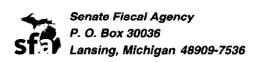
SALES TAX: ADVERTISING H.B. 4452 (H-3): FLOOR ANALYSIS





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House Bill 4452 (Substitute H-3 as reported without amendment)

Sponsor: Representative Willis Bullard, Jr.

House Committee: Tax Policy Senate Committee: Finance

CONTENT

The bill would amend the General Sales Tax Act to provide an exemption from the sales tax for a "commercial advertising element"; that is, a negative or positive photographic image; audiotape or videotape master; layout; manuscript; writing of copy; design; artwork; illustration; retouching; and mechanical or keyline instructions.

To be tax exempt under the bill, a commercial advertising element would have to be used to create or develop a print, radio, television, or other advertisement; be discarded or returned to the provider after the advertising message was completed; and be custom developed by the provider for the purchaser.

Black and white or full color process separation elements, an audiotape reproduction, or a videotape reproduction would be subject to the sales tax.

MCL 205.51 Legislative Analyst: G. Towne

FISCAL IMPACT

House Bills 4452 (H-3) and 4453 (H-3) would reduce sales and use tax revenue by an estimated \$3.5 million in FY 1995-96, based on information from the Department of Treasury. It is estimated that the impact of these proposed changes would fall almost entirely on the sales tax, and therefore the estimated \$3.5 million loss in revenue would affect the following budget areas: School Aid Fund revenue would be reduced by \$2.5 million, General Fund/General Purpose revenue would be decreased by \$0.6 million, and revenue sharing payments to cities, villages and townships would be reduced by \$0.4 million.

Date Completed: 11-8-95 Fiscal Analyst: J. Wortley

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