



Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 418 (Substitute S-1 as reported)
Senate Bill 425 (Substitute S-1 as reported)
Senate Bill 426 (Substitute S-1 as reported)
Senate Bill 612 (as reported without amendment)
Senate Bill 613 (Substitute S-1 as reported)
Senate Bill 614 (Substitute S-1 as reported)
Sponsor: Senator Wayne Schmidt (S.B. 418, 425, 426, 612, & 614)
Senator Geoff Hansen (S.B. 613)
Committee: Commerce

CONTENT

The bills would amend various statutes to earmark a portion of sales tax revenue from the retail sale of aviation fuel, and a portion of use tax revenue from the use, storage, and consumption of aviation fuel, to the State Aeronautics Fund and a proposed "Qualified Airport Fund"; require money in the Qualified Airport Fund to be distributed to a qualified airport or qualified airports; and require the operator of a qualified airport to use the funds for purposes related to capital improvements to landing areas.

Senate Bill 418 (S-1) would amend the Aeronautics Code to make wording changes related to the refund of the tax on aviation fuel.

Senate Bill 426 (S-1) would amend the Aeronautics Code to require the portion of sales and use taxes that would have to be deposited into the State Aeronautics Fund under Section 25 of the General Sales Tax Act and Section 21 of the Use Tax Act to be paid into the State Treasury and credited to the Fund. (Those sections would be amended by Senate Bills 613 (S-1) and 614 (S-1), respectively).

The bill also would create the Qualified Airport Fund. All money to be deposited into the Qualified Airport Fund under Section 25 of the General Sales Tax Act and Section 21 of the Use Tax Act would have to be paid into the State Treasury and credited to the Fund.

Senate Bill 425 (S-1) would amend the Aeronautics Code to require all money in and credited to the State Aeronautics Fund to be appropriated for carrying out the provisions of Code, except as otherwise specified by the bill.

Quarterly, the State Treasurer would have to disburse from the Qualified Airport Fund to the operator of a qualified airport an amount equal to the amount deposited into the Fund. If there were more than one qualified airport, the State Treasurer would have to disburse the amount deposited into the Fund to each operator in the same proportion as the amount of taxable gallons of fuel sold at the qualified airport bore to the total amount of taxable gallons of fuel sold at all qualified airports during the preceding fiscal year.

The bill would require an operator of a qualified airport to use money disbursed from the Fund for deposit in a bond and interest redemption account to pay for revenue bonds issued to finance, or to otherwise defray costs of, capital improvements to landing areas at the qualified

airport; and to defray those costs. The capital improvements to landing areas could include runway and taxiway design, construction, repair, or rehabilitation, lighting, drainage systems, land acquisition, airfield roadways, noise mitigation systems, deicing pads, and surveillance systems at the qualified airport.

Senate Bill 612 would amend the Aeronautics Code to include in the section that defines terms used in the Code an existing definition of "qualified airport" (an airport, other than a military airport, that has 10.0 million or more enplanements in any 12-month period).

Senate Bill 613 (S-1) would amend the General Sales Tax Act to require, beginning October 1, 2016, and then quarterly, an amount equal to the collections of the 2% sales tax from the retail sale of aviation fuel to be distributed to the State Aeronautics Fund and the Qualified Airport Fund. An amount equal to 35% of those collections would have to be deposited in the State Aeronautics Fund and would have to be spent, on appropriation, only for the purposes authorized under the Aeronautics Code. An amount equal to 65% of those collections would have to be deposited in the Qualified Airport Fund and spent, on appropriation, only for those purposes authorized under Section 35(2) of the Code (as provided by Senate Bill 425 (S-1)).

Annually, the Department of Treasury, would have to reconcile the amounts distributed during each fiscal year, and provide an annual reconciliation report to the operator of each qualified airport.

Beginning April 1, 2016, each taxpayer making retail sales of aviation fuel would have to file a quarterly informational report with the Department. The report would have to include specific information, as described by the bill.

A taxpayer required to file the informational report that failed or refused to do so as by the bill would be liable for a penalty of \$10 per day for each day for each separate failure or refusal up to, but not exceeding, a maximum penalty of \$500 for each separate violation. The Department could waive the penalty if the taxpayer demonstrated to the Department's satisfaction that the failure to file was due to reasonable cause.

Senate Bill 614 (S-1) would amend the Use Tax Act to require, beginning October 1, 2016, and then quarterly, an amount equal to the collections of the 2% use tax from the use, storage, or consumption of aviation fuel to be distributed to the State Aeronautics Fund and the Qualified Airport Fund, in the same manner as specified by Senate Bill 613 (S-1).

The Department of Treasury would have to reconcile the amounts distributed under Senate Bill 614 (S-1) during each fiscal year, and would have to provide an annual reconciliation report, as described in Senate Bill 613 (S-1).

Beginning April 1, 2016, each person storing, using, or consuming aviation fuel, and each seller collecting the tax from the purchaser from sales of aviation fuel, would have to file a quarterly report with the Department.

The penalties for failure or refusal to file the report would be identical to those prescribed in Senate Bill 613 (S-1).

All of the bills are tie-barred to each other and would take effect 90 days after their enactment.

MCL 259.203 (S.B. 418)
259.35 (S.B. 425)
259.34 (S.B. 426)
259.7 (S.B. 612)
205.75 et al. (S.B. 613)
205.111 et al. (S.B. 614)

Legislative Analyst: Jeff Mann

FISCAL IMPACT

Senate Bill 418 (S-1)

The bill would have no fiscal impact on State or local government.

Senate Bills 425 (S-1) and 426 (S-1)

The bills would have no fiscal impact absent Senate Bills 613 (S-1) and 614 (S-1), to which the bills are tie-barred. Senate Bills 613 (S-1) and 614 (S-1) would earmark sales and use tax revenue to the Qualified Airport Fund. Senate Bill 426 (S-1) would create that Fund, and expand the revenue sources from which the Aeronautics Fund may receive revenue to include revenue earmarked by Senate Bills 613 (S-1) and 614 (S-1). Senate Bill 425 (S-1) would place restrictions on expenditures associated with appropriations from the Qualified Airport Fund.

Senate Bill 612

The bill would have no fiscal impact on State or local government.

Senate Bills 613 (S-1) and 614 (S-1)

The bills would reduce General Fund revenue by between \$11.8 million and \$19.7 million per year based on current prices for jet fuel and aviation gasoline. To the extent that prices are above current averages, the revenue loss would increase.

Based on current prices, the revenue would be redirected from the General Fund to two aviation-related funds. The bills would increase revenue to the State Aeronautics Fund by approximately \$4.1 million to \$6.9 million per year, and would provide revenue to the Qualified Airport Fund by approximately \$7.7 million to \$12.8 million per year.

Date Completed: 12-3-15

Fiscal Analyst: David Zin

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.