Legislative Analysis

Mary Ann Cleary, Director
Phone: (517) 373-8080
http://www.house.mi.gov/hfa

SALES AND USE TAX COLLECTION PROCESS

House Bill 4346
Sponsor: Rep. John Walsh

House Bill 4804
Sponsor: Rep. Roy Schmidt
Committee: Tax Policy

Complete to 10-3-11

A SUMMARY OF HOUSE BILL 4346 AS INTRODUCED 3-1-11 AND HOUSE BILL 4804 AS INTRODUCED 6-23-11

The bills would amend provisions in both the General Sales Tax Act and the Use Tax Act that describe how and when retailers are to remit taxes they have collected to the Department of Treasury. The bills apply, generally speaking, to businesses that had a total tax liability of $720,000 or more in the prior calendar year (i.e., large retailers).

Current law: A business must remit on or before the 20th day of the month an amount equal to (1) 50% of the taxpayer's liability for the same month in the immediately preceding calendar year <u>or</u> (2) 50% of the actual liability for the month being reported, whichever is less. Also on the 20th day, the business must make a reconciliation payment equal to the difference between the tax liability for the immediately preceding month minus the tax previously paid for that month. Then before the end of the month, the business must remit an amount equal to 50% of the taxpayer's liability for the same month in the immediately preceding calendar year, or 50% of the actual liability for the month being reported, whichever is less.

The Bills: On or before the 20th day of the month, a business would remit an amount equal to 75% of the taxpayer's liability in the immediately preceding month, plus a reconciliation payment equal to the difference between the tax liability determined for the immediately preceding month minus the amount previously paid for that month.

<u>House Bill 4346</u> would amend the Use Tax Act (MCL 205.96). <u>House Bill 4804</u> would amend the General Sales Tax Act (MCL 205.56).

FISCAL IMPACT:

As written, the bills would alter the timing of sales and use tax payments, but the required amounts would still be ultimately collected. Relative to current law, the state would be receiving approximately 25% of the collections 10 days sooner, but the remaining 25% would be received 20 days later. Thus, only fiscal impact would be the loss of interest on about 25% of monthly collections for roughly 10 days.

Although collections differ from month to month, 25% of collections can range between $50 million to $75 million. At current interest rates, the forgone interest would be relatively insignificant.

Legislative Analyst: Chris Couch
Fiscal Analyst: Jim Stansell

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.