

EXEMPT BOTTLED WATER COOLERS

House Bill 4565 (Substitute H-4) First Analysis (7-1-98)

Sponsor: Rep. Kirk A. Profit
Committee: Tax Policy

THE APPARENT PROBLEM:

Providers of bottled water coolers complain that they must pay personal property taxes on all of the small, free-standing cooling units that dispense cupfuls of bottled drinking water. These water coolers are leased to customers all over the state. The providers of the coolers must report each cooler to the local tax jurisdiction and pay the personal property tax. This has been described as "a significant administrative burden" to the companies that provide the water coolers. Legislation to relieve them of this burden has been developed.

THE CONTENT OF THE BILL:

The bill would amend the General Property Tax Act to exempt bottled water coolers available for lease or subject to an existing lease.

MCL 211.9f

FISCAL IMPLICATIONS:

Fiscal information is not available.

ARGUMENTS:

For:

Reporting and paying taxes on the more than 30,000 water coolers leased around the state to commercial and residential customers is an administrative headache for the companies that provide them and, the companies believe, costs local units of government more to administer than it brings them in revenue. Providers of these coolers must keep track of each taxing jurisdiction in which a leased water cooler is located and send reports and pay taxes to each local jurisdiction. This is quite a burden for the companies and produces little revenue for local government. (A representative of one company that distributes water coolers has estimated the total taxes collected at \$50,000 annually.)

Against:

Why single out this one kind of leased equipment for special treatment? Companies that lease bottled water coolers to customers are treated the same as regards the personal property tax as companies leasing other kinds of equipment. This will lead to further piecemeal exemptions.

POSITIONS:

The Absopure Water Co. has indicated its support for the bill. (6-15-98)

The Department of Treasury is opposed to the bill. (6-30-98)

The Michigan Municipal League has testified in opposition to the bill. (6-17-98)

Analyst: C. Couch

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