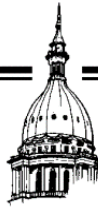




Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL



ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986

Senate Bills 415 and 416 (as reported by the Committee of the Whole)
Sponsor: Senator Jack Brandenburg
Committee: Finance

CONTENT

Senate Bills 415 and 416 would amend the Use Tax Act and the Sales Tax Act, respectively, to provide that, beginning October 1, 2013, 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 4.0% to 6.0% 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.)

Proposed MCL 204.94bb (S.B. 415)
Proposed MCL 205.54ee (S.B. 416)

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bills would reduce State School Aid Fund revenue by approximately \$16.9 million per year. The actual amount would vary based on fuel usage and average prices, both of which can vary significantly over time. For example, holding usage constant, a 10% increase in prices over those assumed for the estimate would increase the revenue loss under the bills by \$1.7 million; while if prices were 10% lower, the revenue loss would be \$1.7 million per year less. Changes in fuel usage also can influence the estimate: the Energy Information Administration reports that in 2007, an average of 524.4 thousand gallons per day of kerosene-type jet fuel were sold or delivered in Michigan, compared to 330.1 thousand gallons per day in 2011. (Over the 1990s, the average was 927.6 thousand gallons per day.) Fuel usage during 2007 was nearly 20% above the level assumed for the estimate. (The level assumed for the estimate is consistent with current consensus estimates for fuel consumption over the FY 2012-13 to FY 2014-15 period.) Holding prices constant, if usage were 20% higher than assumed, the revenue loss would be \$3.4 million per year greater. If prices were 10% higher than assumed, and usage 20% greater, then the revenue loss would be \$22.2 million greater than estimated.

Date Completed: 6-19-13

Fiscal Analyst: David Zin