

Legislative Analysis



SALES TAX ON "CORE CHARGE"

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

Senate Bill 883

Sponsor: Sen. Nancy Cassis

House Committee: Tax Policy

Senate Committee: Finance

Complete to 6-15-10

A SUMMARY OF SENATE BILL 883 AS PASSED BY THE SENATE 1-27-10

The bill would amend the Streamlined Sales and Use Tax Revenue Equalization Act to allow a refund of the sales tax paid on a "core charge" attributable to a recycling fee, deposit, or disposal fee for a component, part, or battery for heavy earthmoving equipment.

A person who paid sales tax on such a core charge could calculate a credit and seek a refund from the Department of Treasury in an amount equal to the sales tax paid.

According to information from the Senate Fiscal Agency, individuals who use heavy earthmoving equipment commonly purchase remanufactured "core" parts rather than replacing worn-out components with new ones or repairing the old cores. When a rebuilt core is purchased, the business selling it not only charges for that part but also imposes a "core charge," so as to encourage the customer to bring in the worn-out part. (The old part can remachined and resold.) The core charge typically is equivalent to the price of the rebuilt part, and the seller must collect sales tax on both amounts. When the customer brings in the old core, the seller then refunds the core charge but is not able to return the sales tax collected on it. The bill would permit that refund.

MCL 205.184a

FISCAL IMPACT:

As written, the bill would reduce sales tax revenue by an indeterminate, but likely small, amount. The majority of sales tax revenue is earmarked to the School Aid Fund and local revenue sharing. The remainder primarily accrues to the General Fund.

Legislative Analyst: Chris Couch
Fiscal Analyst: Jim Stansell

■ 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.