

Legislative Analysis



DELAY TAX ON SERVICES; TIE-BARRED TO REPEAL

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Senate Bill 845

Sponsor: Sen. Cameron Brown

House Committee: Tax Policy

Senate Committee: Finance (Discharged)

Complete to 11-7-07

A SUMMARY OF SENATE BILL 845 AS PASSED BY THE SENATE 11-1-07

The bill would delay the effective date of the new state tax on selected services until December 20, 2007. Currently it is due to take effect December 1, 2007. However, the bill is tie-barred to Senate Bill 838, which would repeal the section of the Use Tax Act that creates the new tax on services. The tie-bar means that Senate Bill 845 could not take effect unless Senate Bill 838 is also enacted.

MCL 205.93 and 93d

FISCAL IMPACT:

A delay in implementation of the new tax on services by itself would reduce use tax revenue by an estimated \$40 million in FY 2007-08. Of the total fiscal impact, General Fund/General Purpose revenue would be reduced by \$26.7 million and School Aid Fund revenue would be reduced by \$13.3 million.

However, the repeal of the new tax on selected services in Senate Bill 838 without the replacement of revenues would reduce revenues by an estimated \$613.8 million in FY 2007-08 and \$751.3 million in FY 2008-09.

In FY 2007-08, this would result in a reduction of \$204.6 million in School Aid Fund revenue and \$409.2 million to General Fund/General Purpose revenue. In FY 2008-09, this would result in a reduction of \$250.4 million in SAF revenue and of \$500.9 million in GF/GP revenue.

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