

Legislative Analysis



IN-STORE CONSUMER GOODS MICRO-FULFILLMENT SYSTEMS

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

House Bill 6284 (proposed substitute H-1)
Sponsor: Rep. Mark E. Huizenga

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

House Bill 6285 (proposed substitute H-1)
Sponsor: Rep. Rebekah Warren

House Bill 6286 (proposed substitute H-1)
Sponsor: Rep. Graham Filler

Committee: Tax Policy
Complete to 12-1-20

SUMMARY:

House Bills 6284, 6285, and 6286 would respectively amend the General Property Tax Act, the General Sales Tax Act, and the Use Tax Act to exempt certain in-store consumer goods micro-fulfillment systems from the taxes imposed under those acts.

House Bill 6284 would amend the General Property Tax Act to provide that, beginning in tax year 2020, personal property comprising an *in-store consumer goods micro-fulfillment system* is exempt from the collection of taxes under that act.

In-store consumer goods micro-fulfillment system would mean equipment, including computers, computer software, storage systems, refrigerators, and freezers, that meets both of the following:

- It is used by a retailer exclusively for the *fulfillment of online orders of consumer goods* for delivery to or pickup by the consumer.
- It is located in a building that is owned, leased or used by a retailer and at least half of the square footage of which is used as an operating retail store.

Consumer goods would mean finished goods for use primarily for personal, family, or household purposes.

Fulfillment of online orders would mean the processing of consumer orders made over the internet and would include the selection, assembly, storing, and staging of the consumer goods ordered.

Proposed MCL 211.9p

House Bill 6285 would amend the General Sales Tax Act to provide that, beginning January 1, 2021, the sale of an in-store consumer goods micro-fulfillment system or *system parts* to a retailer is exempt from the tax under that act. The bill would use the same definitions as in HB 6284, above.

System parts would mean machinery, equipment, repair parts, and computer software that are component parts of an in-store consumer goods micro-fulfillment system.

MCL 205.54hh

House Bill 6286 would amend the Use Tax Act to provide that, beginning January 1, 2021, the storage, use, or consumption of an in-store consumer goods micro-fulfillment system or system parts by a retailer is exempt from the tax under that act. The bill would use the same definitions as in HBs 6284 and 6285, above.

MCL 205.94hh

FISCAL IMPACT:

The bills would reduce sales and use tax revenue by an unknown amount because the number of in-store consumer goods micro-fulfillment systems implemented in the future, along with the magnitude of the capital investment, cannot be determined. In addition, revenue lost from a personal property tax exemption cannot be estimated for the same reasons, as well as not knowing the applicable millage rates.

Approximately 73% of any reduction in sales tax collections would be borne by the School Aid Fund (SAF), and constitutional revenue sharing to cities, villages, and townships would decline by about 10% of the revenue loss. The SAF would also be reduced by virtue of the personal property tax exemption and a reduction in state education tax (SET) collections dedicated to the SAF. The remaining personal property tax loss would be borne by local taxing authorities.

It should be noted that, while the sales/use tax exemption is a one-time loss, the exemption from personal property taxes will continue annually over the useful life of the investment, albeit at declining annual amounts. In addition, while existing facilities would not benefit from the sales/use tax exemption, the personal property tax exemption would apply to existing equipment.

Purely as an example, for a \$20.0 million capital investment, sales tax revenue would decline by \$1.2 million and SET collections would decline by \$120,000 the first year. Overall SAF revenue would decrease by about \$1.0 million.

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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.