Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bills 369 and 370 (as introduced 6-4-15)
Sponsor: Senator Wayne Schmidt (S.B. 369)
Senator Jack Brandenberg (S.B. 370)
Committee: Commerce

Date Completed: 6-16-15

CONTENT

Senate Bills 369 and 370 would amend the Use Tax Act and the General Sales Tax Act, respectively, to extend the industrial processing exemption under each Act to tangible personal property used to manufacture alcoholic liquor sold at retail through the manufacturer's own locations.

The bills are tie-barred and would take effect 90 days after their enactment.

The Use Tax Act and the General Sales Tax Act provide that certain property is eligible for an industrial processing exemption from the tax levied under the respective Acts. The types of property eligible for this exemption under either Act include, for example:

-- Machinery, equipment, tools, dies, patterns, foundations for machinery or equipment, or other processing equipment used in an industrial processing activity.
-- Property that is consumed or destroyed or that loses its identity in an industrial processing activity.
-- Fuel or energy used or consumed for an industrial processing activity.

The bills also would include tangible personal property that is used to manufacture alcoholic liquor that is sold at retail by that manufacturer through its own locations.

"Alcoholic liquor" and "manufacturer" would be defined as those terms are defined in the Michigan Liquor Control Code. (Under the Code, "alcoholic liquor" means any spirituous, vinous, malt, or fermented liquor, powder, liquids, and compounds, whether or not medicated, proprietary, patented, and by whatever name called, containing one-half of 1% or more of alcohol by volume fit for use for food or beverage purposes as defined and classified by the Liquor Control Commission. "Manufacturer" means a person engaged in the manufacture of alcoholic liquor, including, but not limited to, a distiller, a rectifier, a wine maker, and a brewer.)

MCL 205.94o (S.B. 369)
205.54t (S.B. 370)

Legislative Analyst: Jeff Mann

FISCAL IMPACT

The bills would reduce both General Fund and School Aid Fund (SAF) revenue by an unknown and likely negligible amount. According to the 2012 Economic census, distilleries in Michigan made $168,000 in capital expenditures while wineries spent $2.7 million and breweries spent $16.6 million. The proportion of these expenditures that would be affected by the bills is unknown, but if 20% were affected and the estimate were representative of the average annual capital expenditure, the bills would reduce General Fund revenue by approximately $156,000 and SAF revenue by approximately $78,000 per year.

Fiscal Analyst: David Zin

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