



Senate Fiscal Agency
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BILL ANALYSIS



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House Bill 5928 (as passed by the House)
Sponsor: Representative Joseph Graves
House Committee: Commerce and Trade

CONTENT

The bill would amend the Use Tax Act to exclude from taxation a core charge attributable to a recycling fee, deposit, or disposal fee for a motor vehicle or recreational vehicle part or battery.

The Act imposes a tax of 6% on the purchase price of nonexempt personal property and services. The Act defines "purchase price" as the total amount of consideration paid by the consumer to the seller, including cash, credit, property, and services, for which tangible personal property or services are sold, leased, or rented, valued in money, whether received in money or otherwise. The Act lists certain costs, charges, and amounts that are included in the term, and others that are not.

The bill would exclude from the definition of "purchase price" a core charge attributable to a recycling fee, deposit, or disposal fee for a motor vehicle or recreational vehicle part or battery.

MCL 205.92

Legislative Analyst: Drew Krogulecki

FISCAL IMPACT

The bill would reduce General Fund and School Aid Fund revenue by an unknown and potentially significant amount. The actual impact would depend on the amount of core charges, the extent to which customers supplied a core as part of a transaction, and the extent to which tax was submitted under the Use Tax Act rather than the Sales Tax Act.

According to the 2012 Economic Census, retail sales of automobile parts, accessories, and tires in Michigan totaled \$2.5 billion. The vast majority of these sales would not represent sales in which a core charge would be involved. However, for every 1% of total sales subject to the bill, the bill would reduce sales tax revenue by \$1.5 million. Thus, if core charges affected by the bill represented 5% of total sales, for example, the bill would reduce use tax revenue by \$7.5 million per year.

Use tax revenue, on sales that would be affected by the bill, is distributed such that the School Aid Fund receives one-third of the revenue, and after any payments to the local community stabilization authority to fund personal property tax reform, the remaining revenue is directed to the General Fund. Thus, every \$1.5 million of reduced sales tax revenue would lower School Aid Fund revenue by \$0.5 million, and General Fund revenue by approximately \$1.0 million.

The bill would only affect tax paid under the Use Tax Act. The bill is not tie-barred to a proposal for a complementary exemption under the Sales Tax Act.

Date Completed: 12-14-16

Fiscal Analyst: David Zin

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Bill Analysis @ www.senate.michigan.gov/sfa

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