



**House  
Legislative  
Analysis  
Section**

House Office Building, 9 South  
Lansing, Michigan 48909  
Phone: 517/373-6466

**EXTEND EQUITABLE SALES AND  
USE TAX ADMINISTRATION ACT**

**Senate Bill 1419 as passed by the Senate  
First Analysis (12-10-02)**

**Sponsor: Sen. Joanne G. Emmons  
House Committee: Commerce  
Senate Committee: Finance**

***THE APPARENT PROBLEM:***

The intent of Public Act 122 of 2001, known as the Equitable Sales and Use Tax Administration Act, was to allow the state of Michigan to participate fully in the streamlined sales tax project (SSTP). This project is an attempt to simplify and modernize the collection and administration of sales and use taxes in the various states in response to the increase in "remote sales" resulting from the use of the Internet. (The project has a web site at [www.streamlinedsalestax.org](http://www.streamlinedsalestax.org).) The project's stated aim is to reduce the burden of tax compliance. On November 12, 2002, the state streamlined sales tax implementing states (SSTIS) announced that representatives of 33 states and the District of Columbia had "voted to approve a multi-state agreement to simplify the nation's sales tax laws by establishing one uniform system to administer and collect sales taxes on nearly \$3.5 trillion in retail transactions annually" (See Background Information).

The press release from SSTIS says that "working with the business community, the SSTP developed measures to design, test, and implement a system that radically simplifies the sales and use tax collection and administration by retailers and the states. The simplified system reduces the number of sales tax rates, brings uniformity to definitions of items in the sales tax base, significantly reduces the paperwork burden on retailers, and incorporates new technology to modernize many administrative procedures. A pilot project to test the collaboration mechanisms of the new system has been in operation for approximately one year".

As the SSTIS notes, at this point activities move to the state level, where state legislatures can choose whether to implement the agreement. The agreement would not become binding on any state, however, unless 10 states constituting 20 percent of the total population of states with a sales tax have approved the agreement. Public Act 122 contains a sunset date

of December 31, 2002. This needs to be extended to allow the planning process to continue for a short time longer.

***THE CONTENT OF THE BILL:***

The bill would amend the Equitable Sales and Use Tax Administration Act to provide that the act would be repealed on January 1, 2004 rather than December 31, 2002.

MCL 205.167

***BACKGROUND INFORMATION:***

For additional information on the Equitable Sales and Use Tax Administration Act, see the analysis of House Bill 5080 by the House Legislative Analysis Section dated 9-25-01.

***FISCAL IMPLICATIONS:***

The Senate Fiscal Agency reports that the bill would have no fiscal impact on the state or on local units of government. The agency notes that currently the state is not collecting anywhere between \$100 million and \$300 million in sales and use taxes from taxable Internet and mail order transactions. The SFA says, "the bill would allow Michigan to continue to participate in [the] multistate effort to develop a workable solution to this collection problem". (SFA floor analysis dated 11-13-02)

***ARGUMENTS:***

***For:***

The bill would simply extend the sunset in the act that permits the state to be an active participant in the ongoing development of a uniform simplified sales and use tax collection and administration system for use by the states. While an agreement on such a

Senate Bill 1419 (12-10-02)

system has reportedly been reached by participating states, it is important to note that no change in Michigan's tax laws can be made without legislative action.

***POSITIONS:***

The Department of Treasury supports the bill. (12-9-02)

Analyst: C. Couch

---

■ 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.