



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS



Telephone: (517) 373-5383
Fax: (517) 373-1986

Senate Bill 991 (as introduced 5-25-16)
Sponsor: Senator Dave Robertson
Committee: Finance

Date Completed: 6-6-16

CONTENT

The bill would amend the General Sales Tax Act to exclude from taxation a core charge attributable to a recycling fee, deposit, or disposal fee for a motor vehicle or recreational vehicle part or battery.

The Act imposes a tax of 6% on the sales price of nonexempt personal property.

The Act defines "sales price" as the total amount of consideration, including cash, credit, property, and services, for which tangible personal property or services are sold, leased, or rented, valued in money, whether received in money or otherwise. The Act lists certain costs, charges, and amounts that are included in the term, and others that are not.

The bill would exclude from the definition of "sales price" a core charge attributed to a recycling fee, deposit, or disposal fee for a motor vehicle or recreational vehicle part or battery.

MCL 205.51

Legislative Analyst: Drew Krogulecki

FISCAL IMPACT

The bill would reduce General Fund, School Aid Fund, Comprehensive Transportation Fund, and local unit revenue by an unknown and potentially significant amount. The actual impact would depend on the amount of core charges and the extent to which customers supplied a core as part of a transaction.

According to the 2012 Economic Census, retail sales of automobile parts, accessories, and tires in Michigan totaled \$2.5 billion. The vast majority of these sales would not represent sales in which a core charge would be involved. However, for every 1% of total sales subject to the bill, the bill would reduce sales tax revenue by \$1.5 million. Thus, if core charges represented 5% of total sales, the bill would reduce sales tax revenue by \$7.5 million per year.

Sales tax revenue, on sales that would be affected by the bill, is distributed such that the School Aid Fund receives 73.3% of the revenue, local units receive 10% of the revenue through constitutional revenue sharing, the Comprehensive Transportation Fund receives approximately 4.65%, and the remaining revenue is directed to the General Fund. Thus, every \$1.5 million of reduced sales tax revenue would lower School Aid Fund revenue by \$1.1 million, local unit revenue by \$150,000, Comprehensive Transportation Fund revenue by \$70,000, and General Fund revenue by \$180,000.

Fiscal Analyst: David Zin

S1516\991sa

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.