

SENATE SUBSTITUTE FOR
HOUSE BILL NO. 6026

A bill to amend 1937 PA 94, entitled
"Use tax act,"
by amending sections 3, 19, and 21 (MCL 205.93, 205.109, and
205.111), section 3 as amended by 2007 PA 103, section 19 as added
by 2004 PA 172, and section 21 as amended by 2010 PA 37, and by
adding sections 2c and 10a.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 SEC. 2C. AS USED IN THIS ACT:

2 (A) "AUTHORITY" MEANS THE METROPOLITAN AREAS METROPOLITAN
3 AUTHORITY CREATED UNDER THE MICHIGAN METROPOLITAN AREAS
4 METROPOLITAN AUTHORITY ACT.

5 (B) "BASIC SCHOOL OPERATING MILLS" MEANS SCHOOL OPERATING
6 MILLS USED TO CALCULATE THE STATE PORTION OF A LOCAL SCHOOL

1 DISTRICT'S FOUNDATION ALLOWANCE UNDER SECTION 20 OF THE STATE
2 SCHOOL AID ACT OF 1979, 1979 PA 94, MCL 388.1620, AND LEVIED UNDER
3 SECTION 1211 OF THE REVISED SCHOOL CODE, 1976 PA 451, MCL 380.1211,
4 BY A LOCAL SCHOOL DISTRICT THAT RECEIVES FROM THIS STATE A PORTION
5 OF ITS FOUNDATION ALLOWANCE, AS CALCULATED UNDER SECTION 20(4) OF
6 THE STATE SCHOOL AID ACT OF 1979, 1979 PA 94, MCL 388.1620.

7 (C) "METROPOLITAN AREAS COMPONENT" MEANS THE METROPOLITAN
8 AREAS COMPONENT TAX DESCRIBED IN SECTION 3(5) AND INCLUDED IN THE
9 SPECIFIC TAX LEVIED UNDER SECTION 3(1).

10 (D) "STATE COMPONENT" MEANS THE STATE COMPONENT TAX DESCRIBED
11 IN SECTION 3(5) AND INCLUDED IN THE SPECIFIC TAX LEVIED UNDER
12 SECTION 3(1).

13 (E) "STATE FISCAL YEAR" MEANS THE ANNUAL PERIOD FISCAL
14 BEGINNING ON OCTOBER 1 OF EACH YEAR AND ENDING ON SEPTEMBER 30 IN
15 THE IMMEDIATELY SUCCEEDING YEAR.

16 Sec. 3. (1) There is levied upon and there shall be collected
17 from every person in this state a specific tax for the privilege of
18 using, storing, or consuming tangible personal property in this
19 state at a **TOTAL** rate equal to 6% of the price of the property or
20 services specified in section 3a or 3b. The tax levied under this
21 act applies to a person who acquires tangible personal property or
22 services that are subject to the tax levied under this act for any
23 tax-exempt use who subsequently converts the tangible personal
24 property or service to a taxable use, including an interim taxable
25 use. If tangible personal property or services are converted to a
26 taxable use, the tax levied under this act shall be imposed without
27 regard to any subsequent tax-exempt use. Penalties and interest

1 shall be added to the tax if applicable as provided in this act.
2 For the purpose of the proper administration of this act and to
3 prevent the evasion of the tax, all of the following shall be
4 presumed:

5 (a) That tangible personal property purchased is subject to
6 the tax if brought into this state within 90 days of the purchase
7 date and is considered as acquired for storage, use, or other
8 consumption in this state.

9 (b) That tangible personal property used solely for personal,
10 nonbusiness purposes that is purchased outside of this state and
11 that is not an aircraft is exempt from the tax levied under this
12 act if 1 or more of the following conditions are satisfied:

13 (i) The property is purchased by a person who is not a resident
14 of this state at the time of purchase and is brought into this
15 state more than 90 days after the date of purchase.

