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## SALES TAX: "MATERIALPERSONS"

House Bill 6251 as enrolled  
Public Act 453 of 1998  
First Analysis (1-19-99)

Sponsor: Rep. Kirk A. Profit  
House Committee: Tax Policy  
Senate Committee: None

### ***THE APPARENT PROBLEM:***

Legislation enacted during 1998 eliminated the requirement that retailers above a certain size pre-pay their sales taxes to the state. The pre-payment requirement had been put into law in 1993 to help the state's cash flow, and retailers had complained since then that it constituted an unfair burden. Prior to that, businesses had to transmit taxes collected in one month in the following month. The 1998 legislation (Public Acts 265-267), however, did not return to the old method, but essentially requires businesses to transmit taxes in the month collected. During the hearings on the issue, representatives of lumber and building material businesses raised a related complaint. They noted that many of their sales are carried out on a credit basis. Payments for supplies are often not received for one to four months after the sale. Yet the dealers are required to transmit the sales taxes to the state from a sale when the sale is made and not when payment is received. This creates considerable cash flow problems for the dealers. Legislation to address this issue has been proposed.

### ***THE CONTENT OF THE BILL:***

The bill would amend the General Sales Tax Act to permit a "materialperson" to include the amount of taxable sales and gross proceeds from materials furnished to an owner, contractor, subcontractor, repairperson, or consumer on a credit sale basis for the purpose of making an improvement to real property in the first quarterly return due following the date the credit sale was made. A materialperson could choose to file quarterly returns for credit sales only as determined by the Department of Treasury.

The term "credit sale" would be defined to mean an extension of credit for the sale of taxable goods by a seller other than a credit card sale. The term "materialperson" would be defined as a person who

provides materials for the improvement of real property, who has registered with and demonstrated to

the Department of Treasury that he or she is primarily engaged in the sale of lumber and building material-related products to owners, contractors, subcontractors, repairpersons, or consumers, and who is authorized to file a construction lien on real property and improvements under the Construction Lien Act.

MCL 205.56

### ***FISCAL IMPLICATIONS:***

There is no fiscal information.

### ***ARGUMENTS:***

#### ***For:***

The bill is aimed at easing the cash flow problems of lumber and building materials dealers, who currently must submit monthly sales tax collections on sales of goods before the goods are actually paid for. The bill would permit quarterly payments of taxes for credit sales.

Analyst: C. Couch

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.