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SB433 AS PASSED BY THE SENATE
S-4

Sponsor Sen. Joanne G. Emmons
Committee TAX POLICY

Analyst(s) Ross, Rebecca
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Completed 6/19/01

State Fiscal Impact

Local Fiscal Impact

Cost Please See Below
Revenues Please See Below

Cost None
Revenues None

Senate Bill (SB) 433 (S-4), as passed by the Senate, would create the "Streamlined Sales and Use Tax Administration Act", which would allow the State to enter into a multistate streamlined sales and use tax agreement. The goal of the agreement would be to simplify the sales and use taxes, reduce the burden of tax compliance, and develop a uniform collection process that would minimize the burden to businesses and consumers.

This bill would move the State towards the collection of sales and use tax revenue that is currently owed to the State, but not being collected. The State is currently (FY 2000-01) not collecting an estimated \$200 million in sales and use tax revenue on remote sales. Remote sales include mail order sales and electronic commerce (sales orders placed via the Internet). Currently, 33% of State use tax revenue is earmarked to the School Aid Fund (SAF), while the remaining 67% is General Fund/General Purpose (GF/GP) revenue. Approximately, 73% of State sales tax revenue is earmarked to the SAF, 24% to revenue sharing, and the remaining 2% is GF/GP revenue.

There are administrative costs anticipated for the Department of Treasury. A projected \$2.0 million would be required to acquire capacity for electronic collection of sales and use taxes. The initial \$1.0 million is included in the FY 2000-01 appropriation to the Department of Treasury. The remaining \$1.0 million is proposed in the FY 2001-02 Treasury budget. On-going costs for maintenance of the electronic filing system and database modifications are estimated at \$500,000 annually.