

Senate Fiscal Agency
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SFA**BILL ANALYSIS**

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House Bills 5967 and 5968 (as passed by the House)
Sponsor: Representative Kirk A. Profit
House Committee: Tax Policy
Senate Committee: Finance

Date Completed: 11-10-98

CONTENT

House Bill 5967 would amend the General Sales Tax Act and House Bill 5968 would amend the Use Tax Act to exempt from the sales or use tax equipment primarily used in connection with computer-assisted production, storage, and transmission of data primarily sold to certain nonprofit organizations exempt from taxation, if the sale of the equipment would have been exempt under the Act had the data transfer sale been considered to be a sale of tangible personal property.

The bills would apply to nonprofit health, welfare, educational, cultural arts, charitable, and benevolent organizations that possessed exemption ruling letters from the Department of Treasury, and organizations exempt from Federal taxation under Section 501(c)(3) or 501(c)(4) of the Internal Revenue Code.

Currently, the Acts exempt from taxation computers used in operating industrial processing equipment; equipment used in a computer-assisted manufacturing system; equipment used in a computer-assisted design or engineering system integral to an industrial process; or a subunit or electronic assembly comprising a component in a computer-integrated industrial processing system.

MCL 205.54a (H.B. 5967)
205.94 (H.B. 5968)

Legislative Analyst: G. Towne

FISCAL IMPACT

These bills would reduce sales and use taxes by an estimated \$0.8 million in FY 1998-99. Assuming this loss in revenue would be evenly split between the sales and use taxes, this loss in revenue would have an impact on the following State and local government budget areas: School Aid Fund revenue would decline \$0.4 million, General Fund/General Purpose revenue would decrease \$0.3 million, and State revenue sharing payments to local governments would decline \$0.1 million.

Fiscal Analyst: J. Wortley

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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.