

Legislative Analysis



REGIONAL CONVENTION FACILITIES MATERIALS; EXTEND SALES AND USE TAX EXEMPTION

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Senate Bills 711 and 735 without amendment

Sponsor: Sen. Jim Marleau

House Committee: Tax Policy

Senate Committee: Finance

(Enacted as Public Acts 53 and 54 of 2014)

Complete to 2-18-14

A SUMMARY OF SENATE BILL 711 AS PASSED BY THE SENATE 1-29-14 AND SENATE BILL 735 AS PASSED BY THE SENATE 1-30-14

Senate Bill 711 (General Sales Tax Act) and Senate Bill 735 (Use Tax Act) would extend the January 1, 2014, sunset date for the exemption from the sales and use taxes on property sold/used in the construction or renovation of a "qualified convention facility" as defined in the Regional Convention Facility Authority Act, 2008 PA 554.

The definition contained in PA 554 refers to Cobo Center in Detroit. The new sunset date would be January 1, 2016.

FISCAL IMPACT:

As written, the bills would reduce state sales and use tax revenues. Based on initial impact estimates of PA 556 of 2008, and accounting for the slower than expected progress in renovating Cobo Hall, SB 711 could reduce sales tax collections by up to \$1 million per year in 2014 and 2015. This is not an additional loss relative to the initial estimates, but an extension of the time period over which the loss will occur.

Initial estimates of the impact of the use tax exemption (PA 555 of 2008) put the revenue loss at \$9 million over the course of the renovations. Due to delays in construction, only part of this loss has been realized. SB 735 would simply spread out the remainder of this revenue loss through 2014 and 2015.

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