

Senate Fiscal Agency
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Senate Bill 308 (Substitute S-2 as passed by the Senate)
Sponsor: Senator Dave Jaye
Committee: Finance

Date Completed: 5-4-00

RATIONALE

Under the General Sales Tax Act, the tax applies to the cost of items purchased for a funeral or burial (but not to the cost of services performed for the funeral or burial). This means, then, that the purchase of caskets or other burial containers is subject to the tax. It has been suggested that it would be appropriate for the State to exempt from the tax caskets and other burial containers purchased for veterans who served in the U.S. armed services during a time of war or other conflict.

CONTENT

The bill would amend the General Sales Tax Act to exempt from the tax the sale of a casket and other outside burial container for the burial of any veteran. Under the bill, a veteran would be a person who met all of the following qualifications:

- Was a resident of Michigan at least six months before entering the U.S. armed forces, or was a resident for at least five years before death.
- Served in the armed forces during a period of war or conflict described under Public Act 190 of 1965 (which lists the beginning and ending dates of wars and conflicts for purposes of determining eligibility for veteran's benefits).
- Was discharged from service in honorable conditions, or died while in service not as a result of his or her own misconduct.

Proposed MCL 205.54h

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

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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.

The State and its citizens owe a great debt to the men and women who have served in the armed services, especially those who served during times of war or other armed conflict. Some people believe that it is insulting to the veterans who fought for their country and the State to tax the very containers in which they will be buried. By exempting war veterans from the "burial tax", the bill would provide a way for the State and its citizens to show appreciation one last time to those who served.

Opposing Argument

The sales tax is a major source of funding for the State School Aid Fund, and the bill would reduce sales tax revenue. While war veterans are a special group and deserve recognition for their sacrifices, the bill would provide a special exemption not available to others, which would result in reduced revenue for schools.

In addition, the bill contains no provisions for the State, or those who provide burial items, to confirm whether someone who died actually had been a veteran in a war and had been honorably discharged. This could present problems in the administration of the tax.

Legislative Analyst: G. Towne

FISCAL IMPACT

This bill would reduce sales tax revenue by an estimated \$1.7 million in FY 2000-01, assuming an effective date of October 1, 2000. This loss in revenue would affect the following budget areas: the School Aid Fund would lose \$1.2 million, revenue sharing would lose \$0.4 million, and the General Fund would lose \$0.1 million.

Fiscal Analyst: J. Wortley