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BILL ANALYSIS

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House Bill 6277 (Substitute H-1 as reported without amendment)  
House Bill 6278 (Substitute H-1 as reported without amendment)  
Sponsor: Representative Fulton Sheen  
House Committee: Tax Policy  
Senate Committee: Finance

### **CONTENT**

House Bills 6277 (H-1) and 6278 (H-1) would amend the General Sales Tax Act and the Use Tax Act, respectively, to delete a requirement for the review and redetermination of a presumption that 90% of the total use of telecommunications machinery and equipment is for exempt purposes.

The Use Tax Act provides for the taxation of telecommunications services. Both the Use Tax Act and the General Sales Tax Act provide an exemption for the purchase of machinery and equipment for use or consumption in the provision of those services.

Under each Act, the property is exempt only to the extent that it is used for the exempt purposes specified in the Act. There is an irrebuttable presumption that 90% of total use is for exempt purposes. The presumption was in effect from April 1, 1999, to April 1, 2006. At that time, the Department was required to review and redetermine the presumption, and the redetermined presumption is to be in effect for the following seven years. Every seven years after April 1, 2006, the presumption must be reviewed and redetermined, and applied to the following seven years.

The bill would retain the irrebuttable presumption that 90% of total use is for exempt purposes, and delete the requirements for the presumption to be reviewed and redetermined.

MCL 205.54v (H.B. 6277)  
205.4q (H.B. 6278)

Legislative Analyst: Suzanne Lowe

### **FISCAL IMPACT**

The current sales and use tax exemptions for certain equipment used to provide taxable communications services are producing tax reductions totaling an estimated \$18.0 million a year. These bills would maintain the tax exemptions and therefore would not result in any additional or new fiscal impact.

Date Completed: 12-13-06

Fiscal Analyst: Jay Wortley