



**Senate Fiscal Agency**  
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BILL ANALYSIS



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House Bill 5620 (Substitute H-1 as passed by the House)  
House Bill 5621 (Substitute H-1 as passed by the House)  
Sponsor: Representative Pamela Hornberger (H.B. 5620)  
Representative Sue Allor (H.B. 5621)  
House Committee: Tax Policy  
Senate Committee: Finance

Date Completed: 5-8-18

**CONTENT**

**House Bill 5620 (H-1) and House Bill 5621 (H-1) would amend the General Sales Tax Act and the Use Tax Act, respectively, to allow a purchaser to apply for a sale or use tax refund from the Department of Treasury when the purchaser failed to claim a tax exemption at the time of purchase.**

The Acts impose a tax of 6% on the purchase price or sales price of nonexempt personal property and services. Each Act contains a number of exemptions for various entities, types of property, and transactions, and prescribes procedures for claiming an exemption.

Under the bills, a purchaser that failed to claim an exemption at the time of purchase by notifying the seller of the exemption and providing a complete and proper claim of exemption could submit a claim for a refund to the Department for the tax related to that purchase if all of the following conditions were met:

- The claim for a refund was made within four years of the date of purchase.
- The purchaser submitted to the Department an accurate record of the purchase, including a paper, electronic, or digital receipt, invoice, or purchase order related to the sale, that included the date of the purchase and the amount of sales tax paid to the seller for which the purchaser was seeking a refund.
- The purchaser submitted to the Department a proper exemption claim on a form as prescribed by the Department.
- The purchaser submitted to the Department any additional information that it required related to the purchaser's claim for refund.

The purchaser also would have to submit to the Department a form signed by the seller as prescribed by the Department that contained information it required to substantiate the refund claim. The form would have to contain a statement that the seller reported and paid the tax on the sale for which the purchaser was seeking a refund and that the seller had not claimed, and would not claim, a refund of that tax.

Each bill would take effect 90 days after enactment.

MCL 205.62 (H.B. 5620)  
205.104b (H.B. 5621)

Legislative Analyst: Drew Krogulecki

## **FISCAL IMPACT**

The bills would have a minor fiscal impact on sales and use tax revenue and the Department of Treasury. By allowing purchasers to directly apply for sales and use tax exemptions, the bills could result in potentially more exemptions, which would reduce the total sales and use tax revenue. The extent of this impact is currently unknown, but it likely would be minimal. The Department of Treasury would experience minor administrative costs to allow purchasers to request sales and use tax exemptions directly from the Department. The costs are currently unknown, but likely would be within current appropriations, because the Department would not have to change the process for reviewing and issuing exemptions.

Fiscal Analyst: Cory Savino

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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.