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Senate Bill 198 (Substitute S-2 as reported) Sponsor: Senator Michelle A. McManus

Committee: Finance

CONTENT

The bill would amend the Use Tax Act to extend the industrial processing exemption to front end loaders and other specific types of equipment used at sawmills to unload logs and load lumber.

Under the Act, the use tax does not apply property sold to an industrial processor for use in industrial processing; property sold to any person if the property is intended for ultimate use, and is used, in industrial processing by an industrial processor; property sold to a person who uses it to perform an industrial processing activity on behalf of an industrial processor; or a computer used in operating industrial processing equipment.

The Act describes property that is eligible for the exemption, including machinery, equipment, or materials used within a plant site or between plant sites operated by the same person for movement of tangible personal property in the process of production.

Under the bill, this exempt property would include front end loaders, forklifts, pettibone lifts, skidsters, multipurpose loaders, knuckle-boom log loaders, tractors, and log loaders used to unload logs from trucks at a saw mill site for the purpose of processing at the site and to load lumber onto trucks at a saw mill site for the purpose of transportation from the site.

MCL 205.940 Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would reduce use tax revenue by less than \$1.0 million annually. This loss in revenue would reduce the General Fund and the School Aid Fund, as two-thirds of use tax revenue is earmarked to the General Fund and the remaining one-third of the revenue is earmarked to the School Aid Fund. This bill would have no direct impact on local units of government.

Date Completed: 4-28-10 Fiscal Analyst: Eric Scorsone