

Legislative Analysis



SALES TAX EXEMPTION: MATERIALS PURCHASED FOR BUILDING PROJECT AT COUNTY JAIL

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House Bill 4145

Sponsor: Rep. Bob Genetski

Committee: Tax Policy

Complete to 2-19-13

A SUMMARY OF HOUSE BILL 4145 AS INTRODUCED 1-30-13

The bill would, generally speaking, provide an exemption from the sales tax for materials purchased by a contractor working on a building project at a county jail. The bill would be retroactive and apply beginning in 2012.

Specifically, the bill amends the General Sales Tax Act to exempt a sale of tangible personal property to a person who is directly engaged in the business of constructing, altering, repairing, or improving real estate for others to the extent the tangible personal property is affixed to and made a structural part of a county jail.

The term "county jail" is defined to mean a facility operated by the county for the physical detention and correction of individuals charged with or convicted of criminal offenses and ordinance violations, or found guilty or civil or criminal contempt, and juveniles detained by court order.

[Similar exemptions exist currently in the act—at MCL 205.54w—for property that is to be affixed to and made a structural part of a nonprofit hospital (including a county long-term medical care facility) and certain nonprofit housing.]

Proposed MCL 205.54dd

FISCAL IMPACT:

As written, the bill would reduce sales tax collections by an unknown amount. Because roughly 73.3% of sales tax revenue is earmarked to the School Aid Fund (SAF), state funding for education would decline. In addition, since 15% of sales tax revenue at a 4% rate is dedicated as Constitutional revenue sharing for cities, villages, and townships, funding for local units of government would also decline.

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