

Legislative Analysis



INDUSTRIAL PROCESSING EXEMPTION

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

House Bill 5255 as introduced
Sponsor: Rep. TC Clements
Committee: Tax Policy
Complete to 11-2-21

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

SUMMARY:

House Bill 5255 would amend the Use Tax Act to clarify the items that are eligible for the industrial processing exemption from the use tax.

The bill would add to the list of property that is eligible for an industrial processing exemption, the definition for industrial processing, and the definition for industrial processor, that the property in question must be “used for a purpose that subjects the property to the tax under this act.”

The bill’s enacting language states that the bill would clarify that the existing law as originally intended provides that the use tax does not apply to property that is used or consumed in the activity of converting or conditioning tangible personal property by changing the form, composition, quality, combination, or character of the property if the finished product is subject to the sales or use tax.

MCL 205.94o

FISCAL IMPACT:

As written, the bill would be expected to reduce use tax revenue by an unknown amount, although the revenue reduction could be as little as \$1.0 million per year if the extension of the industrial processing exemption is narrowly construed.

Two-thirds of use tax revenue accrues to the general fund, while the remaining third is constitutionally dedicated to the School Aid Fund.

Legislative Analyst: Jenny McInerney
Fiscal Analyst: Jim Stansell

■ 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.