



**Senate Fiscal Agency**  
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BILL



ANALYSIS

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Senate Bill 906 (Substitute S-1 as reported by the Committee of the Whole)  
Senate Bill 907 (Substitute S-1 as reported by the Committee of the Whole)  
Sponsor: Senator Jack Brandenburg  
Committee: Finance

### **CONTENT**

Senate Bill 906 (S-1) and Senate Bill 907 (S-1) would amend the General Sales Tax Act and the Use Tax Act, respectively, to exempt from taxation under those Acts the purchase, sale, or lease of a school bus or transportation-related services, including parts, if the school bus or services were used to transport pupils to or from a school or school-related events.

Specifically, the sale, purchase, or lease of a school bus or transportation-related services, and parts or adaptive equipment affixed to or to be affixed to a school bus that were used in the repair, maintenance, accommodation, or modification of a school bus would be exempt from taxation under the Acts if the school bus or services were used primarily in the performance of a contract entered into with an authorized representative of a school for the transportation of preprimary, primary, or secondary school pupils to or from a school or school-related events authorized by the administration of the school. However, if the school bus were used to provide transportation-related services other than to or from a school or school-related event authorized by the administration of the school to a nonexempt entity, then the amount paid for those services by the nonexempt entity would not be exempt under the bills.

MCL 205.54a (S.B. 906)  
205.94 (S.B. 907)

Legislative Analyst: Drew Krogulecki

### **FISCAL IMPACT**

The bills would reduce sales and use tax revenue by approximately \$3.8 million or more per year. Based on data from the 2012 Economic Census, approximately 263 small buses and 591 large buses were purchased for school transportation in Michigan that year. Prices for buses vary by bus size and options, but diesel buses can range from \$60,000 to \$100,000 per bus while an electric bus can cost between \$225,000 and \$300,000. Assuming an average bus price of \$75,000, sales and use tax on those vehicles would total approximately \$3.8 million. The impact on the General Fund and the School Aid Fund would depend on the relative distribution of transactions between the sales tax and the use tax. Under the sales tax, 73.3% of revenue is distributed to the School Aid Fund, 10% is distributed to constitutional revenue sharing to local units of government, approximately 4.6% goes to the Michigan Transportation Fund, and the remainder is directed to the General Fund. Under the use tax, one-third of the revenue is directed to the School Aid Fund, with the remainder directed to the General Fund.

Date Completed: 6-11-18

Fiscal Analyst: David Zin