



Senate Fiscal Agency
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BILL  ANALYSIS

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House Bill 5937 (as discharged)
Sponsor: Representative Peter MacGregor
House Committee: Tax Policy
Senate Committee: Finance

CONTENT

The bill would amend the Use Tax Act to provide an exemption for property purchased or manufactured by a person engaged in the business of constructing, altering, repairing, or improving real estate for others, to the extent that the property was affixed to and made a structural part of real estate located in another state. The property would be exempt regardless of whether sales or use tax was due and paid in the state where the property was affixed to real estate.

The bill also specifies that property eligible for an industrial processing exemption would include property affixed to and made a structural part of real estate. Currently, property is not eligible for the exemption if it is tangible personal property that is permanently affixed and becomes a structural part of real estate; the bill would refer to real estate "in this state". The bill would amend the definitions of "industrial processing" and "industrial processor" to include activity involving property that is affixed to and made a structural part of real estate located in another state.

The bill would be retroactive and effective on January 1, 2006.

MCL 205.93a et al.

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would complement changes made by Public Act 299 of 2012 and would reduce State use tax revenue by an unknown amount. Two-thirds of the revenue loss would lower General Fund revenue, while the remaining one-third would lower School Aid Fund revenue.

Because the bill would be retroactive to 2006, the revenue reduction in FY 2012-13 would be substantially greater than in later fiscal years. For example, if the bill were to reduce future revenue by \$1.0 million per year (roughly 0.1% of total use tax revenue each year), the revenue loss in FY 2012-13 would total \$8.0 million.

The bill would have no impact on local unit revenue or expenditure.

Date Completed: 12-11-12

Fiscal Analyst: David Zin