

Legislative Analysis



AIRCRAFT TAX EXEMPTIONS

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House Bills 4375 & 4376

Sponsor: Rep. Rebekah Warren

Committee: Tax Policy

Complete to 8-24-10

A SUMMARY OF HOUSE BILLS 4375 AND 4376 AS INTRODUCED 2-19-09

The bills would rewrite provisions in the General Sales Tax Act and the Use Tax Act that provide tax exemptions for the sale and purchase of certain aircraft when sold or purchased for subsequent leasing. House Bill 4375 would amend the General Sales Tax Act (MCL 205.54x). House Bill 4376 would amend the Use Tax Act (MCL 205.94).

Currently, there is a tax exemption in each act for the sale of an aircraft to a person for subsequent lease to a domestic air carrier operating under a certificate issued by the Federal Aviation Administration for use *solely in the regularly scheduled transport of passengers*. These exemptions were added by Public Acts 39 (use tax) and 40 (sales tax) of 2001.

The bills would expand these exemptions so that they applied instead to the sale of an aircraft *that has a maximum certificated takeoff weight of at least 6,000 pounds to a person for subsequent lease to a domestic air carrier for use solely in the transport of passengers, air cargo, or a combination of passengers and air cargo*. The bill would make this change retroactive and effective July 11, 2001. That was the effective date of the existing language put in place by Public Acts 39 and 40 of 2001.

[NOTE: The General Sales Tax Act and the Use Tax Act currently provide a tax exemption for sales to a domestic carrier of an aircraft that has a maximum certificated takeoff weight of at least 6,000 pounds for use solely in the transport of air cargo, passengers, or a combination of air cargo and passengers. The bills would appear to add this same language to the provisions that apply to sales of aircraft that are purchased for the purpose of leasing.]

FISCAL IMPACT:

The bills would reduce sales and use tax revenue by an unknown amount; the potential impact is being evaluated. Under the state constitution, about 72 percent of sales tax revenue is dedicated to the School Aid Fund and approximately 10 percent is dedicated to revenue sharing. One-third of use tax revenue is constitutionally earmarked for the School Aid Fund.

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