

Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

SFA



BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bill 1061 (Substitute S-2 as reported)
Sponsor: Senator Joanne G. Emmons
Committee: Finance

Date Completed: 5-8-00

RATIONALE

Under the General Property Tax Act, vending machines are taxed as personal property. The tax is assessed by the city or township in which a vending machine is located on tax day (December 31). This means that the owner of numerous vending machines placed within his or her operating territory is liable for tax in every local taxing unit in which a machine is located. It has been pointed out that the tax on a vending machine, particularly one that has been in service for some time, can be as little as a few dollars and can cost the owner more to comply with the tax law than to pay the actual tax. To address this situation, it has been suggested that vending machine owners should pay the personal property tax on their machines to a single taxing unit, under certain conditions.

CONTENT

The bill would amend the General Property Tax Act to provide that a qualified vending machine would be assessed to the machine's owner at the primary location at which the machine was stored, maintained, or repaired when not offered for public use (the machine's service center), and would not be assessable at the machine's location on tax day.

The bill would apply to "qualified vending machine property" owned by a "qualified business". "Qualified business" would mean a business whose primary purpose was the retail sale of food, beverages, or tangible personal property from qualified vending machine property. "Qualified vending machine property" would mean tangible personal property that was a self-service device that, upon insertion of a coin, token, card, or paper currency, dispensed food, beverages, or tangible personal property; and that, when offered for use, was not located on real property owned by the owner of the machine. "Qualified vending machine property" would not include an automatic teller machine, or a pump that dispensed gasoline or other fuels.

The following conditions would have to be met for

qualified vending machine property to be assessed at the machine's service center:

- The service center would have to be located in Michigan, and the machine would have to be located in Michigan on tax day.
- The machine would have to be labeled with the name of the owner and either the business address or the current telephone number of the owner, and with an indication that the property was qualified vending machine property in a form described by the State Tax Commission.
- By February 20 of each year, the owner of the machine would have to give the assessor of the city or township in which the machine's service center was located an itemized listing of the owner's qualified machines as of tax day. The itemized listing would not be subject to the disclosure requirements of the Freedom of Information Act. The owner would not be required to provide an itemized listing of the property in any year in which the owner had previously given the assessor an itemized listing; there was no change to the previously provided listing; and the owner verified that there was no change on a form prescribed by the State Tax Commission.
- By February 20 of each tax year, the owner of the qualified machine would have to give the assessor of the city or township in which the machine's service center was located written authorization (on a form prescribed by the State Tax Commission) to provide a copy of the itemized listing to the assessor of any other local tax collecting unit in which the qualified machine may have been physically located on tax day.
- If the owner were required to provide a written statement, pursuant to Section 18 of the Act, to any local tax collecting unit other than the local tax collecting unit in which the qualified machine was assessable under the bill, the written statement would have to indicate the tax collecting unit in which the owner's qualified machine was being reported. (Section 18

requires an assessing officer to require a person in possession of personal property to make and sign a statement listing all of the person's personal property.)

The bill provides that an owner's reporting of qualified vending machine property would be subject to audit by the State Tax Commission; any local tax collecting unit in which the qualified machine was located on tax day, or in which the machine's service center was located; and the county equalization department of a county in which the qualified machine was located on tax day, or in which the machine's service center was located.

The bill specifies that the tangible personal property of the owner of qualified vending machine property that was not assessable under the bill would be assessable as provided in the Act.

Proposed MCL 211.8d

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

The current system by which the personal property tax is applied to vending machines makes it burdensome for vending machine owners to file and pay the tax, and cumbersome for local taxing units to assess and collect it. Under the Act, the tax is levied on a vending machine based upon the location of the machine on December 31 each year. This causes the owner of a vending machine business to file tax statements and pay the tax in every taxing unit in which the owner has a machine. A local unit must assess each machine within its jurisdiction and then send the tax bill to the owner's principal place of business, which is often not within the same local unit. Because the tax levied on any one machine is often a relatively small amount, some venders have pointed out that the cost of filing the tax statement of, and making payments to, a variety of jurisdictions sometimes exceeds the actual cost of the tax. The bill would construct a system whereby an owner could receive a tax bill for all of his or her machines based upon the location of the owner's service center, as long as the owner met the conditions specified in the bill. This would relieve vending machine owners of an administrative burden, cost specific local units very little in tax revenue, and streamline the process for taxing the machines.

Legislative Analyst: G. Towne

FISCAL IMPACT

The bill would have no State fiscal impact. However, the property tax assessed on food, beverage, or tangible personal property vending machines would be based on the owner's location instead of the location of the vending machine, which could shift property tax revenue among local units of government.

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.