

Legislative Analysis



AIRPORT PARKING TAX

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House Bill 5988

Sponsor: Rep. Paul Condino

Committee: Tax Policy

Complete to 4-22-08

A SUMMARY OF HOUSE BILL 5988 AS INTRODUCED 4-15-08

The bill would amend Section 3 of the Airport Parking Tax Act (1987 PA 248) to reduce the tax rate in steps, over a six-year period, from the current rate of 27 percent of the amount charged for parking facility transactions. Under the bill, the tax rate would fall to 25 percent in 2009; 23 percent in 2010; 21 percent in 2011; 19 percent in 2012; 17 percent in 2013. After December 31, 2013 the rate would be determined by the Department of Treasury, "not to exceed the immediately preceding calendar year, excise tax plus 2% of the excise tax." As described further below, the tax effectively applies only to parking facility transactions at Detroit (Wayne County) Metro Airport and within five miles of that airport.

Currently the act is to be repealed when certain state-issued bonds for safety and security at state airports are retired or on December 31, 2007, whichever is later. House Bill 5988 would repeal the act instead when those bonds were retired or on December 31, 2017, whichever is later.

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 tax on "off-premises" parking. The city of Romulus received 20 percent of the "off-premises" parking tax. In FY 2001-02, total tax revenue was \$14.1 million with \$13 million distributed 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 (HB 4454). Public Act 680 reduced the tax rate from 30 percent to 27 percent effective January 1, 2003. In addition, Public Act 680 changed the distribution of tax revenue 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 was \$13.7 million for FY 2006-07.

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 were retired, whichever date is later. House Bill 5988 would remove that sunset and instead repeal the act when those bonds were retired or on December 31, 2017, whichever is later

The Michigan Department of Transportation has issued the \$60.0 million in airport safety and security bonds ("ASAP" bonds) authorized under Public Act 680 – \$24.0 million in June 2003, and \$36.0 million in June 2006. Current bond schedules provide for the bonds to be retired in 2031.

For additional background, see HFA analysis of HB 4454 (2001-2002 Session), HFA analysis of state Aeronautics programs at: www.house.mi.gov/hfa/PDFs/Aeronautics%20programs.pdf and Michigan Department of Treasury analysis of the Airport Parking Tax at: http://www.michigan.gov/documents/treasury/AirportParkingTax_88_07_228040_7.pdf

FISCAL IMPACT:

Under current law, the State Aeronautics Fund (SAF) receives the first \$6 million in Airport Parking Tax revenue each state fiscal year for safety and security projects at Michigan airports – either directly or through debt service on bond projects. The city of Romulus receives the next \$1.5 million, and Wayne County the balance of the tax collected. The distributions of Airport Parking Tax revenue to the SAF, and the city of Romulus, would be unaffected by the bill. The distribution to the county of Wayne would be reduced.

The Airport Parking Tax generated tax revenue of \$20.2 million in FY 2005-06, and \$21.4 million in FY 2006-07. Estimated total revenue is \$22.9 million in FY 2007-08 and \$24.6 million in FY 2008-09. Assuming a flat tax base of \$81.5 million in parking facility transactions, the tax rate reductions proposed in the bill would reduce total revenue by \$1.6 million in 2009, \$3.3 million in 2010, \$4.9 million in 2011, \$6.5 million in 2012, and \$8.1 million in 2013. These reductions would come from Wayne County's share of the tax revenue.

We do not understand the bill's provisions for the period after December 31, 2013.

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.

**Airport Parking Tax Revenue
Revenue/Distribution Analysis**

	FY 2001-02 <i>actual</i>	FY 2002-03 <i>actual</i>	FY 2003-04 <i>actual</i>	FY 2004-05 <i>actual</i>	FY 2005-06 <i>actual</i>	FY 2006-07 <i>actual</i>	FY 2007-08 <i>estimate</i>	FY 2008-09 <i>estimate</i>
Total Revenue	14,117,938	14,359,024	14,727,758	17,670,273	20,196,145	21,366,308	22,951,000	24,654,000
Distribution (actual and based on current law)								
State Aeronautics Fund		6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000
Romulus	1,086,745	1,669,036	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Wayne County	13,031,194	6,689,988	7,227,758	10,170,273	12,696,145	13,866,308	15,451,000	17,154,000
Total	14,117,939	14,359,024	14,727,758	17,670,273	20,196,145	21,366,308	22,951,000	24,654,000

Based on 2008 revenue analysis by Michigan Department of Treasury, Office of Revenue and Tax Analysis

**Airport Parking Tax Revenue
Computation of Fiscal Impact, HB 5988, as introduced**

	2009	2010	2011	2012	2013
Gross Tax Revenue @ 27%	22,000,000	22,000,000	22,000,000	22,000,000	22,000,000
Computed Tax Base	81,481,481	81,481,481	81,481,481	81,481,481	81,481,481
Proposed Tax Rate per HB 5988	25.00%	23.00%	21.00%	19.00%	17.00%
Computed Tax per HB 5988	20,370,370	18,740,741	17,111,111	15,481,481	13,851,852
Distribution					
State Aeronautics Fund	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000
Romulus	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Wayne County	12,870,370	11,240,741	9,611,111	7,981,481	6,351,852
Total	20,370,370	18,740,741	17,111,111	15,481,481	13,851,852
Difference	(1,629,630)	(3,259,259)	(4,888,889)	(6,518,519)	(8,148,148)