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Senate Fiscal Agency  
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**SFA****BILL ANALYSIS**

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House Bill 4509 (as reported without amendment)

Sponsor: Representative Barbara Dobb

House Committee: Tax Policy

Senate Committee: Finance

## **CONTENT**

The bill would amend the Use Tax Act to allow an intrastate telephone, telegraph, leased wire, or other similar communications service provider, or an interstate telephone communications service provider, to deduct uncollectible accounts from the price of services used to determine the "seller's" use tax liability.

Currently, the Act provides that the use of intrastate telephone, telegraph, leased wire, other similar communications services, and interstate telephone communications services, is taxable. The bill provides that the amount of an uncollectible account deducted from the price upon which use tax liability was calculated would have to be charged off as uncollectible on the books of the seller. The Department of Treasury could require supporting evidence for any claim of an uncollectible account.

If the seller provided taxable and nontaxable services, the deduction could equal the full amount of the uncollectible account only if the account were documented as a taxable transaction in the seller's records. If documentation were not available, the maximum deduction for any uncollectible account would be determined by calculating the uncollectible account's proportion of all services.

If a person paid all or part of an uncollectible account after the seller had claimed a deduction, the seller would be liable for the amount of taxes deducted for that portion of the uncollectible account, and would have to remit the taxes in its next payment to the Department.

Proposed MCL 205.98

Legislative Analyst: G. Towne

## **FISCAL IMPACT**

The estimated State fiscal impact would be a reduction of \$4.0 million if all taxpayers were paying the tax; however, only \$1.3 million is currently collected per year.

Date Completed: 10-2-97

Fiscal Analyst: R. Ross

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