (H.B. 4855)
Representative Lorence Wenke (H.B. 4856)
House Committee: Commerce
Senate Committee: Commerce and Labor

Date Completed: 1-30-06

CONTENT

House Bills 4855 (H-2) and 4856 (H-2) would amend the General Sales Tax Act and the Use Tax Act, respectively, to create tax exemptions for the sale of certain aircraft or aircraft parts and materials that were temporarily located in Michigan.

Under the bills, the sales and use taxes would not apply to the sale of an aircraft temporarily located in Michigan for the purpose of "prepurchase evaluation" or the purpose of prepurchase evaluation and "postsale customization", if the following conditions were satisfied:

- The aircraft left Michigan within 15 days after authorized approval for final return to service, completion of the maintenance record entry, and completion of the test flight and ground test for inspection as required by Federal rule (14 CFR 91.407, described below).
- The aircraft was not "based in this state" or "registered in this state" before or after the prepurchase evaluation or prepurchase evaluation and postsale customization were completed.

The sales and use taxes also would not apply to the sale of parts or materials, excluding shop equipment or fuel, affixed or to be affixed to an aircraft that met the following conditions:

- The aircraft left Michigan within 15 days after the sooner of the issuance of the final billing or authorized approval for final return to service, completion of the maintenance record entry, and completion of the test flight and ground test for inspection required under 14 CFR 91.407.
- The aircraft was not based or registered in this State before or after the parts or materials were affixed to it.

Both bills would define "prepurchase evaluation" as an examination of an aircraft to provide a potential purchaser with information relevant to the potential purchase. "Postsale customization" would mean any improvement, maintenance, or repair that is performed on an aircraft following a transfer of ownership of the aircraft.

Under both bills, "based in this state" would mean hangared or stored in Michigan for not less than 10 days in not less than three nonconsecutive months during the immediately

preceding 12-month period. Under House Bill 4856 (H-2), "registered in this state" would mean an aircraft registered with the State Transportation Department, Bureau of Aeronautics or registered with the Federal Aviation Administration to an address located in Michigan.

(Under 14 CFR 91.407, a person may not operate any aircraft that has undergone maintenance, rebuilding, or alteration unless it has been approved for return to service by an authorized person and a required maintenance record entry has been made. The rule also prohibits a person from carrying any passenger in an aircraft that has been maintained, rebuilt, or altered in a manner that may have appreciably changed its flight characteristics until an appropriately rated pilot flies the aircraft, makes an operational check of the maintenance performed or alteration made, and logs the flight in the aircraft records.)

MCL 205.54x (H.B. 4855)
205.94k (H.B. 4856)

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

These bills would reduce sales and use tax revenue by an estimated \$1.4 million on a full year basis. This loss in revenue would reduce General Fund revenue an estimated \$0.7 million, School Aid Fund revenue \$0.6 million, and revenue sharing payments to local governments \$0.1 million.

Fiscal Analyst: Jay 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.