



**House  
Legislative  
Analysis  
Section**

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**REPEAL AIRPORT PARKING TAX**

**House Bill 4454 as introduced  
First Analysis (3-29-01)**

**Sponsor: Rep. Bruce Patterson  
Committee: Tax Policy**

***THE APPARENT PROBLEM:***

The Airport Parking Tax Act was created by Public Act 248 of 1987 as part of a package of bills to provide financial assistance to Wayne County, which was described at the time as suffering from massive budget problems and faced with the possibility of bankruptcy. While there were many factors contributing to this crisis, it was generally agreed that the county faced extraordinarily and uniquely high mandated indigent health care costs. Among other things, the state assistance package included an emergency loan to the county from the state; the granting to the county of additional authority to borrow by issuing bonds; and the dedication of revenue from a four cent per pack increase in the cigarette tax to be used by the county to repay debts, repay the principal on emergency loans, and repay bonds issued under the Fiscal Stabilization Act. Some portion of the cigarette tax increase was also to be used by all Michigan counties to defray the costs of public health and criminal justice programs. The package also included the airport parking tax, which the legislation said could be used to service bonds (but did not have to be so used).

The airport parking tax levies an excise tax on the operators of airport parking facilities at the rate of 30 percent of the charge for parking. It applies only at a "regional airport facility", defined as an airport that services four million or more enplanements annually, and the act was designed to apply to Detroit Wayne County Metropolitan Airport. The tax is levied on parking facilities within the airport or within five miles of the boundaries of the airport, other than employee lots and publicly owned metered spaces. The proceeds go to a special state fund to be distributed monthly, with most of the revenue going to the county and a small percentage to the city in which the airport is located, Romulus. (The city's percentage has been described as 20 percent of revenue from parking outside the airport). The tax is administered by the revenue division of the Department of Treasury. According to the House Fiscal Agency's March 2001 booklet entitled State of Michigan Revenue Source and Distribution, the airport parking excise tax is expected to raise \$14.9

million in fiscal year 2000-2001 (although county officials estimate the revenue slightly higher).

Some people believe that the airport parking tax has served its purpose and should be repealed.

***THE CONTENT OF THE BILL:***

The bill would repeal the Airport Parking Tax Act, Public Act 248 of 1987.

MCL 207.371 to 207.383

***FISCAL IMPLICATIONS:***

The House Fiscal Agency reports that the bill would reduce airport parking fund revenues by \$14.9 million. (Fiscal note dated 3-21-01)

***ARGUMENTS:***

***For:***

Proponents of the bill say the onerous airport parking tax has served the purpose for which it was created over a dozen years ago and should be repealed. It was enacted as part of a package to help Wayne County deal with a severe fiscal crisis. The county's fiscal situation is much improved and some of the additional debt it took on as part of the state assistance package has been retired. There is no longer justification for making the state's travelers (and those seeing them off) contribute to the county budget. It should be noted that the revenue from the parking tax does not go toward airport operations or improvements but to the general fund of the county. The tax — at a rate of 30 percent on top of parking fees — is excessive. Proponents of repeal say that the tax revenue was to be securitization for an emergency loan from the state, a loan that was repaid several years ago. The tax has thus already been collected for longer than it should have been. The airport parking tax revenue should not be seen as an endless additional source of state revenue granted to the county. Given the size of its overall budget, the

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county should be able to deal with the loss of revenue from the repeal of this tax without an impact on essential services through the exercise of prudent fiscal management.

**Response:**

An alternative approach might involve putting a date certain on the expiration of the tax so as to give some notice to the county (and to the city of Romulus) or else phasing out the tax to provide a softer landing.

**Against:**

Wayne County officials say that the bill would result in a major revenue loss of \$16 million to the county annually. They have produced several scenarios of what the impact of this loss would be. It could mean the layoff of 368 employees, they say. Or, if the revenue loss was applied to criminal justice programs, the closings of three floors in the jail, reduced park patrols, and eliminating 100 jobs from the circuit court and friend of the court operations. Other scenarios involve eliminating the out-county dental program, reducing immunizations, cutting food inspections, and reducing health care services to the working poor by one-third, including nutrition services to women and children. County officials say the airport parking tax revenue has not been used to pay off loans or retire bonds, but has been put to use to cover shortfalls in the county operating budget. Ensuring the fiscal stability of the county has always been its purpose and that need remains today. They say the revenue is the only “elastic” source of general purpose revenue and the growth in that revenue has helped contribute to the recent fiscal success of the county. The county, say officials, has balanced 13 consecutive budgets since 1988 and its bond rating has gone from junk status to an “A” status. County officials also say parking rates, with the tax included, are not out of line in comparison with rates charged at other large airports.

**Against:**

Repealing the airport parking tax will reduce payments to the city of Romulus by about \$1.2 million, which would be a hardship for the city. A representative from this small city, which has Detroit Metro Airport in its midst, has said the money makes up for the large amount of county property within its borders that it cannot tax. The city is not getting the resources it needs to deal with the increased service demanded by airport expansions.

**Response:**

Some sentiment was expressed by members of the House Tax Policy Committee to find ways to alter the bill as it moves through the legislative process so as to preserve or replace this funding source for the city.

**POSITIONS:**

The Department of Treasury has no position on the bill. (3-28-01)

Representatives of Wayne County testified in opposition to the bill. (3-28-01)

A representative of the city of Romulus testified in opposition to the bill. (3-28-01)

Analyst: C. Couch

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.