



Senate Fiscal Agency
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BILL



ANALYSIS

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Senate Bill 568 (as enrolled)
Sponsor: Senator Phillip E. Hoffman
Senate Committee: Finance
House Committee: Tax Policy

PUBLIC ACT 254 of 1995

Date Completed: 1-31-96

RATIONALE

The General Sales Tax Act requires a taxpayer (anyone acting as a seller/retailer) to collect the sales tax on transfers of tangible personal property, and remit the tax to the State. The Act contains numerous provisions under which certain sales to nonprofit organizations, churches, schools, farmers, industrial processors, etc. are exempt from the tax. If an exemption from the tax is claimed, the retailer must keep a record of the sale, including the name and address of the buyer, the sale date, the article purchased and its use, the sale amount, and the buyer's sales tax license number if the buyer has a license. If a taxpayer maintains the required records, and accepts an exemption certificate from the buyer in good faith on a Department of Treasury form, the taxpayer is not liable for collections of any unpaid tax if it is found that the sale did not qualify for an exemption.

These records must be kept for each transaction between a seller and a buyer who has an exemption certificate. It has been pointed out that this record-keeping requirement results in a great deal of paperwork for a firm that sells its products primarily to tax-exempt buyers, and is perhaps unnecessary when there are repeated transactions between the same two parties. Some people feel that the Act should be amended to allow blanket exemption certificates under certain conditions, and thus eliminate the need for recording each transaction in a chain of repeated transactions.

CONTENT

The bill amended the General Sales Tax Act to provide for a blanket exemption certificate, on a form prescribed by the Department of Treasury, that covers all tax-exempt transfers between a taxpayer and a buyer. A blanket exemption certificate applies for a three-year period, or for less than three years as stated on the certificate if that period is agreed to by the buyer and the taxpayer.

MCL 205.67

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

The Act requires a seller to keep specific records of each transaction in which the purchaser has an exemption certificate, and previously made no exceptions to this record-keeping regardless of the number of times a sale occurred between the same seller and a tax-exempt buyer. This has been a burdensome requirement for sellers who deal primarily in sales to tax-exempt entities, and has resulted in a needless pile of paperwork for both the seller and the Department of Treasury. The bill allows the issuance of blanket exemption certificates between a seller and a tax-exempt buyer for up to three years (as agreed to by the seller and the buyer), eliminating the need to record each transaction and thereby reducing the paperwork.

Legislative Analyst: G. Towne

FISCAL IMPACT

The bill will have no fiscal impact on State or local government.

Fiscal Analyst: J. Wortley

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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.