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SFA



BILL ANALYSIS

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Senate Bill 509 (Substitute S-2)
Senate Bill 510 (Substitute S-1)
Sponsor: Senator George A. McManus, Jr.
Committee: Farming, Agribusiness and Food Systems

Date Completed: 9-25-01

CONTENT

Senate Bill 509 (S-2) would amend the Use Tax Act and Senate Bill 510 (S-1) would amend the General Sales Tax Act to exempt from the taxes the cost of leasing a returnable pallet or container; and the sale of 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.

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

Legislative Analyst: C. Layman

FISCAL IMPACT

State Impact: The bills would be expected to reduce State revenues by \$91,000 in FY 2001-02. Industry data indicate that the rental and leasing of reusable pallets has 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 in FY 2001-02.

Exemptions to sales and use taxes have an impact primarily on revenue sharing and the School Aid Fund. General Fund-General Purpose (GF/GP) funds receive approximately 1.5% of total sales tax revenues. Approximately 66.5% of use tax revenue is GF/GP. Virtually all of the revenue reduction from the proposed exemption would occur with use tax revenues. Consequently, in FY 2001-02, the bills would reduce School Aid Fund revenues by approximately \$30,000 and GF/GP revenue by \$61,000.

Local Impact: 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.

Fiscal Analyst: D. Zin

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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.