

Senate Fiscal Agency  
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**SFA****BILL ANALYSIS**

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Senate Bills 1194 and 1195 (as reported without amendment)  
Sponsor: Senator Joel D. Gougeon (S.B. 1194)  
Senator Walter H. North (S.B. 1195)  
Committee: Finance

### CONTENT

Senate Bill 1194 would amend the General Sales Tax Act, and Senate Bill 1195 would amend the Use Tax Act, to dedicate a portion of the taxes to airport improvement projects.

The bills provide that in each fiscal year (FY) following FY 1999-2000, 25% of the collections of the taxes imposed at the rate of 4% directly or indirectly on fuels sold to propel aircraft, the sale of aircraft, aircraft rentals, the sale of aircraft parts and accessories, and all sales at airport concessions, including motor vehicle rentals located at airports, would have to be deposited each year into the State Aeronautics Fund to be used for airport capital improvements projects.

The State Aeronautics Fund, created in the Aeronautics Code, currently receives all money from aviation fuel taxes, licensing of aviation schools, airports, landing fields, airport managers, registration of aircraft and airmen, and from the operation of State-operated airports, landing fields, and other aeronautic facilities.

MCL 205.75 (S.B. 1194)  
205.111 (S.B. 1195)

Legislative Analyst: G. Towne

### FISCAL IMPACT

The earmarking of a portion of aviation-related sales tax revenue, as proposed in these bills, would move an estimated \$10.5 million in FY 2000-01 and \$10.9 million in FY 2001-02 from the General Fund to the Aeronautics Fund. The additional earmarking of aviation-related sales tax revenue, as proposed in Senate Bill 1194, would increase the earmarking of aviation-related sales tax collections to over 100%. Currently, 97.5% of all sales tax revenue, including the revenue derived from the aviation-related sales identified in this bill, is earmarked for special purposes (i.e., 73.3% of sales tax revenue is earmarked to the School Aid Fund and 24.2% is earmarked to local revenue sharing). Of the remaining 2.5% of sales tax collections, a portion of the collections from motor vehicle-related sales goes to the Comprehensive Transportation Fund (CTF), \$9 million goes to a special health fund, and all remaining sales tax revenue goes to the General Fund. This bill would earmark another 16.7% of total aviation-related sales tax collections, which would increase the percentage of aviation-related sales tax collections earmarked for special purposes to 114.2%. As a result, the General Fund's share of sales tax collections from other than aviation-related sales would have to be reduced. A similar, but smaller overearmarking already exists with the motor vehicle sales tax revenue earmarked to the CTF.

Date Completed: 4-18-00

Fiscal Analyst: J. Wortley