

## SEND CERTAIN TOURISM-RELATED USE TAX COLLECTIONS TO PROMOTION FUND

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**Senate Bill 619 (Substitute H-1)**

**Sponsor: Sen. Jason E. Allen**

**House Committee: Tourism, Outdoor Recreation and Natural Resources**

**Senate Committee: Finance**

**Complete to 3-17-10**

### **A SUMMARY OF SENATE BILL 619 AS REPORTED FROM HOUSE COMMITTEE 3-09-10**

Two-thirds of Michigan's use tax collections must be deposited into the General Fund, to be disbursed only by legislative appropriations. The remainder is constitutionally earmarked for the State School Aid Fund. As amended by the House Tourism committee, Senate Bill 619 (Substitute H-1) would amend the Use Tax Act to require any increase in the first four percent of use tax collections relating to the sale of tourist-oriented goods and services in a given fiscal year over the amount that was collected in the 2009 fiscal year to be deposited into the Michigan Promotion Fund (to be created by House Bill 5018). A comparison of the specified portion of use tax collections for the current fiscal year to 2009 collections would be made individually for each of 14 industry groups, identified by standard industry classification (SIC) codes.

Michigan International Speedway. Notwithstanding any other provision of law to the contrary, a portion of the Michigan Promotion Fund would have to be used to promote annual motor sports events at a motor sports facility that participates in tourism promotion and has over 70,000 fixed seats for race patrons.

Tourism businesses. The term "sale of tourist-oriented goods and services" would mean sales by "tourism businesses." The term "tourism businesses" would mean those businesses registered with the Department of Treasury under specified SIC codes.<sup>1</sup> Generally, they comprise:

- Eating places and places where alcohol is consumed.
- Hotels and motels.

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<sup>1</sup> The 14 SIC codes are: 581 (Class C tavern with liquor, food incidental), 582 (tavern with beer/wine only, food incidental), 583 (night clubs, cabarets, discotheques), 584 (hotel dining rooms), 585 (family restaurants and cafeterias), 586 (lunch counters, dairy bars, fast food, pizzerias), 587 (caterers, concessions, food vending machines), 701 (hotels, motels, and tourist courts), 702 (rooming & boarding houses, bed and breakfasts), 703 (trailer parks & camps), 751 (car & truck rentals, without drivers), 792 (theatrical producers, bands, orchestras & entertainers), 794 (sports promoters & commercial operators, miscellaneous amusement & recreation services, health spas & gyms), and 842 (botanical and zoological gardens). The United States Department of Labor no longer uses these codes (it has moved to the 5-digit NAIC system), but when a Michigan business is created, it still registers for business taxes under a SIC code.

- Rooming and boarding houses.
- Camps and RV parks.
- Automotive and truck rental (without drivers).
- Theaters (except motion pictures), orchestras, and entertainers.
- Commercial sports promotions, recreation services, spas, and gyms.
- Botanical and zoological gardens.

Return-on-investment study. On January 1, 2013, and every three years thereafter, the MEDC would have to commission a return-on-investment study with an independent private entity, covering the three previous three calendar years, to be reported to both chambers of the Legislature and the Governor by July 1 of the year it was commissioned. If this study were not reported by July 1, or if fund disbursements had a return on investment of less than one for one, then the Department of Treasury would have to stop sending the specified use tax distributions to the fund on January 1 of the following year.

Tie-bars. The bill is tie-barred to House Bills 5017 (rental car assessment), 5018 (Promotion Fund), 5089 (sales tax collections), and 5909 (\$20 million loan), meaning that it will not take effect unless each of those bills is enacted into law. [Note: Rep. Stamas introduced an amendment on March 9, 2010, to delete the tie-bars.]

MCL 205.111

#### **FISCAL IMPACT:**

Senate Bill 619 concerns the allocation of a portion of annual use tax collections to the Michigan Promotion Fund. House Bill 5089, as passed the House on December 17, 2009, deals with sales tax collections. After removing the amount that is earmarked by the State Constitution, the increase in revenue from the first four percent of sales and use taxes levied on the designated businesses was approximately \$8 million from FY 2007 to FY 2008. (Based on previous analyses of HBs 5088-5089.)

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.