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SFA BILL ANALYSIS

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House Bill 4219 (Substitute H-1 as passed by the House)
Sponsor: Representative Gary Woronchak
House Committee: Tax Policy
Senate Committee: Finance

Date Completed: 5-7-03

CONTENT

The bill would amend the Use Tax Act to establish a presumption that purchased tangible personal property would be exempt from the tax if brought into the State after the bill's effective date and more than 90 days after the date of purchase, and would not be considered as acquired for storage, use, or consumption in Michigan.

The Act provides that, for the purpose of the proper administration of the Act and to prevent evasion of the tax, it is presumed that tangible personal property purchased is subject to the tax if brought into the State within 90 days of the purchase date and is considered as acquired for storage, use, or consumption in the State. The bill would retain this presumption.

MCL 205.93 Legislative Analyst: George Towne

FISCAL IMPACT

It is estimated that this bill would reduce use tax revenue in the range of $8 million to $60 million annually. The provisions in this bill would potentially eliminate the use tax on such items as airplanes, construction equipment, office equipment, and motor vehicles that are purchased out-of-state and not brought into Michigan until at least 90 days after they are purchased. It is difficult to estimate the impact of this bill for two major reasons: 1) There is not much information available on the number or dollar amount of current out-of-state purchases of tangible items that are not brought into Michigan until 90 days after the purchase date, and 2) it is not known how the provisions of this bill would change taxpayer behavior regarding the number of items purchased out-of-state. If the bill would have no impact on the frequency with which consumers and businesses purchase items from out-of-state retailers, or no impact on the amount of time between when out-of-state purchases are made and when the items are brought into Michigan, then it is estimated that the bill would reduce use tax revenue about $8 million annually. However, if consumers and businesses were to increase their out-of-state purchases and/or lengthen the time between purchasing the items and bringing them into Michigan to at least 90 days, then this bill could reduce use tax collections by as much as $60 million annually. For every dollar that this bill reduced use tax collections, the General Fund would lose $0.67 and the School Aid Fund would lose $0.33.

Fiscal Analyst: Jay Wortley

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