

IS JET FUEL BURNING A HOLE IN YOUR STATE BUDGET?



estimated cost of tax breaks:

\$ **3.2**
MILLION

estimated # of gallons for which the airlines receive a tax break:

206
MILLION

Airlines are **EXEMPT** from half of the \$0.03 per gallon jet fuel excise tax.

COST: \$3.2 million

Proposals to increase the tax break to up to \$30 million are pending.

MOTOR FUEL vs. JET FUEL (Effective State Fuel Tax Rate)

Car drivers buying an average gallon of gasoline:

\$ **0.42**

Commercial airlines buying a \$3 gallon of jet fuel:

\$ **0.2038**

SOURCES:

Excise Tax Break: http://www.michigan.gov/documents/treasury/ExecutiveBudgetAppendixOnTaxCreditsDeductionsAndExempts_FY_2013and2014_394614_7.pdf. Page 63: Interstate Flight Refund. MI rules current as of June 20, 2014.

Cost of Excise Tax Break: http://www.michigan.gov/documents/treasury/ExecutiveBudgetAppendixOnTaxCreditsDeductionsAndExempts_FY_2013and2014_394614_7.pdf. Page 63: Interstate Flight Refund.

Cost of New Tax Break Proposals: "If new law passes the net impact would reduce total State and local tax revenue by between \$22.3 million and \$30.4 million per year."

<http://www.legislature.mi.gov/documents/2013-2014/billanalysis/Senate/pdf/2013-SFA-4571-F.pdf>

Number of gallons airlines get a tax break on: <http://www.legislature.mi.gov/documents/2013-2014/billanalysis/House/pdf/2013-HLA-4571-483C248F.pdf>. Page 4: Taxable aviation fuel purchased in Michigan averaged 264.7 million gallons over the five-year period FY 2007-08 through FY 2011-12. Percent of total taxable aviation fuel used by commercial airlines in Michigan estimated based on 2013 jet fuel prime supplier sales data from the Energy Information Administration and commercial airline fuel use data from the Bureau of Transportation Statistics.

Jet Fuel Tax Rate: Airlines pay 6% sales tax, \$0.015 per gallon of the \$0.03 per gallon excise tax, and \$0.00875 per gallon UST fee = \$0.20375 per gallon.

[https://www.legislature.mi.gov/\(S\(31kxcq55jhzeibvc1xjkgj\)\)mleg.aspx?page=getobject&objectName=mcl-324-21508](https://www.legislature.mi.gov/(S(31kxcq55jhzeibvc1xjkgj))mleg.aspx?page=getobject&objectName=mcl-324-21508)

Gasoline Tax Rate: Estimates from the American Petroleum Institute (API) based on average price earlier this year.