

Legislative Analysis



TAX EXEMPTIONS FOR CERTAIN FULLY AUTOMATED CONSUMER GOODS HANDLING SYSTEMS

Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 6196 as introduced
Sponsor: Rep. Jason M. Sheppard

Analysis available at
<http://www.legislature.mi.gov>

House Bill 6197 as introduced
Sponsor: Rep. Joe Tate

House Bill 6198 (proposed substitute H-1)
Sponsor: Rep. Mark E. Huizenga

Committee: Tax Policy
Complete to 12-1-20

SUMMARY:

House Bills 6196, 6197, and 6198 would respectively amend the General Sales Tax Act, the Use Tax Act, and the General Property Tax Act to exempt certain fully automated consumer goods handling systems (as defined in the bills) from the taxes imposed under those acts.

House Bill 6196 would amend the General Sales Tax Act to provide that, beginning January 1, 2021, the sale of a *fully automated consumer goods handling system* or *system parts* to a *wholesaler* for fulfillment of orders to persons engaged in the business of making sales at retail of *consumer goods* is exempt from the tax under that act.

Fully automated consumer goods handling system would mean a fully automated, integrated goods handling system that separates, sorts, temporarily stores, recombines, and assembles palletized units of consumer goods and that occupies not less than 190,000 square feet of space in a facility owned, leased, or used by a wholesaler.

Consumer goods would mean finished goods for use primarily for personal, family, or household purposes.

Wholesaler would mean a person that purchases consumer goods from a manufacturer, producer, or other supplier and sells those consumer goods to another person for sale at retail.

System parts would mean supply chain optimization machinery, equipment, repair parts, and computer software that are component parts of a fully automated consumer goods handling system.

MCL 205.54gg

House Bill 6197 would amend the Use Tax Act to provide that, beginning January 1, 2021, the tax imposed under that act does not apply to the storage, use, or consumption of a fully automated consumer goods handling system or system parts by a wholesaler for fulfillment of orders to persons engaged in the business of making sales at retail of consumer goods.

The bill would use the same definitions for the same terms as House Bill 6196, above.

MCL 205.94gg

House Bill 6198 would amend the General Property Tax Act to provide, beginning January 1, 2021, that personal property comprising a *fully automated consumer goods handling system* that occupies at least 190,000 square feet of a facility owned, leased, or used by a wholesaler is exempt from the collection of taxes under that act.

Fully automated consumer goods handling system would mean supply chain optimization machinery, equipment, repair or replacement parts, and software that are component parts of a fully automated integrated goods handling system that separates, sorts, temporarily stores, recombines, and assembles palletized units of consumer goods.

Proposed MCL 211.9h

FISCAL IMPACT:

The bills would reduce sales and use tax revenue by an unknown amount because the number of fully automated consumer goods handling systems implemented in the future, along with the magnitude of the capital investment, cannot be determined. In addition, revenue lost from a personal property tax exemption cannot be estimated for the same reasons, as well as not knowing the applicable millage rates.

Approximately 73% of any reduction in sales tax collections would be borne by the School Aid Fund (SAF), and constitutional revenue sharing to cities, villages, and townships would decline by about 10% of the revenue loss. The SAF would also be reduced by virtue of the personal property tax exemption and a reduction in state education tax (SET) collections dedicated to the SAF. The remaining personal property tax loss would be borne by local taxing authorities.

It should be noted that, while the sales/use tax exemption is a one-time loss, the exemption from personal property taxes will continue annually over the useful life of the investment, albeit at declining annual amounts. In addition, while existing facilities would not benefit from the sales/use tax exemption, the personal property tax exemption would apply to existing equipment.

Purely as an example, with a \$100.0 million capital investment, sales tax revenue would decline by \$6.0 million and SET collections would decline by \$600,000 the first year. Overall SAF revenue would decrease by almost \$5.0 million.

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