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House Bill 4404 (Substitute S-1 as reported)
Sponsor: Representative Steven Lindberg
House Committee: Tax Policy
Senate Committee: Finance

CONTENT

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

Under the Act, the sale of tangible personal property is exempt from the sales tax if the property is sold to an industrial processor for use or consumption in industrial processing; the property is intended for ultimate use, and is used, in industrial processing by an industrial processor; the property is used by the buyer to perform an industrial processing activity for or on behalf of an industrial processor; or the property is 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.

The bill is tie-barred to Senate Bill 198, which would exempt the same equipment under the Use Tax Act.

MCL 205.54t

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

Based on available information, the bill would lead to a reduction of approximately \$2.0 million in sales tax. This reduction would primarily affect the School Aid Fund.

Given the reduction of sales tax revenue, there could be a reduction in revenue sharing payments to local government.

Date Completed: 6-15-10

Fiscal Analyst: Eric Scorsone