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ELIMINATE SALES TAX LICENSE FEE

House Bill 5992 as introduced
First Analysis (5-9-02)

Sponsor: Rep. Gene DeRossett
Committee: Tax Policy

THE APPARENT PROBLEM:

Generally speaking, businesses and individuals selling tangible personal property to a final consumer are required to obtain a sales tax license. Sales tax licensees must collect taxes from consumers and remit them to the state. (Taxes are remitted monthly, quarterly, or annually, depending on the amount due. The largest retailers remit taxes more frequently by means of electronic funds transfers.) The license must be renewed annually. There is a \$1 registration fee that must be paid to obtain the license. Reportedly, this fee has been in the statute since its inception in 1933, when such an amount might have been useful in offsetting the expense of administering the tax. Today, however, some people believe the fee is more of a nuisance given that the Department of Treasury would like to handle sales tax license transactions electronically (online). Collecting a \$1 fee electronically would probably not cover the cost of an electronic collection system, say tax specialists. Legislation has been introduced that would eliminate this fee.

THE CONTENT OF THE BILL:

The bill would amend the General Sales Tax Act to eliminate the \$1 registration fee that is required when a taxpayer is obtaining an annual sales tax license.

MCL 205.53

FISCAL IMPLICATIONS:

The House Fiscal Agency reports that the bill would reduce sales tax revenues by about \$150,000 per year. This would reduce the School Aid Fund by about \$109,000 and revenue sharing by about \$36,000. (HFA fiscal analysis dated 5-7-02)

ARGUMENTS:

For:

It makes sense to eliminate the \$1 sales tax license fee, particularly as the state moves towards issuing

and renewing sales tax licenses electronically. The small loss of revenue from eliminating the fee will be offset by a reduction in workload for state tax officials and by other administrative efficiencies that should come from a modernized sales tax license application system.

POSITIONS:

The Department of Treasury supports the bill. (5-8-02)

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.