

Legislative Analysis



SALES AND USE TAX: REDUCE COLLECTION ALLOWANCES

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

House Bills 5421 & 5422
Sponsor: Rep. Mark Meadows
Committee: Tax Policy

Complete to 4-20-10

A SUMMARY OF HOUSE BILLS 5421 & 5422 AS INTRODUCED 9-17-09

The bills would reduce the sales and use tax collection allowances for sellers.

Generally speaking, sellers or taxpayers can retain 0.75 percent of the tax due at the rate of four percent (not to exceed \$20,000) if proceeds are remitted by the 12th of the month or 0.50 percent of the tax at the rate of four percent (not to exceed \$15,000) if proceeds are remitted from the 13th through the 20th of the month. A 0.50 percent allowance also applies to sellers who must remit one-half of the previous month's liability by electronic funds transfer by the 20th of the month due to the size of their liability. (0.50 percent is one-half of one percent.)

The bills would reduce the collection allowance after September 30, 2009, to 0.60 percent of the tax due at the rate of four percent (not to exceed \$16,000) for proceeds remitted by the 12th or 0.40 percent (not to exceed \$12,000) for proceeds remitted from the 13th through the 20th.

House Bill 5421 would amend the General Sales Tax Act (MCL 205.54). House Bill 5422 would amend the Use Tax Act (MCL 205.94f).

FISCAL IMPACT:

The bills would increase sales and use tax revenue by an estimated \$5.8 million. Sales and use tax revenue constitutionally earmarked to the School Aid Fund would increase by \$4.3 million while General Fund revenue would increase by \$1.5 million.

Legislative Analyst: Chris Couch
Fiscal Analyst: Jim Stansell

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