

# HOUSE BILL NO. 4142

February 26, 2025, Introduced by Rep. Farhat and referred to Committee on Transportation and Infrastructure.

A bill to provide for the imposition and collection of a tax on certain advertising services; to provide for the establishment of procedures for the collection, administration, and enforcement of the tax; to provide for the disposition of the tax; to prescribe the powers and duties of certain state and local governmental officers and entities; and to provide penalties.

## **THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1       Sec. 1. This act may be cited as the "digital advertising  
2 services tax act".

3       Sec. 3. As used in this act:

4       (a) "Annual gross revenues" means income or revenue from all

1 sources, before any expenses or taxes, computed according to  
2 generally accepted accounting principles.

3 (b) "Assessable base" means the annual gross revenues derived  
4 from digital advertising services in this state.

5 (c) "Department" means the department of treasury.

6 (d) "Digital advertising services" means advertisement  
7 services on a digital interface, including advertisements in the  
8 form of banner advertising, search engine advertising, interstitial  
9 advertising, and other comparable advertising services.

10 (e) "Digital interface" means any type of software, including  
11 a website, part of a website, or application, that a user is able  
12 to access.

13 (f) "User" means a person who accesses a digital interface  
14 with a device.

15 Sec. 11. (1) Beginning January 1, 2026, a tax is imposed on  
16 annual gross revenues of a person derived from digital advertising  
17 services, after apportionment to this state, at the following rates  
18 in the following circumstances:

19 (a) For a person with global annual gross revenues of at least  
20 \$100,000,000.00 but not more than \$1,000,000,000.00, 2.5% of the  
21 assessable base.

22 (b) For a person with global annual gross revenues of more  
23 than \$1,000,000,000.00 but not more than \$5,000,000,000.00, 5.0% of  
24 the assessable base.

25 (c) For a person with global annual gross revenues of more  
26 than \$5,000,000,000.00 but not more than \$15,000,000,00.00, 7.5% of  
27 the assessable base.

28 (d) For a person with global annual gross revenues of more  
29 than \$15,000,000,000.00, 10.0% of the assessable base.

1           (2) Annual gross revenues of a person derived from digital  
2 advertising services in this state is apportioned to this state by  
3 multiplying that revenue by a fraction, the numerator of which is  
4 the annual gross revenues of a person derived from digital  
5 advertising services in this state and the denominator of which is  
6 the annual gross revenues of a person derived from digital  
7 advertising services in the United States.

8           Sec. 21. (1) The department shall administer and collect the  
9 tax imposed by this act as provided under 1941 PA 122, MCL 205.1 to  
10 205.31. If a conflict exists between the provisions of 1941 PA 122,  
11 MCL 205.1 to 205.31 and this act, the provisions of this act apply.

12           (2) The department shall promulgate rules pursuant to the  
13 administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to  
14 24.328, to implement this act including, but not limited to, rules  
15 that determine the state from which revenues from digital  
16 advertising services are derived.

17           Sec. 23. (1) A person that, in a calendar year, has annual  
18 gross revenues derived from digital advertising services in this  
19 state of at least \$1,000,000.00 must file an annual return with the  
20 department in the form and content prescribed by the department on  
21 or before April 15 of the next calendar year.

22           (2) A person that reasonably expects the person's annual gross  
23 revenues derived from digital advertising services in this state to  
24 exceed \$1,000,000.00 must file an estimated return and pay an  
25 estimated tax for each quarter of the calendar year. The quarterly  
26 returns and estimated payments must be made by April 15, July 15,  
27 October 15, and January 15. Payments made under this subsection are  
28 a credit against the payment required with the annual return  
29 required under subsection (1).

1           (3) A person required to file a return under this act may be  
2 required to file with the return an attachment that states any  
3 information that the department requires to determine annual gross  
4 revenues derived from digital advertising services in this state.

5           Sec. 25. A person required to file a return under section 23  
6 shall maintain records of digital advertising services provided in  
7 this state and the basis for the calculation of the digital  
8 advertising gross revenues tax owed under this act.

9           Sec. 31. (1) Except as otherwise provided under subsection  
10 (2), a person required to file a return under section 23 shall pay  
11 the digital advertising gross revenues tax with the return that  
12 covers the period for which the tax is due.

13           (2) A person required to file estimated return under section  
14 23(2) shall pay both of the following:

15           (a) At least 25% of the estimated digital advertising gross  
16 revenues tax shown on the declaration or amended declaration for a  
17 calendar year with the declaration or amended declaration that  
18 covers the year and with each quarterly return for that year.

19           (b) Any unpaid digital advertising gross revenues tax for the  
20 year shown on the person's return that covers that tax year with  
21 the return.

22           Sec. 41. The revenue collected under this act must be  
23 distributed to either or both of the following:

24           (a) State school aid fund created in section 11 of article IX  
25 of the state constitution of 1963.

26           (b) Michigan transportation fund created in section 10 of 1951  
27 PA 51, MCL 247.660.