

TOBACCO TAX; ALLOW DEDUCTION FOR BAD DEBTS



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FISCAL ANALYSIS

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SENATE BILL 1396 AS REPORTED

Sponsor: Sen. Joanne G. Emmons

House Committee: Tax Policy

FLOOR ANALYSIS - 11/8/02

Analyst(s): Jim Stansell

SUMMARY

Senate Bill 1396 would amend the Tobacco Tax Act by allowing a licensee to deduct bad debts from the tax owed under this act. The bad debt would have to be listed as uncollectible on the licensee's books, and if partial or full payment of the debt was ever received, the licensee would be responsible for the amount of tax originally deducted.

On average, SB 1396 would reduce tobacco tax revenue by about \$1 million per year. Almost 55% of tobacco tax revenue is earmarked to the School Aid Fund; just under 33% accrues to the General Fund; and the remainder is allocated to the Health Michigan Fund, the Medicaid Trust Fund, and to local governments.