

Legislative Analysis



USE TAX: MANUFACTURERS WHO AFFIX PRODUCTS TO REAL ESTATE IN MICHIGAN

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House Bill 5146

Sponsor: Rep. Peter MacGregor

Committee: Tax Policy

(Enacted as Public Act 299 of 2012)

Complete to 11-29-11

A SUMMARY OF HOUSE BILL 5146 AS INTRODUCED 11-3-11

The Use Tax Act imposes the use tax on manufacturers who affix their products to real estate. The tax base depends on whether the manufacturer maintains an inventory of its product that is available for sale to others or makes its product available for sale to others by publication or price list or whether it does neither of those things.

House Bill 5146 would amend these provisions to specify that it applies in cases when a manufacturer affixes its product to real estate in this state. Currently, the statute does not contain the underlined words.

[Under the Use Tax Act, a manufacturer who maintains an inventory for sale to others or makes its product available to sale by publication or price list pays the use tax based on the direct production costs and indirect production costs of the product affixed to real estate that are incident to and necessary for production or manufacturing operations or processes, as defined by the Department of Treasury.

A manufacturer who does not maintain an inventory, etc., pays the tax based on the sum of the materials cost of the property and the cost of labor to manufacture, fabricate, or assemble the property, but not the cost of labor to cut, bend, assemble, or attach the property at the site for affixation to real estate.]

In each description of the application of the tax, as described above, the bill would add the words "the price is" when describing the base for the tax, and would add "in this state" to specify that the tax applies to products affixed to property in Michigan.

MCL 205.93a

FISCAL IMPACT:

A fiscal analysis is in process.

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