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Senate Joint Resolution A (Substitute S-1 as reported by the Committee of the Whole)  
Sponsor: Senator Randy Richardville  
Committee: Infrastructure Modernization

Date Completed: 6-24-14

### **CONTENT**

**The joint resolution would amend the State Constitution to increase the sales and use tax rates by an additional 1.0% each, beginning January 1, 2015, and allocate the proceeds of the increase as follows:**

- At least 90.0% for the construction and maintenance of roads, streets, and bridges, and other transportation purposes described in the proposal.**
- Any balance for comprehensive transportation purposes as defined by law (e.g., mass transit systems).**

Article IX, Section 8 of the State Constitution limits the sales tax rate to a maximum of 4.0% of retailers' gross taxable sales of tangible personal property, plus an additional 2.0% that is dedicated to the State School Aid Fund. The use tax also is imposed at a 4.0% rate and an additional 2.0% rate that is dedicated to the School Aid Fund.

Under the joint resolution, the sales tax would have to be imposed on retailers at an additional rate of 1.0% of their gross taxable sales of nonexempt tangible personal property. The use tax also would have to be imposed at an additional 1.0% rate. After the payment of necessary collection expenses, the proceeds of the sales and use taxes imposed at the additional 1.0% rate would have to be used exclusively as set forth below.

Not less than 90.0% of the proceeds would have to be used exclusively for the transportation purposes of planning, administering, constructing, reconstructing, financing, and maintaining State, county, city, and village roads, streets, and bridges designed primarily for the use of motor vehicles using tires, and reasonable appurtenances to those roads, streets, and bridges.

The balance of the proceeds, if any, would have to be used exclusively for comprehensive transportation purposes as defined by law. (Public Act 51 of 1951, the Michigan Transportation Fund law, defines "comprehensive transportation purpose" as the movement of people and goods by publicly or privately owned water vehicle, bus, railroad car, street railway, aircraft, rapid transit vehicle, taxicab, or other conveyance that provides general or special service to the public, but not including charter or sightseeing service or transportation that is exclusively for school purposes.)

The joint resolution would permit the Legislature to authorize the incurrence of indebtedness and the issuance of obligations pledging the proceeds of the sales and use taxes imposed at the additional rate of 1.0%. The obligations could not be construed to be evidences of State indebtedness under the Constitution.

The allocation of sales tax revenue required or authorized by Sections 9, 10, and 11 of Article IX would not apply to the revenue from the sales tax imposed at the additional 1.0% rate. (Under Section 9, all specific taxes, except general sales and use taxes and regulatory fees, imposed on fuels used in motor vehicles and aircraft must be used for transportation purposes as set forth in that section. Section 10 requires that 15.0% of the sales tax imposed at the 4.0% rate be distributed to cities, townships, and villages. Section 11 dedicates to the School Aid Fund 60.0% of the sales tax imposed at the 4.0% rate, and 100% of the sales and use taxes imposed at the 2.0% rate.)

If approved by a two-thirds vote of each house of the Legislature, the joint resolution would have to be submitted to the voters at the next general election.

Legislative Analyst: Suzanne Lowe

### **FISCAL IMPACT**

Senate Joint Resolution A (S-1) (if approved by the voters) would increase State tax revenue by approximately \$1.1 billion in FY 2014-15 and \$1.6 billion in FY 2015-16. The impact would increase in future fiscal years, assuming that the value of transactions subject to the sales tax grows.

The joint resolution does not specify whether the tax base under the additional 1.0% rate represents the sales taxable under the sales tax at a rate of 4.0%, or the base subject to the 2.0% added by Proposal A in 1994. (Residential utilities are exempt from the 2.0% rate added by Proposal A.) The estimate assumes that the tax base would be the same as the base to which the 4.0% rate is applied.

The resolution would require at least 90% of the additional sales tax and use tax revenue from the 1.0% rate to be used for transportation purposes relating to roads and bridges. If less than 100% of the revenue were used for those transportation purposes, the remaining revenue would be used for comprehensive transportation purposes, which are generally those associated with mass transit activities.

The resolution as substituted would impose the increase in the sales and use taxes as of January 1, 2015; as a result, FY 2015-16 would be the first full year in which the changes would be in effect.

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.