16 (ii) The property is purchased by a person who is a resident of
17 this state at the time of purchase and is brought into this state
18 more than 360 days after the date of purchase.

19 (2) The tax imposed by this section for the privilege of
20 using, storing, or consuming a vehicle, ORV, manufactured housing,
21 aircraft, snowmobile, or watercraft shall be collected before the
22 transfer of the vehicle, ORV, manufactured housing, aircraft,
23 snowmobile, or watercraft, except a transfer to a licensed dealer
24 or retailer for purposes of resale that arises by reason of a
25 transaction made by a person who does not transfer vehicles, ORVs,
26 manufactured housing, aircraft, snowmobiles, or watercraft in the
27 ordinary course of his or her business done in this state. The tax

1 on a vehicle, ORV, snowmobile, and watercraft shall be collected by
2 the secretary of state before the transfer of the vehicle, ORV,
3 snowmobile, or watercraft registration. The tax on manufactured
4 housing shall be collected by the department of ~~consumer and~~
5 ~~industry services~~ **LICENSING AND REGULATORY AFFAIRS**, mobile home
6 commission, or its agent before the transfer of the certificate of
7 title. The tax on an aircraft shall be collected by the department
8 of treasury. The price tax base of a new or previously owned car or
9 truck held for resale by a dealer and that is not exempt under
10 section 4(1)(c) is the purchase price of the car or truck
11 multiplied by 2.5% plus \$30.00 per month beginning with the month
12 that the dealer uses the car or truck in a nonexempt manner.

13 (3) The following transfers or purchases are not subject to
14 use tax:

15 (a) A transaction or a portion of a transaction if the
16 transferee or purchaser is the spouse, mother, father, brother,
17 sister, child, stepparent, stepchild, stepbrother, stepsister,
18 grandparent, grandchild, legal ward, or a legally appointed
19 guardian with a certified letter of guardianship, of the
20 transferor.

21 (b) A transaction or a portion of a transaction if the
22 transfer is a gift to a beneficiary in the administration of an
23 estate.

24 (c) If a vehicle, ORV, manufactured housing, aircraft,
25 snowmobile, or watercraft that has once been subjected to the
26 Michigan sales or use tax is transferred in connection with the
27 organization, reorganization, dissolution, or partial liquidation

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1 of an incorporated or unincorporated business and the beneficial
2 ownership is not changed.

3 (d) If an insurance company licensed to conduct business in
4 this state acquires ownership of a late model distressed vehicle as
5 defined in section 12a of the Michigan vehicle code, 1949 PA 300,
6 MCL 257.12a, through payment of damages in response to a claim or
7 when the person who owned the vehicle before the insurance company
8 reacquires ownership from the company as part of the settlement of
9 a claim.

10 (4) The department may utilize the services, information, or
11 records of any other department or agency of state government **OR OF**
12 **THE AUTHORITY** in the performance of its duties under this act, and
13 other departments or agencies of state government **AND THE AUTHORITY**
14 are required to furnish those services, information, or records
15 upon the request of the department.

16 (5) ~~Any decrease in the rate of the tax levied under~~
17 ~~subsection (1) on services subject to tax under this act shall~~
18 ~~apply only to billings rendered on or after the effective date of~~
19 ~~the decrease.~~ **BEGINNING ON OCTOBER 1, 2015, THE SPECIFIC TAX LEVIED**
20 **UNDER SUBSECTION (1) INCLUDES BOTH A STATE COMPONENT TAX LEVIED BY**
21 **THIS STATE AND A METROPOLITAN AREAS COMPONENT TAX LEVIED BY THE**
22 **AUTHORITY AT THE FOLLOWING RATES IN EACH OF THE FOLLOWING STATE**
23 **FISCAL YEARS:**

24 (A) **FOR FISCAL YEAR 2015-2016, THE METROPOLITAN AREAS**
25 **COMPONENT RATE IS THAT RATE CALCULATED BY THE DEPARTMENT OF**
26 **TREASURY SUFFICIENT TO GENERATE <<\$41,700,000.00>> IN REVENUE AND THE**
27 **STATE COMPONENT RATE IS THAT RATE DETERMINED BY SUBTRACTING THE**

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1 METROPOLITAN AREAS COMPONENT RATE FROM 6%.

