

Legislative Analysis



SCHOOL BUS SALES AND USE TAX EXEMPTIONS

Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

Senate Bill 906 (S-1) as reported from House committee
Senate Bill 907 (S-1) as reported from House committee
Sponsor: Sen. Jack Brandenburg
House Committee: Tax Policy
Senate Committee: Finance
Complete to 12-2-18

Analysis available at
<http://www.legislature.mi.gov>

(Enacted as Public Acts 673 and 679 of 2018)

SUMMARY:

Senate Bills 906 and 907 would amend the General Sales Tax Act and the Use Tax Act, respectively, to exempt from the sales tax and use tax the sale or lease of a school bus or transportation-related services under certain circumstances.

Senate Bill 906 would amend the General Sales Tax Act to exempt from the sales tax the purchase or *lease* of a *school bus* or transportation-related services if the bus or services are primarily used in the performance of a contract entered into with a *school* for the transportation of students to or from a school or school-related events authorized by the school's administration.

School bus would be defined as it is in the Pupil Transportation Act¹ and would include parts or adaptive equipment affixed or to be affixed to a school bus that are used in the repair, maintenance, accommodation, or modification of a school bus.

School would mean a public school or public school academy as defined in the Revised School Code.²

Lease would mean any transfer of possession or control for a fixed or indeterminate term for consideration and could include future options to purchase or extend.

The exemption would not apply to an amount paid by a nonexempt entity for transportation-related services provided to the nonexempt entity other than to or from a school or a school-related event authorized by the administration of the school.

MCL 205.54a

Senate Bill 907 would make the same changes in the Use Tax Act with respect to the tax levied under that act.

MCL 205.94

¹ See <http://legislature.mi.gov/doc.aspx?mcl-257-1807>

² See <http://legislature.mi.gov/doc.aspx?mcl-380-5>

HOUSE COMMITTEE ACTION:

The House Committee on Tax Policy reported the Senate-passed versions of the bills without amendment.

FISCAL IMPACT:

As written, the bills would reduce sales and use tax revenue by an estimated \$1.0 to \$3.0 million per year. The split between sales and use taxes would depend on specific circumstances, although it is likely that most of the revenue reduction would come from the sales tax.

POSITIONS:

The following entities indicated support for the bills (11-28-18):

- Michigan Chamber of Commerce
- Dean Transportation

Legislative Analyst: Rick Yuille
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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.