



Senate Fiscal Agency
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BILL



ANALYSIS

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House Bill 4452 (Substitute H-3)
House Bill 4453 (Substitute H-3)
Sponsor: Representative Willis Bullard, Jr. (H.B. 4452)
Representative Kirk Profit (H.B. 4453)
House Committee: Tax Policy
Senate Committee: Finance

Date Completed: 11-7-95

SUMMARY OF HOUSE BILLS 4452 (Substitute H-3) and 4453 (Substitute H-3) as passed by the House:

House Bill 4452 (H-3) would amend the General Sales Tax Act and House Bill 4453 (H-3) would amend the Use Tax Act to provide exemptions from the sales and use taxes 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 bills, 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 or use tax.

MCL 205.51 (H.B. 4452)
205.92 (H.B. 4453)

Legislative Analyst: G. Towne

FISCAL IMPACT

These bills 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.

Fiscal Analyst: J. Wortley

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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.