

# Legislative Analysis



## AIRPORT PARKING TAX RATE REDUCTION

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**House Bill 5536**

**Sponsor: Rep. Philip LaJoy**

**Committee: Tax Policy**

**Complete to 1-18-06**

## A SUMMARY OF HOUSE BILL 5536 AS INTRODUCED 12-29-05

The bill would amend Section 3 of the Airport Parking Tax Act (Public Act 248 of 1987) to reduce the tax rate from 27 percent of the amount charged for parking facility transactions to 15 percent. The bill would make the change effective January 1, 2006.

### BACKGROUND INFORMATION:

The Airport Parking Tax Act established an excise tax "on persons engaged in the business of providing an airport parking facility." Airport parking facilities are defined in the act as within the boundaries or within five miles of the boundaries of a "regional airport facility," meaning an airport servicing 4 million or more enplanements annually. The Detroit Wayne County Metro Airport is the only airport in Michigan meeting the act's definition of "regional airport facility." As a result, the Airport Parking Tax is levied only at airport parking facilities at Detroit Wayne County Metro Airport and within five miles of that airport.

When the Airport Parking Tax was first established in 1987, the tax rate was 30 percent of the amount of parking facility transactions. Under the original provisions of the act, Wayne County received 100 percent of the "on premises" parking tax, and 80 percent of the tax on "off-premises" parking. The city of Romulus received 20 percent of the "off-premises" parking tax. In FY 2001-02 this equated to \$13 million to Wayne County and \$1.1 million to the city of Romulus.

The Airport Parking Tax Act was amended by Public Act 680 of 2002 (House Bill 4454). Public Act 680 reduced the tax rate from 30 percent to 27 percent effective January 1, 2003. In addition, the 2002 amendments changed the distribution of tax proceeds so that starting with the 2002-03 fiscal year, the State Aeronautics Fund (SAF) would receive the first \$6 million of tax revenue, the city of Romulus the next \$1.5 million, and Wayne County the balance of the tax collected.

Public Act 680 directed that the tax proceeds distributed to Wayne County "be used only for indigent health care." Wayne County's share of the tax is estimated to be \$10.6 million for FY 2005-06.

Public Act 680 of 2002 also established a sunset for the tax; it repealed the Airport Parking Tax Act, and thus authority to impose the tax, effective December 31, 2007, or

when all airport safety and security bonds authorized under the act are retired, whichever date is later.

**FISCAL IMPACT:**

The bill would reduce estimated tax revenue by 55 percent (from 27 percent of the parking transaction amount to 15 percent). This would reduce total Airport Parking Tax revenue from an estimated \$18.1 million to \$10.1 million, a reduction of \$8 million. This reduction would be taken entirely from Wayne County's share of the tax distribution; Wayne County's share would be reduced from \$10.6 million to \$2.6 million. The distributions to the State Aeronautics Fund and to the city of Romulus would be unaffected.

The above estimates represent the annual fiscal impact based on Michigan Department of Treasury revenue estimates for the 2005-06 fiscal year. The actual fiscal impact in the first year of implementation would depend on the effective date of the bill should it become law.

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