2 (B) FOR FISCAL YEAR 2016-2017, THE METROPOLITAN AREAS
3 COMPONENT RATE IS THAT RATE CALCULATED BY THE DEPARTMENT OF
4 TREASURY SUFFICIENT TO GENERATE <<\$257,500,000.00>> IN REVENUE AND THE
5 STATE COMPONENT RATE IS THAT RATE DETERMINED BY SUBTRACTING THE
6 METROPOLITAN AREAS COMPONENT RATE FROM 6%.

7 (C) FOR FISCAL YEAR 2017-2018, THE METROPOLITAN AREAS
8 COMPONENT RATE IS THAT RATE CALCULATED BY THE DEPARTMENT OF
9 TREASURY SUFFICIENT TO GENERATE <<\$277,100,000.00>> IN REVENUE AND THE
10 STATE COMPONENT RATE IS THAT RATE DETERMINED BY SUBTRACTING THE
11 METROPOLITAN AREAS COMPONENT RATE FROM 6%.

12 (D) FOR FISCAL YEAR 2018-2019, THE METROPOLITAN AREAS
13 COMPONENT RATE IS THAT RATE CALCULATED BY THE DEPARTMENT OF
14 TREASURY SUFFICIENT TO GENERATE <<\$293,800,000.00>> IN REVENUE AND THE
15 STATE COMPONENT RATE IS THAT RATE DETERMINED BY SUBTRACTING THE
16 METROPOLITAN AREAS COMPONENT RATE FROM 6%.

17 (E) FOR FISCAL YEAR 2019-2020, THE METROPOLITAN AREAS
18 COMPONENT RATE IS THAT RATE CALCULATED BY THE DEPARTMENT OF
19 TREASURY SUFFICIENT TO GENERATE <<\$311,300,000.00>> IN REVENUE AND THE
20 STATE COMPONENT RATE IS THAT RATE DETERMINED BY SUBTRACTING THE
21 METROPOLITAN AREAS COMPONENT RATE FROM 6%.

22 (F) FOR FISCAL YEAR 2020-2021, THE METROPOLITAN AREAS
23 COMPONENT RATE IS THAT RATE CALCULATED BY THE DEPARTMENT OF
24 TREASURY SUFFICIENT TO GENERATE <<\$326,800,000.00>> IN REVENUE AND THE
25 STATE COMPONENT RATE IS THAT RATE DETERMINED BY SUBTRACTING THE
26 METROPOLITAN AREAS COMPONENT RATE FROM 6%.

27 (G) FOR FISCAL YEAR 2021-2022, THE METROPOLITAN AREAS

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1 COMPONENT RATE IS THAT RATE CALCULATED BY THE DEPARTMENT OF
2 TREASURY SUFFICIENT TO GENERATE <<\$345,200,000.00>> IN REVENUE AND THE
3 STATE COMPONENT RATE IS THAT RATE DETERMINED BY SUBTRACTING THE
4 METROPOLITAN AREAS COMPONENT RATE FROM 6%.

<<(H) FOR FISCAL YEAR 2022-2023, THE METROPOLITAN AREAS COMPONENT
RATE IS THAT RATE CALCULATED BY THE DEPARTMENT OF TREASURY SUFFICIENT TO
GENERATE \$362,400,000.00 IN REVENUE AND THE STATE COMPONENT RATE IS
THAT RATE DETERMINED BY SUBTRACTING THE METROPOLITAN AREAS COMPONENT
RATE FROM 6%.

