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Senate Bill 509 (Substitute S-3 as reported by the Committee of the Whole)
Senate Bill 510 (Substitute S-1 as reported by the Committee of the Whole)
Sponsor: Senator George A. McManus, Jr.
Committee: Farming, Agribusiness and Food Systems

CONTENT

Senate Bill 509 (S-3) would amend the Use Tax Act and Senate Bill 510 (S-1) would amend the General Sales Tax Act to exempt from the taxes a returnable pallet or container leased to a farmer or other person involved in agricultural production or processing, including a packer, shipper, manufacturer, or retailer. By December 30 each year, the State Treasurer would have to estimate the amount of use tax that was not deposited in the State School Aid Fund because of this exemption, and transfer that amount from the General Fund to the State School Aid Fund.

Senate Bill 509 (S-3) also would exempt from the use tax laundering or cleaning of textiles used by a person in the business of providing dental services, and Senate Bill 510 (S-1) would exempt from the sales tax sales of tangible personal property by an industrial laundry to a person in the business of providing dental services, if the transactions were conducted under a sale, rental, or service agreement with a term of at least five days.

MCL 205.93a & 205.94 (S.B. 509)
205.54a (S.B. 510)

Legislative Analyst: G. Towne

FISCAL IMPACT

State Impact: The bills would be expected to reduce State revenues more than \$91,000 in FY 2001-02. For the provisions regarding textile cleaning and laundering services purchased by businesses providing dental services, the bills will reduce both School Aid Fund and General Fund-General Purpose (GF/GP) revenues by an unknown amount, although the amount is expected to be less than \$1 million.

Regarding the bills' provisions on pallets, industry data indicate the rental and leasing of reusable pallets have exhibited approximately 20% growth per year. Under the data currently available, the proposed exemption would have reduced sales and use tax revenues by approximately \$76,000 in FY 1999-2000, and using the 20% growth assumption, the exemption would be expected to reduce sales and use tax revenues by slightly less than \$91,000 per year in FY 2001-02.

Exemptions to sales and use taxes primarily affect revenue sharing and the School Aid Fund. General Fund-General Purpose funds receive approximately 1.5% of total sales tax revenues. Approximately 66.5% of use tax revenue is GF/GP. It is expected that virtually all of the revenue reduction under the provisions affecting pallets would occur with use tax revenues. The bills would offset any loss in revenues to the School Aid Fund due to the pallet provisions through a transfer from the General Fund. Consequently, in FY 2001-02, the bill would reduce GF/GP revenue by \$91,000.

Local Impact: It is expected that the bills would have minimal impact on local units. Local units would experience an impact only to the extent that sales tax revenues were reduced, as lower sales tax revenues would be available for revenue sharing.

Date Completed: 11-1-01

Fiscal Analyst: D. Zin

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Bill Analysis @ <http://www.senate.state.mi.us/sfa>

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.