



Senate Fiscal Agency  
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## BILL ANALYSIS



Telephone: (517) 373-5383  
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Senate Bill 264 (Substitute S-1) (as enacted)  
House Bill 4804 (Substitute S-1) (as enacted)  
Sponsor: Senator Dave Hildenbrand (S.B. 264)  
Representative Roy Schmidt (H.B. 4804)  
Senate Committee: Finance  
House Committee: Tax Policy

Date Completed: 9-19-12

**CONTENT**

**Senate Bill 264 (S-1) and House Bill 4804 (S-1) would amend the Use Tax Act and the General Sales Tax Act, respectively, to revise the calculation of the monthly payment required of taxpayers that are subject to an accelerated payment schedule, beginning January 1, 2014.**

Each Act typically requires taxpayers, by the 20<sup>th</sup> day of each month, to file a tax return with the Department of Treasury and remit the amount due. A taxpayer is subject to an accelerated payment schedule, however, if its total sales or use tax liability in the previous year was \$720,000 or more (after the subtraction of tax payments made to the Secretary of State and certain sales tax prepayment credits for taxpayers that purchase gasoline from a refiner or a terminal operator). By the 20<sup>th</sup> day and the last day of the month, the taxpayer must pay amounts equal to 50% of its liability for the same month in the prior year or 50% of the actual liability for the month being reported, whichever is less. The taxpayer also must make a reconciliation payment by the 20<sup>th</sup> day of the month, if its prior month's payment was insufficient.

Public Acts 117 and 118 of 2012 amended the Use Tax Act and the General Sales Tax Act, respectively, to revise the requirements for taxpayers subject to the accelerated payment schedule. Beginning January 1, 2014, such a taxpayer will have to pay, by the 20<sup>th</sup> day of each month, an amount equal to 75% of its sales or use tax liability in the previous month, plus a reconciliation payment equal to the difference between the tax liability determined for that month minus the amount previously paid for the month. The amendments also allow a taxpayer to make a single payment for the tax due under both Acts.

Under the bills, a taxpayer's monthly payment would have to be an amount equal to 75% of the taxpayer's sales or use tax liability in the previous month *or* 75% of its liability for the same month in the previous calendar year, whichever was less, plus a reconciliation payment.

MCL 205.96 (S.B. 264)  
205.56 (H.B. 4804)

Legislative Analyst: Suzanne Lowe

**FISCAL IMPACT**

The bills would alter the timing of sales and use tax receipts. The bills would require taxpayers with an annual sales or use tax liability, after subtracting sales and use taxes on

motor vehicles, of \$720,000 or more, to remit their monthly tax payments according to a different formula, as described above.

The bills would not affect the total liability but would affect the timing of payments by allowing these taxpayers to opt to submit a payment of 75% of the prior-year liability for the same month rather than 75% of the liability in the preceding month. The reconciliation amount would still be required in the following month. As a result of the bills, for taxpayers exercising this option, the portion of the payment that is not a reconciliation payment would always be less than under current law. However, the impact on the reconciliation portion of the payment would be larger than under current law. The net impact of the two changes is unknown. The State earns interests on its cash balances and to the extent that the bills would increase the interest earnings on the accelerated portion, and reduce interest earnings on the reconciliation portion, the State would earn less interest on tax receipts. The impact is unknown, but given current interest rates, would likely be minimal or negligible.

Fiscal Analyst: David Zin

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.