5 (I)>> FOR FISCAL YEAR <<2023-2024>> AND EACH FISCAL YEAR
THEREAFTER,
6 THE METROPOLITAN AREAS COMPONENT RATE IS THAT RATE CALCULATED BY
7 THE DEPARTMENT OF TREASURY SUFFICIENT TO GENERATE THE AMOUNT
8 DISTRIBUTED UNDER THIS SECTION IN THE IMMEDIATELY PRECEDING YEAR
9 ADJUSTED BY AN INDUSTRIAL AND COMMERCIAL PERSONAL PROPERTY GROWTH
10 FACTOR CALCULATED BY THE DEPARTMENT OF TREASURY AND THE STATE
11 COMPONENT RATE IS THAT RATE DETERMINED BY SUBTRACTING THE
12 METROPOLITAN AREAS COMPONENT RATE FROM 6%.

13 (6) THE STATE COMPONENT INCLUDES THE PORTION OF THE USE TAX
14 IMPOSED AT THE ADDITIONAL RATE OF 2% APPROVED BY THE ELECTORS OF
15 THIS STATE ON MARCH 15, 1994 AND DEDICATED FOR AID TO SCHOOLS UNDER
16 SECTION 21(2). THE METROPOLITAN AREAS COMPONENT DOES NOT INCLUDE
17 THE PORTION OF THE USE TAX IMPOSED AT THE ADDITIONAL RATE OF 2%
18 APPROVED BY THE ELECTORS OF THIS STATE ON MARCH 15, 1994.

19 (7) THE TOTAL COMBINED RATE OF THE TAX LEVIED BY THIS STATE
20 AND THE AUTHORITY UNDER THIS ACT, INCLUDING BOTH THE STATE
21 COMPONENT AND THE METROPOLITAN AREAS COMPONENT, SHALL NOT EXCEED
22 6%.

23 SEC 10A. THE DEPARTMENT SHALL ADMINISTER UNDER THIS ACT AND
24 UNDER 1941 PA 22, MCL 205.1 TO 205.31, THE RECEIPT AND COLLECTION
25 OF THE METROPOLITAN AREAS COMPONENT ON BEHALF OF THE AUTHORITY AS
26 AN AGENT OF THE AUTHORITY. THE DEPARTMENT MAY ENTER INTO AN
27 AGREEMENT WITH THE AUTHORITY RELATING TO THE RECEIPT AND COLLECTION

1 OF THE METROPOLITAN AREAS COMPONENT AND THE PAYMENT OF AUTHORITY
 2 REVENUE GENERATED BY THE METROPOLITAN AREAS COMPONENT TO THE
 3 AUTHORITY.

4 Sec. 19. The tax collected by the seller from the consumer or
 5 lessee under this act is for the benefit of this state, **THE**
 6 **AUTHORITY, AND THE METROPOLITAN AREAS OF THIS STATE** and a person
 7 other than this state, **THE AUTHORITY, AND THE METROPOLITAN AREAS OF**
 8 **THIS STATE** shall not derive a benefit from the collection or
 9 payment of this tax.

10 Sec. 21. (1) Except as provided in subsections (2), ~~and (3),~~
 11 **AND (4),** all money received and collected under this act shall be
 12 deposited by the department of treasury in the state treasury to
 13 the credit of the general fund, to be disbursed only by
 14 appropriations by the legislature.

15 (2) The collections from the use tax imposed at the additional
 16 rate of 2% approved by the electors March 15, 1994 shall be
 17 deposited in the state school aid fund established in section 11 of
 18 article IX of the state constitution of 1963.

