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Senate Joint Resolution J (as discharged)  
Sponsor: Senator Randy Richardville  
Committee: Infrastructure Modernization

### **CONTENT**

Senate Joint Resolution J would amend the State Constitution to increase the sales tax and use rates by an additional 2% each; and require the proceeds of the increase to be used for transportation purposes and the Recreation Improvement Account.

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.

Under the joint resolution, the sales tax would have to be imposed on retailers at an additional rate of 2.0% of their gross taxable sales of nonexempt tangible personal property. The use tax also would have to be imposed at an additional 2.0% rate. After the payment of necessary collection expenses, the proceeds of the sales and use taxes imposed at the additional 2% rate would have to be used exclusively as follows:

- At least 90.0% 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.
- 0.7% to the Recreation Improvement Account of the Michigan Conservation and Recreation Legacy Fund.
- Any balance 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 vehicles, 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.)

Currently, the Recreation Improvement Account receives all tax revenue derived from 2.0% of the gasoline sold in the State for internal combustion engines. Under the joint resolution, the Account instead would receive the proceeds described above.

(Money in the Recreation Improvement Account must be distributed as follows:

- 80.0% must be transferred annually to the Waterways Account.
- 14.0% must be transferred annually to the Snowmobile Account.
- The remainder must be used, upon appropriation, for recreation projects and for the administration of the Recreation Improvement Account.)

In addition, 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 2.0%. The obligations could not be construed to be evidences of State indebtedness under the Constitution.

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 J (if approved by the voters) would increase State tax revenue by approximately \$3.0 billion in FY 2014-15, and \$3.2 billion in FY 2015-16. The impact would increase in future fiscal years, assuming that transactions subject to sales and use taxes grow.

Senate Joint Resolution J would increase both the sales tax rate and the use tax rate. The resolution does not specify if the tax base represents the sales taxable under the sales tax at a rate of 4%, or the base subject to the 2% added by Proposal A in 1994. (Residential utilities are exempt from the 2% rate added by Proposal A.) Assuming the tax base is the same as the base to which the 4% rate is applied, the resolution would increase total State sales and use tax revenue by slightly more than \$3.0 billion. Assuming the minimum distribution of revenue was made to the Michigan Transportation Fund (MTF), the resolution would increase MTF revenue by approximately \$2.7 billion, increase Comprehensive Transportation Fund revenue by approximately \$283.3 million, and increase revenue to the Recreation Improvement Account of the Legacy Fund by approximately \$21.3 million.

The resolution as introduced would impose the increase in the sales and use taxes as of October 1, 2013. The fiscal impact estimated above assumes the resolution would take effect October 1, 2014.

Date Completed: 5-28-14

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.