Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

SFA BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bills 1089 and 1090 (as introduced 4-28-98)
Sponsor: Senator Glenn D. Steil
Committee: Finance

Date Completed: 5-22-98

CONTENT

Senate Bill 1089 would amend the General Sales Tax Act, and Senate Bill 1090 would amend the Use Tax Act, to eliminate from the Acts provisions that require certain taxpayers with sales or use tax liability to accelerate payment of the tax due.

Under the Acts, a taxpayer who had a sales or use tax liability (after subtracting certain payments and credits) of $720,000 or more in the preceding calendar year must remit, on or before the 18th of each month by an electronic funds transfer method approved by the Revenue Commissioner, an amount equal to 95% of the taxpayer's liability for the same month in the immediately preceding calendar year; or 95% of the actual liability for the current month being reported, plus a reconciliation payment equal to the difference between the tax liability determined for the immediately preceding month minus the amount of tax previously paid for that month. The bills would eliminate these provisions.

Further, currently under the Use Tax Act, a taxpayer subject to the accelerated use tax payment provisions, who remits the tax by the 11th day of the month due, may deduct .75% of the tax due at a rate of 4% but not to exceed $20,000 of the tax due. The taxpayer may deduct .5% of the tax due at a rate of 4% but not to exceed $15,000 of the tax due, if the tax is remitted by the 18th day of the month. House Bill 1090 would eliminate these provisions.

Under the Acts, except for taxpayers subject to the accelerated payment provision, a taxpayer must remit the sales or use tax on or before the 15th day of the current month for taxes imposed in the previous month. (This means, for example, that taxes collected January 1 through January 31 are not due to be remitted to the State until February 15.)

MCL 205.56 (S.B. 1089)
205.94f & 205.96 (S.B. 1090)

Legislative Analyst: G. Towne

FISCAL IMPACT

These bills would have a negative impact on the State's cash flow position, and therefore would require the State to do more short-term borrowing in order to have the cash on hand to pay ongoing obligations on a timely basis. The interest expense that would be incurred in this additional short-term borrowing would cost the State an estimated $7 million to $8 million in FY 1998-99 and would affect the General Fund/General Purpose budget. These bills would have no direct impact on local governments.

Fiscal Analyst: J. Wortley

S9798\S1089SA