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BILL ANALYSIS

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House Bill 4906 (as reported without amendment)
Sponsor: Representative Kate Ebli
House Committee: Tax Policy
Senate Committee: Finance

CONTENT

The bill would amend the Streamlined Sales and Use Tax Administration Act to establish a process for addressing the incorrect classification of an item or transaction as to its taxability.

Under the Act, if a seller registers to participate in the streamlined sales and use tax system, the seller may use a certified service provider (CSP) to perform all of the seller's sales and use tax collection functions (other than its obligation to remit sales or use tax on its own purchases). A registered seller also may use a certified automated system to perform a portion of its sales and use tax collection functions, but the seller remains responsible for remitting taxes.

Under the bill, if the Department of Treasury determined that an item or transaction was incorrectly classified as to its taxability by a certified service provider or by a seller using a certified automated system, the Department would have to notify that CSP or seller of the incorrect classification. The CSP or seller would have to revise the classification within 10 days after receiving the notice. If the classification were not changed within that time frame, the CSP or seller would be liable for the failure to collect the correct amount of sales or use tax due to the State.

MCL 205.825

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would make a technical change to the Streamlined Sales and Use Tax Administration Act needed to bring Michigan into compliance with the Streamlined Sales and Use Tax Agreement. It is estimated that any negative revenue repercussions that would result due to this bill would be very minimal. In FY 2007-08, Michigan collected \$12.2 million from registered businesses under the Streamlined Sales and Use Tax Agreement and early indications are that these collections will be higher in FY 2008-09.

The bill would have no fiscal impact on the Department of Treasury.

Date Completed: 9-18-09

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