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SFA**BILL ANALYSIS**

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House Bill 4586 (Substitute H-1 as passed by the House)
Sponsor: Representative Rick Johnson
House Committee: Tax Policy
Senate Committee: Finance

Date Completed: 6-8-99

CONTENT

The bill would amend the Use Tax Act to provide that after April 30, 1999, the tax would not apply to the storage, use, or consumption of rolling stock used in interstate commerce and purchased, rented, or leased by an interstate motor carrier. Currently, the Act contains the exemption; however, it expired May 1, 1999.

MCL 205.94k

Legislative Analyst: G. Towne

FISCAL IMPACT

This bill would reduce use tax revenue an estimated \$0.1 million in FY 1998-99 and \$0.3 million in FY 1999-2000. These revenue losses would affect both the General Fund/General Purpose and School Aid Fund budgets. This bill is included in a package of business tax changes and the estimated fiscal impact of this total package is summarized in the following table.

Estimated Fiscal Impact of Business Tax Package: FY 1998-99 and FY 1999-2000

(dollars in millions)

| Tax/Major Proposed Changes: | FY 1998-99 | | | FY 1999-2000 | | |
|--|------------|--------|-----------|--------------|--------|------------|
| | GF/GP | SAF | Total | GF/GP | SAF | Total |
| HB 4745 - Single Business Tax | | | | | | |
| o Reduce tax rate 0.1%/year. | \$(86.80) | \$0.00 | \$(86.80) | \$(210.90) | \$0.00 | \$(210.90) |
| o Replace CAD with ITC. | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Subtotal HB 4745 | (86.8) | 0.0 | (86.8) | (210.9) | 0.0 | (210.9) |
| HB 4744 - Use Tax | | | | | | |
| o Expand industrial processing exemption. | 0.0 | 0.0 | 0.0 | (12.3) | (6.1) | (18.4) |
| o Michigan Bell fix. * | 125.3 | 62.7 | 188.0 | 32.0 | 16.0 | 48.0 |
| Subtotal HB 4744 | 125.3 | 62.7 | 188.0 | 19.7 | 9.9 | 29.6 |
| HB 4586 - Use Tax | | | | | | |
| o Extend and expand rolling stock exemption. | (0.1) | 0.0 | (0.1) | (0.2) | (0.1) | (0.3) |
| SB 544 - Sales Tax | | | | | | |
| o Expand industrial processing exemption. | 0.0 | 0.0 | 0.0 | (1.2) | (3.4) | (4.6) |
| o Michigan Bell fix. * | 12.6 | 34.5 | 47.1 | 3.2 | 8.8 | 12.0 |
| o Extend and expand rolling stock exemption. | (0.9) | (3.1) | (4.0) | (2.3) | (7.8) | (10.1) |
| Subtotal SB 544 | 11.7 | 31.4 | 43.1 | (0.3) | (2.4) | (2.7) |
| Total Business Tax Package | \$50.1 | \$94.1 | \$144.2 | \$(191.7) | \$7.4 | \$(184.3) |

*Consensus revenue estimates for FY 99 and FY 2000 include estimates of the tax loss that will result from the Michigan Bell court case. These proposed legislative changes would fix the court-identified problem and therefore, these revenue gains would offset the revenue losses contained in the consensus estimates.

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.