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BILL ANALYSIS

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Senate Bill 480 (as reported without amendment) *(as enrolled)*
Sponsor: Senator Roger Kahn, M.D.
Committee: Appropriations

CONTENT

Senate Bill 480 would amend the Michigan Business Tax Act to reduce the amount of Michigan Business Tax (MBT) revenue earmarked to the School Aid Fund (SAF). The purpose of this reduction in the SAF earmarking would be to offset new revenue the SAF will begin receiving in FY 2008-09 from the new use tax on medical services provided by Medicaid managed care organizations, which was enacted in Public Act 440 of 2008 and went into effect on April 1, 2009. The revenue from this new use tax is intended to help finance Medicaid-funded services; however, due to the constitutionally required distribution of a portion of use tax revenue, not all of the revenue from this new use tax will be available for its intended purpose. The use tax is assessed at a 6.0% rate and the revenue generated from 4 percentage points of the tax is statutorily earmarked to the General Fund and the revenue generated from the remaining 2 percentage points of the tax is constitutionally earmarked to the School Aid Fund. While the General Fund portion of this new use tax can be appropriated for its intended purpose, the portion that will go to the SAF must be used for educational purposes. Therefore, to ensure that an amount of revenue equal to the revenue that will be generated by the new use tax is indeed available to be used to help fund Medicaid services, and to ensure that all use tax revenue is distributed in compliance with the constitutional requirements, this bill would reduce the amount of revenue the SAF otherwise will receive from the MBT by an amount equal to the new revenue the SAF will be receiving from the new use tax on Medicaid managed care organizations. This change in the MBT earmarking would increase revenue in the General Fund where it could be appropriated to help fund Medicaid services.

MCL 208.1515

FISCAL IMPACT

The new use tax on Medicaid managed care organizations will generate an estimated $161.5 million in FY 2008-09 and $334.8 million in FY 2009-10. Of these amounts, the SAF will receive $53.8 million in FY 2008-09 and $111.6 million in FY 2009-10, according to the constitutionally required distribution. The bill would eliminate this gain in SAF revenue by reducing the MBT distribution to the SAF by $53.8 million in FY 2008-09 and $111.6 million in FY 2009-10; as a result, this MBT revenue would be deposited in the General Fund. Therefore, under this bill, the General Fund would receive an amount equal to the total revenue that will be generated by the new use tax, which could be appropriated to help fund Medicaid services, and the SAF would not experience any net change in revenue.

Date Completed: 5-7-09 Fiscal Analyst: Jay Wortley