



Senate Fiscal Agency
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Senate Bills 1178 through 1180 (as introduced 10-1-20)
Sponsor: Senator Wayne Schmidt (S.B. 1178)
Senator Peter MacGregor (S.B. 1179)
Senator Curtis Hertel Jr. (S.B. 1180)
Committee: Economic and Small Business Development

Date Completed: 12-2-20

CONTENT

Senate Bill 1178 would amend the General Sales Tax Act to exempt from the tax under the Act the sale of an automated consumer goods micro-fulfillment system or system parts to a retailer, beginning January 1, 2021.

Senate Bill 1179 would amend the General Property Tax Act to exempt from the collection of taxes under the Act personal property comprising an automated consumer goods micro-fulfillment system.

Senate Bill 1180 would amend the Use Tax Act to specify that the tax under the Act would not apply to the storage, use, or consumption of an automated consumer goods micro-fulfillment system or system parts by a retailer beginning January 1, 2021.

Senate Bill 1178

Under the bill, beginning January 1, 2021, the sale of an automated consumer goods micro-fulfillment system or system parts to a retailer would be exempt from the tax under the General Sales Tax Act.

The bill would define "automated consumer goods micro-fulfillment system" as an automated goods-handling system that temporarily stores, selects, retrieves, assembles, and stages consumer goods ordered by a consumer for delivery to the consumer or distribution to a retail store where the goods are picked up by the consumer and that occupies at least 10,000 square feet of space in a building in which at least half of the building's square footage is used as an operating retail store and is owned, leased, or used by a retailer. "Consumer goods" would mean finished goods for use primarily for personal, family, or household purposes.

"System parts" would mean machinery, equipment, repair parts, and computer software that are component parts of an automated consumer goods micro-fulfillment system.

Senate Bill 1179

Under the bill, personal property comprising an automated consumer goods micro-fulfillment system would be exempt from the collection of taxes under the General Property Tax Act.

The bill would define "automated consumer goods micro-fulfillment system" and "consumer goods" as those terms would be defined in Senate Bill 1178.

Senate Bill 1180

Under the bill, beginning January 1, 2021, the tax under the Use Tax Act would not apply to the storage, use, or consumption of an automated consumer goods micro-fulfillment system or system parts by a retailer.

The bill would define "automated consumer goods micro-fulfillment system", "consumer goods", and "system parts" as those terms would be defined in Senate Bill 1178.

Proposed MCL 205.54hh (S.B. 1178)

Legislative Analyst: Tyler VanHuyse

Proposed MCL 211.9p (S.B. 1179)

Proposed MCL 205.94hh (S.B. 1180)

FISCAL IMPACT

Senate Bills 1178 & 1180

The bills would reduce sales and use tax revenue by an indeterminate amount that would depend on the number of micro-fulfillment systems eligible for the exemptions that were sold or constructed and the cost of the facilities or any system parts. The Department of Treasury estimates the bills would reduce sales and tax revenue by approximately \$400,000 in fiscal year (FY) 2020-21 and \$2.1 million in FY 2021-22, based on an assumption of two units being constructed in FY 2020-21 and 10 units being constructed in FY 2021-22, at a cost of approximately \$3.0 million to 4.0 million each.

The distribution of any revenue loss would depend on the magnitude of the losses that occurred under the sales tax compared to losses under the use tax. Cities, villages, and townships receive 10% of sales tax revenue in the form of constitutional revenue sharing payments. Approximately 73.3% of sales tax revenue is directed to the School Aid Fund, with the remaining sales tax revenue directed to the General Fund. The School Aid Fund receives one-third of use tax revenue, while any remaining use tax revenue is directed to the General Fund.

Senate Bill 1179

The bill would have a negative fiscal impact on the State and local governments. An additional property tax exemption would reduce local property tax revenue and State School Aid Fund revenue from the State Education Tax, and would increase the State cost of the foundation allowance, if the per pupil foundation allowance were maintained. The cost would depend on the taxable value of the personal property that received an exemption and the millage rate of the affected jurisdictions.

Fiscal Analyst: David 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.