

Legislative Analysis



AVIATION JET FUEL TAX EXEMPTION

Mary Ann Cleary, Director
Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

Senate Bills 415 & 416

Sponsor: Sen. Jack Brandenburg

House Committee: Transportation and Infrastructure

Senate Committee: Finance

Complete to 3-17-14

A SUMMARY OF SENATE BILLS 415 & 416 AS PASSED BY THE SENATE 6-19-13

The bills would exempt aviation jet fuel from the 2% of the sales and use tax that was added in 1994 and is dedicated to the School Aid Fund. The exemption would be effective beginning October 1, 2013.

Senate Bill 415 would amend the Use Tax Act (MCL 205.94bb), and Senate Bill 416 would amend the General Sales Tax Act (MCL 205.54ee). Specifically, the sale of aviation jet fuel would be exempt from the use tax or the sales tax at the additional rate of 2% approved by the electors on March 15, 1994.

(The rate of both the use tax and the sales tax was increased from 4% to 6% as part of Proposal A, the school finance reform package approved by the voters in March 1994. Proceeds of the additional tax are dedicated to the State School Aid Fund.)

FISCAL IMPACT:

As written, the bills could reduce School Aid Fund (SAF) revenue by \$14 million in the current fiscal year. This estimate is based upon tax expenditure estimates for FY 2014 from the Michigan Department of Treasury and price data from the Energy Information Agency. Prices in the energy sector are notoriously volatile. The bills' actual impact on the SAF could change by as much as 20% relative to this estimate, depending on world oil market conditions.

Legislative Analyst: E. Best
Chris Couch
Fiscal Analyst: Adam Desrosiers

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