Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 264 (Substitute S-1 as reported)
House Bill 4804 (Substitute S-1 as reported)
Sponsor: Senator Dave Hildenbrand (S.B. 264)
Representative Roy Schmidt (H.B. 4804)
Senate Committee: Finance
House Committee: Tax Policy (H.B. 4804)

CONTENT

Senate Bill 264 (S-1) and House Bill 4804 (S-1) would amend the Use Tax Act and the General Sales Tax Act, respectively, to revise the calculation of the monthly payment required of taxpayers that are subject to an accelerated payment schedule, beginning January 1, 2014.

Under each Act, an accelerated payment schedule applies to a taxpayer whose its total sales or use tax liability in the previous year was $720,000 or more (after the subtraction of certain payments). By the 20th day and the last day of the month, the taxpayer must pay amounts equal to 50% of its liability for the same month in the prior year or 50% of the actual liability for the month being reported, whichever is less. The taxpayer also must make a reconciliation payment by the 20th day of the month, if its prior month's payment was insufficient.

Public Acts 117 and 118 of 2012 amended the Use Tax Act and the General Sales Tax Act, respectively, to revise these requirements. Beginning January 1, 2014, a taxpayer will have to pay, by the 20th day of each month, an amount equal to 75% of its sales or use tax liability in the previous month, plus a reconciliation payment equal to the difference between the tax liability determined for that month and the amount previously paid for the month. The amendments also allow a taxpayer to make a single payment for the tax due under both Acts.

Under the bills, a taxpayer's monthly payment would have to be an amount equal to 75% of the taxpayer's sales or use tax liability in the previous month *or* 75% of its liability for the same month in the previous calendar year, whichever was less, plus a reconciliation payment.

MCL 205.96 (S.B. 264) Legislative Analyst: Suzanne Lowe
205.56 (H.B. 4804)

FISCAL IMPACT

The bills would alter the timing of sales and use tax receipts. The bills would require taxpayers with an annual sales or use tax liability, after subtracting sales and use taxes on motor vehicles, of $720,000 or more, to remit their monthly tax payments according to a different formula, as described above.

The bills would not affect the total liability but would affect the timing of payments by allowing these taxpayers to opt to submit a payment of 75% of the prior-year liability for the same month rather than 75% of the liability in the preceding month. The reconciliation amount would still be required in the following month. As a result of the bills, for taxpayers exercising this option, the portion of the payment that is not a reconciliation payment would always be less than under current law. However, the impact on the reconciliation portion of the payment would be larger than under current law. The net impact of the two changes is unknown. The State earns interests on its cash balances and to the extent that the bills would increase the interest earnings on the accelerated portion, and reduce interest earnings on the reconciliation portion, the State would earn less interest on tax receipts. The impact is unknown, but given current interest rates, would likely be minimal or negligible.

Date Completed: 9-19-12 Fiscal Analyst: David Zin