Legislative Analysis

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ACCELERATED SALES AND USE TAX PAYMENTS

House Bills 4920 and 4921
Sponsor: Rep. John Walsh
Committee: Tax Policy

Complete to 10-18-13

A SUMMARY OF HOUSE BILLS 4920 & 4921 AS INTRODUCED 8-2-13

The bills would amend the Sales and Use Tax acts to delay by one year the implementation of the revised accelerated payment provisions that were put into statute in 2012 by Public Acts 117 and 118.

House Bill 4920 would amend the General Sales Tax Act (MCL 205.56) and House Bill 4921 would amend the Use Tax Act (MCL 205.96).

Under current law, beginning January 1, 2014, taxpayers who had a total tax liability under either act of at least $720,000 (after certain subtractions) in the immediately preceding calendar year must remit monthly sales or use tax payments to the Department of Treasury on the 20th of each month in an amount equal to:

(1) 75% of the taxpayer's sales or use tax liability in the immediately preceding month, or

(2) 75% of the taxpayer's sale or use tax liability in the same month in the immediately preceding year, plus a reconciliation payment for the prior month.

The bills would move the effective date of this requirement to January 1, 2015.

As a result, the bills would extend the current accelerated payment provisions by one year, through December 31, 2014. Under these provisions, taxpayers who had a total tax liability under each act of at least $720,000 (after certain subtractions) in the immediately preceding year must make the following payments to the Department of Treasury:

- On the 20th of each month – 50% of the taxpayer's liability for the same month in the immediately preceding calendar year or 50% of the taxpayer's liability for the month being reported, whichever is less;

- On the 20th of each month – a reconciliation payment for the prior month equal to the difference between the actual liability and the amount previously paid.

- On the last day of each month – 50% of the taxpayer's liability for the same month in the immediately preceding calendar year or 50% of the taxpayer's liability for the month being reported, whichever is less.

Under the current provisions, then, taxpayers are required to remit three separate payments each for the sales tax, the use tax on purchases, and the use tax on sales and rentals, thus requiring nine separate payments each month.[1]

FISCAL IMPACT:

When enacted last year, the bills were not expected to significantly alter state revenue, with the only impact occurring due to the potential for some foregone interest earnings. Delaying the implementation would simply eliminate one year's worth of foregone interest.

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[1] See the October 5, 2011 testimony of International Paper offered last session for House Bills 4346 and 4804, http://house.michigan.gov/SessionDocs/2011-2012/Testimony/Committee21-10-5-2011.pdf/