



Senate Fiscal Agency  
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BILL ANALYSIS

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Senate Bills 1149 and 1150 (as introduced 9-29-20)  
Sponsor: Senator Peter MacGregor (S.B. 1149)  
Senator Aric Nesbitt (S.B. 1150)  
Committee: Economic and Small Business Development

Date Completed: 10-1-20

### **CONTENT**

**Senate Bill 1149 would amend the General Sales Tax Act to exempt from the tax under the Act the sale of a fully automated consumer goods handling system or system parts to a wholesaler for fulfillment of orders to persons engaged in the business of making sales at retail of consumer goods, beginning January 1, 2021.**

**Senate Bill 1050 would amend the Use Tax Act to specify that the tax under the Act would not apply to the storage, use, or consumption of a fully automated consumer good handling system or system parts by a wholesaler for fulfillment of orders to persons engaged in the business of making sales at retail of consumer goods beginning January 1, 2021.**

#### **Senate Bill 1149**

Under the bill, beginning January 1, 2021, the sale of a fully automated consumer goods handling system or system parts to a wholesaler for fulfillment of orders to persons engaged in the business of making sales at retail of consumer goods would be exempt from the tax under the Act.

The bill would define "consumer goods" as finished goods for use primarily for personal, family, or household purposes.

"Fully automated consumer goods handling system" would mean a fully automated, integrated goods handling system that separates, sorts, temporarily stores, recombines, and assembles palletized units of consumer goods and that occupies not less than 190,000 square feet of space in a facility owned, leased, or used by a wholesaler. "Wholesaler" would mean a person that purchases consumer goods from a manufacturer, producer, or other supplier and sells those consumer goods to another person for sale at retail.

"System parts" would mean supply chain optimization machinery, equipment, repair parts, and computer software that are component parts of a fully automated consumer goods handling system.

#### **Senate Bill 1150**

Under the bill, beginning January 1, 2021, the tax under the Use Tax Act would not apply to the storage, use, or consumption of a fully automated consumer good handling system or

system parts by a wholesaler for fulfillment of orders to persons engaged in the business of making sales at retail of consumer goods.

The bill would define "consumer goods", "fully automated consumer goods handling system", "system parts", and "wholesaler" as those terms would be defined in Senate Bill 1149.

Proposed MCL 205.54gg (S.B. 1149)  
Proposed MCL 205.94gg (S.B. 1150)

Legislative Analyst: Tyler VanHuyse

### **FISCAL IMPACT**

The bills would reduce State revenue by an unknown amount that likely would be less than \$10.0 million per year, based on assumptions using national data for annual capital expenditures on equipment by firms engaged in wholesale trade.

The revenue reduction would lower General Fund, School Aid Fund, and local unit revenue although the impact would depend on the degree to which exempt purchases under the bill reflected sales tax exemptions or use tax exemptions. The School Aid Fund receives approximately 73% of sales tax revenue, while local units receive 10% through constitutional revenue sharing provisions, and the remainder is distributed to the General Fund. The School Aid Fund receives one-third of use tax revenue, while the General Fund receives the remainder, after any transfers to the Local Community Stabilization Authority.

Fiscal Analyst: David Zin

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.