



Senate Fiscal Agency
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Senate Bills 335 and 336 (as introduced 4-26-11)
Sponsor: Senator John Pappageorge (S.B. 335)
Senator John Proos (S.B. 336)
Committee: Finance

Date Completed: 5-18-11

CONTENT

Senate Bills 335 and 336 would amend the General Sales Tax Act and the Use Tax Act, respectively, to exclude from the definition of "prewritten computer software" granting the right to use prewritten software installed on another person's server.

The Acts impose a 6% tax on the sale or consumption of tangible personal property, and each Act's definition of "tangible personal property" includes prewritten computer software. The Acts define "prewritten computer software" as computer software, including prewritten upgrades, that is delivered by any means and that is not designed and developed by the author or other creator to the specifications of a specific purchaser. Under the bills, the term would not include granting the right to use prewritten software installed on another person's server.

Each bill states that the amendment "is curative and is intended to express the original intent of the legislature concerning the taxation of prewritten computer software" under the Act.

MCL 205.51a (S.B. 335)
205.92b (S.B. 336)

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bills would reduce State revenue by an unknown amount that would likely increase over time. According to the Michigan Department of Treasury, the revenue loss in FY 2011-12 would total approximately \$5.0 million to \$8.0 million. To the extent that the industry activity that would be affected by the bills increases in future years, the revenue loss would be larger. The loss would affect General Fund revenue, School Aid Fund revenue, and revenue sharing to local units of government, with the relative impact across the funds depending on the relative magnitude of the reduction in sales tax revenue compared with the reduction in use tax revenue.

Fiscal Analyst: David Zin

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