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Senate Bill 595 (as introduced 10-3-13)
Sponsor: Senator Mike Green
Committee: Families, Seniors and Human Services

Date Completed: 5-7-14

CONTENT

The bill would create the "Adult Entertainment Tax Act" to do the following:

- Levy an excise tax of \$3 per customer on a person operating an adult entertainment facility.**
- Require the excise tax to be collected in the same time and manner as the use tax.**
- Require collections of the excise tax to be deposited in the Domestic Violence Prevention and Treatment Fund.**

Specifically, an excise tax would be levied on and would have to be collected from a person engaged in the business of operating an adult entertainment facility. "Adult entertainment facility" would mean "a business, nightclub, bar, restaurant, bookstore, video store, or similar commercial enterprise at which a nude or partially denuded individual, regardless of whether the individual is an employee or an independent contractor of the adult entertainment facility, performs a service on the premises of that facility". "Nude" or "partially denuded" would mean either a) entirely unclothed, or b) clothed in a manner that leaves uncovered or visible through less than fully opaque clothing any portion of the breasts below the top of the areola of the breasts, if the person is female, or any portion of the genitals or buttocks.

The rate of the tax would be \$3 for each entry by each customer admitted into the adult entertainment facility. This tax would be in addition to any other taxes, charges, or fees imposed by law on the operator. An operator could determine how the adult entertainment facility would derive the money to pay the tax, and would not be required to charge customers a fee.

The tax would have to be collected in the same time and manner as the use tax is collected under the Use Tax Act. The excise tax would have to be administered by the Revenue Division of the Department of Treasury under the revenue Act.

The tax collected under the proposed Act would have to be deposited in the Domestic Violence Prevention and Treatment Fund. (The Fund was created under the domestic violence prevention and treatment act. The Department of Human Services, subject to the approval of the Domestic and Sexual Violence Prevention and Treatment Board, is required to administer the Fund and may use money in the Fund to award grants or enter into contracts to establish a domestic violence shelter or training program, or to develop and implement effective means for preventing and treating domestic violence.)

Legislative Analyst: Jeff Mann

FISCAL IMPACT

The bill would increase State revenue by an unknown amount due to the imposition of the proposed adult entertainment facility excise tax. Revenue from the proposed tax would be deposited to the Domestic Violence Prevention and Treatment Fund. State costs also would increase by an unknown amount due to expenses for revenue collection, audits, and information technology to implement, track, and administer the proposed tax. The bill would not make an appropriation for these costs.

Under the bill, the tax would be assessed at a rate of \$3 for each entry by each customer to an adult entertainment facility. This tax would be levied on the business operator, who would not be required to impose a direct fee on customers. Table 1 shows a range of revenue estimates based on various assumptions regarding the numbers of adult entertainment establishments and the number of patrons. A range of estimates for the revenue from the proposed tax is \$2.2 million to \$6.6 million annually. For example, assuming that there are about 80 adult entertainment facilities statewide and that each has 25 customers per day, the proposed tax would raise approximately \$2.2 million in revenue per year. Actual collections would depend on the number of patrons at these establishments, rates of compliance, and enforcement efforts.

Table 1
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Range of Assumptions and Revenue Estimates

Number of Adult Entertainment Establishments	Patrons Per Day	Days of Operation	Tax Rate Per Patron	Estimated State Revenue (millions)
80	25	365	\$3	\$2.2
80	50	365	\$3	\$4.4
120	25	365	\$3	\$3.3
120	50	365	\$3	\$6.6

Although the Domestic Violence Prevention and Treatment Fund is established in statute, it currently does not appear to have a dedicated fund source. Executive Order 2012-17 abolished the Michigan Domestic Violence Prevention and Treatment Board and transferred its responsibilities to the newly created Michigan Domestic and Sexual Violence Prevention and Treatment Board within the Department of Human Services. Appropriations for domestic violence prevention and treatment are made in the budget for the Department of Human Services.

Fiscal Analyst: Elizabeth Pratt
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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.