

House Bill 4507
Sponsor: Rep. Larry DeVuyst
Committee: Tax Policy

Complete to 5-21-01

A SUMMARY OF HOUSE BILL 4507 AS INTRODUCED 3-22-01

The bill would amend the Use Tax Act to specify the procedures to be followed if a lessor (a person or entity that conveys property by lease) elects to pay use tax on receipts from the rental or lease of tangible personal property in lieu of paying the sales or use tax on the full cost of the property at the time of its acquisition.

For tax years beginning after December 31, 1999, for property other than aircraft, watercraft, or snowmobiles, a lessor that elected to pay tax on receipts from the lease or rental of property would have to obtain a use tax registration before acquiring the tangible personal property.

If the property was an aircraft, a watercraft, or a snowmobile, for tax years beginning after December 31, 1999 and before January 1, 2002, a lessor that elected to pay tax on receipts from the lease or rental of the property would have to obtain a use tax registration within 90 days after the lessor first brought the property into the state.

If the property was an aircraft, a watercraft, or a snowmobile, for tax years beginning after December 31, 2001, the lessor would have to obtain a use tax registration by the earlier of 1) the date set for the first payment of use tax under the lease or rental agreement or 2) 90 days after first bringing the property into the state.

The Department of Treasury would be required to provide a taxpayer, within 30 days after the taxpayer obtained a use tax registration, with a written notice advising the taxpayer of the right to make an election under the bill's provisions and of the requirements to make a valid election.

[Rule 205.132 of the General and Specific Sales and Use Tax Rules currently says: "A person engaged in the business of renting or leasing tangible personal property to others shall pay the Michigan sales or use tax at the time he purchases tangible personal property, or he may report and pay use tax on the rental receipts from the rental thereof. A person remitting tax on the purchase price as a purchaser-consumer or remitting tax on rental receipts as a lessor, shall follow one or the other methods of remitting for his entire business operation. A person remitting tax on rental receipts shall be the holder of a sales tax license, or a registration as is provided in the Use Tax Act."]

MCL 205.95

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