



Senate Fiscal Agency
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**BILL ANALYSIS**

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Senate Bill 839 (Substitute S-1 as reported without amendment)
Sponsor: Senator Robert Emerson
Committee: Appropriations

(as enrolled)

CONTENT

The bill would amend the General Sales Tax Act to reduce the amount of revenue from the 4% sales tax that is deposited in the Comprehensive Transportation Fund (CTF). Section 25 of the Act provides for the distribution of sales tax revenue collected at the 4% rate. (The revenue from one-third of the 6% sales tax rate is earmarked to the School Aid Fund, pursuant to Article IX, Section 8 of the State Constitution.)

The Act provides that the tax collected on the sale of motor fuels, motor vehicles, and parts and accessories for motor vehicles by new and used car businesses, used car businesses, accessory dealer businesses, and gasoline station businesses must be distributed as follows: 60% to the School Aid Fund; 15% to cities, villages, and townships pursuant to the State Revenue Sharing Act; not less than 27.9% of the remaining 25% (7%) to the CTF; and the balance (18%) to the General Fund.

Under the bill, the amount of sales tax revenue going to the CTF would be reduced by \$11.1 million for FY 2005-06 only. This would increase the amount of sales tax revenue deposited in the General Fund by the same amount.

MCL 205.75

FISCAL IMPACT

For FY 2005-06, the bill would decrease the amount of sales tax revenue dedicated to the CTF and increase, by the same amount, the amount of sales tax revenue dedicated to the General Fund. According to the January 2006 Consensus Revenue Estimating Conference, the CTF will receive \$77.0 million of the auto-related sales tax at the 4% rate in FY 2005-06. Under the bill, this amount would be reduced by \$11.1 million. Sales tax revenue deposited in the General Fund would increase by the same amount. After the proposed reduction, the CTF would receive \$65.9 million in sales tax revenue. This bill would implement the Leadership Target Agreement on the FY 2005-06 budget.

Note: In FY 2004-05, a total of \$56.9 million in sales tax revenue was deposited in the CTF. For FY 2004-05, amendments to the General Sales Tax Act reduced the percentage of the sales tax deposited in the CTF to 6%, thereby increasing the deposit in the General Fund. In addition, amendments to the Act provided a lump-sum, one-time \$10 million reduction in the amount deposited in the CTF, also increasing the General Fund by the same amount.

Date Completed: 2-8-06

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