19 ~~—— (3) For the fiscal year ending September 30, 2010 only,~~
 20 ~~\$9,500,000.00 shall be deposited by the department of treasury into~~
 21 ~~the Michigan promotion fund. As used in this subsection, "Michigan~~
 22 ~~promotion fund" means the fund created in section 39 of the~~
 23 ~~Michigan strategic fund act, 1984 PA 270, MCL 125.2039.~~

24 (3) **FROM THE MONEY RECEIVED AND COLLECTED UNDER THIS ACT FOR**
 25 **THE STATE COMPONENT, AN AMOUNT EQUAL TO ALL REVENUE LOST UNDER THE**
 26 **STATE EDUCATION TAX ACT, 1993 PA 331, MCL 211.901 TO 211.906, AND**
 27 **ALL REVENUE LOST FROM BASIC SCHOOL OPERATING MILLS AS A RESULT OF**

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1 THE EXEMPTION OF PERSONAL PROPERTY UNDER SECTION 9M, 9N, AND 9O OF
2 THE GENERAL PROPERTY TAX ACT, 1893 PA 206, MCL 211.9M, 211.9N, AND
3 211.9O, AS DETERMINED BY THE DEPARTMENT, SHALL BE DEPOSITED INTO
4 THE SCHOOL AID FUND ESTABLISHED BY SECTION 11 OF ARTICLE IX OF THE
5 STATE CONSTITUTION OF 1963. <<FUNDS DEPOSITED INTO THE SCHOOL AID FUND
UNDER THIS SUBSECTION SHALL NOT INCLUDE THE PORTION OF THE STATE
COMPONENT OF THE USE TAX IMPOSED AT THE ADDITIONAL RATE OF 2% APPROVED
BY THE ELECTORS OF THIS STATE ON MARCH 15, 1994 AND DEDICATED FOR AID
TO SCHOOLS UNDER SUBSECTION (2).>>

6 (4) ALL MONEY RECEIVED AND COLLECTED UNDER THIS ACT FOR THE
7 METROPOLITAN AREAS COMPONENT SHALL NOT BE DEPOSITED IN THE STATE
8 TREASURY AS STATE FUNDS AND SHALL BE TRANSMITTED TO THE AUTHORITY
9 FOR DEPOSIT IN THE TREASURY OF THE AUTHORITY, TO BE DISBURSED BY
10 THE AUTHORITY ONLY AS AUTHORIZED UNDER THE MICHIGAN METROPOLITAN
11 AREAS METROPOLITAN AUTHORITY ACT. THE METROPOLITAN AREAS COMPONENT
12 IS A LOCAL TAX, NOT A STATE TAX, AND MONEY RECEIVED AND COLLECTED
13 FOR THE METROPOLITAN AREAS COMPONENT IS MONEY OF THE AUTHORITY AND
14 NOT MONEY OF THIS STATE.

15 Enacting section 1. This amendatory act does not take effect
16 unless approved by a majority of the qualified electors of this
17 state voting on the question at an election to be held on the
18 August regular election date in 2014. This amendatory act shall be
19 submitted to the qualified electors of this state at that election
20 as provided by the Michigan election law, 1954 PA 116, MCL 168.1 to
21 168.992. When submitted to the qualified electors of this state,
22 this amendatory act shall be presented with the following question:
23 "APPROVAL OR DISAPPROVAL OF THE AMENDATORY ACT DEDICATING A PORTION
24 OF USE TAX REVENUE TO BENEFIT METROPOLITAN AREAS THROUGHOUT THIS
25 STATE

26 The amendatory act adopted by the Legislature would:

27 1. Dedicate a portion of the existing state use tax as a local

1 tax levied by a new metropolitan areas authority.

2 2. Distribute revenue from that local tax throughout the state
3 for local purposes, including police and fire protection.

4 3. Increase that portion of the state use tax currently
5 dedicated for aid to schools.

6 4. Prohibit the total use tax rate from exceeding the
7 constitutional limit of 6%.

8 Should this amendatory act be approved?

9 YES []

10 NO []".

11 Enacting section 2. If approved by the qualified electors of
12 this state as provided in enacting section 2, this amendatory act
13 takes effect January 1, 2015.