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House Bill 4891 (Substitute S-1 as reported by the Committee of the Whole)
Sponsor: Representative Clark Bisbee
House Committee: Tax Policy
Senate Committee: Finance

CONTENT

The bill would amend the General Sales Tax Act to revise the Act's requirements regarding a taxpayer's acceptance of an exemption certificate; extend from three years to four years the period during which a blanket exemption certificate may apply; and require a buyer who was eligible to claim an exemption or deduction under the Act to register, on a form prescribed by the Department.

The 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. Certain sales are exempt from the tax. If an exemption is claimed, the taxpayer must keep a record of the sale. If a taxpayer maintains the required records, and accepts an exemption certificate from the buyer in "good faith", the taxpayer is not liable for collection of any unpaid tax if it is later found that the sale did not qualify for an exemption. "Good faith" means that the taxpayer exercised reasonable care and effort to determine that the purchaser was entitled to the exemption being claimed. The bill would delete this provision, and provides instead that "good faith" would mean that the taxpayer had received a completed and signed exemption certificate from the buyer.

In addition, under the bill, a taxpayer's record of an exempt sale would have to indicate the type of exemption claimed. The bill would delete the requirement that a record include the use to be made of the article.

Further, the Act provides 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. The bill would extend the period to four years, or less than four years as stated on the certificate if the buyer and the taxpayer agreed to that period.

MCL 205.67

Legislative Analyst: G. Towne

FISCAL IMPACT

This bill would reduce the required oversight standards retailers must follow when transacting sales that a purchaser claims are exempt from the sales tax. It is therefore estimated that this bill would have a small negative impact on sales tax collections; however, not enough information exists to provide a meaningful dollar estimate of this impact at this time.

Date Completed: 6-1-00

Fiscal Analyst: J. Wortley