



**House
Legislative
Analysis
Section**

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SALES TAX EXEMPTION: COMMERCIAL FISHING

House Bill 5510 as introduced
First Analysis (9-22-88)

RECEIVED

Sponsor: Rep. Pat Gagliardi
Committee: Taxation

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THE APPARENT PROBLEM:

The General Sales Tax Act provides people engaged in agricultural and horticultural business enterprises an exemption. The act exempts from the sales tax tangible personal property used or consumed "in the tilling, planting, caring for, or harvesting of the things of the soil; in the breeding, raising, or caring for livestock, poultry, or horticultural products, including transfers of livestock, poultry, or horticultural products for further growth." Representatives of people engaged in commercial fishing believe that this exemption should also apply to them since they are food producers and consider themselves in the business of agriculture. Indeed, some fish producers have assumed they are covered under the agricultural exemption and have not been paying sales taxes that they should have been paying, according to industry representatives. Clarification of the law is needed, say fish producers, and fairness would dictate treating those who "farm" on the water the same as those who farm the land.

THE CONTENT OF THE BILL:

The bill would amend the General Sales Tax Act to extend to owner-operated commercial fishing enterprises (other than charter fishing businesses) the sales tax exemption currently provided to agricultural and horticultural enterprises. Exempt from the sales tax would be sales of tangible personal property used or consumed in the direct gathering of fish by an owner-operator of a business enterprise or an employee of an owner-operated enterprise, not including a charter fishing business enterprise.

MCL 205.54a

FISCAL IMPLICATIONS:

Staff to the House Taxation Committee has estimated the cost to the state in lost sales tax revenue at \$63,000 per year. (9-21-88)

ARGUMENTS:

For:

The bill would grant the state's beleaguered commercial fishing industry the same sales tax treatment provided to other agricultural enterprises. Some fish producers have assumed they are covered under the agricultural sales tax exemption and the bill would provide needed clarification. The revenue loss to the state will be minimal, but the exemption will help the 53 active licensed commercial fishing enterprises operating the state. The exemption only applies to tangible personal property used or consumed in the direct gathering of fish and is unlikely to be abused.

Against:

Some people are opposed to the many sales tax exemptions provided to many industries and organizations, particularly when the legislature is attempting to provide property tax relief by relying more heavily on other taxes, such as the sales tax. This is a step in the wrong direction.

Response: This bill merely attempts to add some fairness to the sales tax exemption for agricultural enterprises by treating them alike, whether they are farmers or fish producers.

POSITIONS:

The Department of Natural Resources supports the bill. (4-28-88)

The Department of Treasury has no position on the bill. (9-21-88)

A representative of the Michigan Fish Producers testified in favor of the bill before the House Taxation Committee. (9-21-88)

H.B. 5510 (9-22-88)