

Legislative Analysis



USE AND SALES TAX EXEMPTIONS FOR CERTAIN AVIATION EQUIPMENT

Phone: (517) 373-8080
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House Bills 4350 & 4351 as introduced

Sponsor: Rep. Bronna Kahle

Committee: Tax Policy

Complete to 3-15-17

Analysis available at
<http://www.legislature.mi.gov>

SUMMARY:

House Bills 4350 and 4351 would amend the Use Tax Act and General Sales Tax Act to provide sales and use tax exemptions for parts or materials affixed or to be affixed to general aviation aircraft, except for shop equipment and fuel. This would be an expansion of current sales and use tax exemptions for aircraft parts and materials, as explained below.

HB 4350 would amend the Use Tax Act (MCL 205.94k). HB 4351 would amend the General Sales Tax Act (MCL 205.54x). The bills would take effect 90 days after enactment.

In current statute, among other use and sales tax exemptions for aviation products, the use and sales tax exemptions described above only apply to aircraft if all of the following conditions are met:

- (1) The aircraft leaves the state within 15 days after final billing or approval of return to service, completion of the maintenance record, or completion of test flight and ground test (whichever is earliest).
- (2) The aircraft was not based or registered in this state before the service, and the aircraft will not be based or registered in this state after the service

HB 4350 and HB 4351 would **remove** these conditions and extend the use and sales tax exemptions to parts or materials affixed or that will be affixed to all "general aviation aircraft." The bills define "general aviation aircraft" as:

"an aircraft that is used in civil aviation, but does not include an unmanned aerial vehicle."

(The dictionary definition of "general aviation" is, generally, "the operation of civilian aircraft not under the control of a common carrier." *Merriam-Webster's Dictionary Online*.)

BACKGROUND INFORMATION:

The description of sales and use tax exemptions differ somewhat between the two acts, but generally speaking exemptions already apply to parts and materials (other than shop equipment and fuel) affixed or to be affixed to any of the following:

- An aircraft for use solely in the transport of air cargo, passengers, or a combination of air cargo and passengers with a certificated takeoff weight of at least 6,000 pounds. (Sales tax)
- An aircraft for use solely in the transport of air cargo or a combination of air cargo and passengers with a certificated takeoff weight of at least 6,000 pounds. (Use tax)
- An aircraft owned or used by a domestic air carrier that is used solely in the regularly scheduled transport of passengers. (Use tax)
- An aircraft owned or used by a domestic air carrier solely for the transport of passengers (other than regularly scheduled flights) if the aircraft has a maximum certificated takeoff weight of at least 6,000 pounds and is designed to have a maximum passenger seating configuration of more than 30 seats. (Use tax)

In addition, there is a sales tax exemption for the sale to a domestic air carrier of an aircraft with a certificated takeoff weight of at least 6,000 pounds for use solely in the transport of air cargo, passengers, or a combination of cargo and passengers. Further, there are exemptions in both acts for the sales of aircraft temporarily in the state for evaluation, customization, maintenance, or repair, if certain conditions are met.

FISCAL IMPACT:

The bills are being examined to determine any potential fiscal impacts. The analysis will be updated to the extent that information becomes available.

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