Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 930 (Substitute S-1 as reported)
Sponsor: Senator Jeremy Moss
Committee: Regulatory Affairs

CONTENT

The bill would amend the General Sales Tax Act to do the following:

-- Allow a delivery network company to deduct or exclude from its tax liability the amount of sales tax that the delivery network company paid to a marketplace seller in connection with a qualified delivery network sale.
-- Allow the Department of Treasury to audit a marketplace seller and a delivery network company for a qualified delivery network sale.

MCL 205.52d

BRIEF RATIONALE

According to testimony, third-party delivery services are growing in popularity; however, under current statute, sales tax can be applied twice under certain circumstances. Some small retailers do not have the option to refrain from collecting and remitting sales tax. In these cases, taxes are applied by the delivery service and the retailer. Some have argued that small retailers should have the option to not collect sales tax at the point-of-sale when delivery services are making purchases so that these delivery services are the only entity collecting and remitting sales tax on the purchase.

Legislative Analyst: Nathan Leaman

FISCAL IMPACT

According to estimates from the Department of Treasury, the bill would reduce sales tax revenue by approximately $1.8 million in Fiscal Year 2024-25, the first full fiscal year in which the bill would be effective. The revenue reduction would increase in future years due to increases in inflation and the real (inflation-adjusted) economy.

Approximately 73% of sales tax revenue is distributed to the School Aid Fund, while 10% is distributed to local units through constitutional revenue sharing. Except for sales tax collected on sales related to motor vehicle and motor vehicle parts (which are unlikely to be affected by the bill), where a small earmark directs revenue to the Comprehensive Transportation Fund, any remaining sales tax revenue is directed to the General Fund.

The bill likely would not have a significant fiscal impact on the Department of Treasury. While the bill would allow additional audits to be performed, it would not require them. The magnitude of the impact would depend upon the number of audits performed. It is likely that existing appropriations would be sufficient to cover expenditures; however, a large increase in audits could result in additional administrative and staffing costs.

Date Completed: 6-24-24

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