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SFA BILL ANALYSIS

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House Bill 4942 (Substitute S-1 as reported)
Sponsor: Representative Penny Crissman
House Committee: Tax Policy
Senate Committee: Finance

CONTENT

The bill would amend the General Sales Tax Act to reduce the amount that a taxpayer, who is subject to the Act's accelerated payment provisions, must prepay, and alter the dates when payments are due.

Currently, a taxpayer who had a sales tax liability (after subtracting certain payments and credits) of $720,000 or more in the preceding calendar year must remit, on or before the 18th of each month by an electronic funds transfer method approved by the Revenue Commissioner, an amount equal to 95% of the taxpayer's liability for the same month in the immediately preceding calendar year; or 95% of the actual liability for the current month being reported, plus a reconciliation payment equal to the difference between the tax liability determined for the immediately preceding month and the amount of tax previously paid for that month.

The bill provides that, beginning January 1, 1999, a taxpayer who had a sales tax liability (after subtracting certain payments and credits) of $720,000 or more in the preceding calendar year would have to remit, by an electronic funds transfer method approved by the Revenue Commissioner, on or before the 15th day of the month, an amount equal to 50% of the taxpayer's liability for the same month in the immediately preceding calendar year, or 50% of the actual liability for the month being reported, whichever was less. The taxpayer also would have to make a reconciliation payment equal to the difference between the tax liability determined for the immediately preceding month and the amount of tax previously paid for that month. Further, the taxpayer would have to remit on or before the last day of the month, the lesser of an amount equal to 50% of the taxpayer's liability for the same month in the immediately preceding calendar year, or 50% of the actual liability for the month being reported.

MCL 205.56 Legislative Analyst: G. Towne

FISCAL IMPACT

Based on information from the Department of Treasury, House Bills 4942 (S-1) and 5313 (S-1), and Senate Bill 1158 (S-1), would result in a net loss of $1.7 million in sales and use tax revenue annually. This net fiscal impact has two components: 1) Reducing the large retailers' collection allowance, or discount, from 0.75% to 0.5% of collections at a 4% tax rate and eliminating the current cap on the dollar amount of this collection allowance, would increase sales and use tax collections by an estimated $1.0 million annually; and 2) changing the payment schedule for these large taxpayers from the current accelerated payment requirements to two payments a month based on actual collections, would reduce the State's cash flow position and increase the need for additional short-term borrowing, which would generate an increase in short-term borrowing costs of an estimated $2.7 million.

Date Completed: 6-1-98 Fiscal Analyst: J. Wortley