

Legislative Analysis



SALES AND USE TAXES: DELIVERY CHARGES

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House Bill 6089

Sponsor: Rep. Jerry O. Kooiman

House Bill 6090

Sponsor: Rep. Glenn Steil, Jr.

Committee: Tax Policy

Complete to 6-6-06

A SUMMARY OF HOUSE BILL 6089 AS INTRODUCED 5-18-06

House Bills 6089 and 6090 would amend the Use Tax Act (MCL 205.92b) and General Sales Tax Act (205.51a), respectively, to specify that beginning September 1, 2004, "delivery charges" do not include the charges for delivery of direct mail if the charges are separately stated on an invoice or similar billing documents given to the purchaser.

Delivery charges are included within the definition of purchase price in the Use Tax Act and within the definition of sales price in the General Sales Tax Act, and so make up part of the base for each of those taxes

The acts define "delivery charge" to mean charges by the seller for preparation and delivery to a location designated by the purchaser of tangible personal property or services. Delivery charges include, but are not limited to, transportation, shipping, postage, handling, crating, and packing.

The acts define "direct mail" to mean printed material delivered or distributed by United States mail or other delivery service to a mass audience or to addresses on a mailing list provided by the purchaser or at the direction of the purchaser when the cost of the items is not billed directly to the recipients, including tangible personal property supplied directly or indirectly by the purchaser to the direct mail seller for inclusion in the package containing the printed material but not including multiple items of printed material delivered to a single address

FISCAL IMPACT:

The bills would reduce sales and use tax revenues by a relatively small amount. The combined impact would probably be less than \$1.0 million.

BACKGROUND INFORMATION:

Use Tax Act

The Use Tax Act (MCL 205.92) defines "purchase price" or "price" to mean the total amount of consideration paid by the consumer to the seller, including cash, credit,

property, and services, for which tangible personal property or services are sold, leased, or rented, valued in money, whether received in money or otherwise, and applies to the measure subject to use tax. Purchase price includes delivery charges incurred or to be incurred before the completion of the transfer of ownership of tangible personal property from the seller to the purchaser.

General Sales Tax Act

The General Sales Tax Act (MCL 205.51) defines "sales price" to mean the total amount of consideration, including cash, credit, property, and services, for which tangible personal property or services are sold, leased, or rented, valued in money, whether received in money or otherwise, and applies to the measure subject to sales tax. Sales price includes delivery charges incurred or to be incurred before the completion of the transfer of ownership of tangible personal property from the seller to the purchaser.

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