Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 369 (Substitute S-2 as reported by the Committee of the Whole)
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Sponsor: Senator Wayne Schmidt (S.B. 369)
Senator Jack Brandenburg (S.B. 370)
Committee: Commerce

CONTENT

Senate Bills 369 (S-2) and 370 (S-2) would amend the Use Tax Act and the General Sales Tax Act, respectively, to extend the industrial processing exemption under each Act to tangible personal property used or consumed in an industrial processing activity to produce alcoholic beverages that are sold at retail through the manufacturer's own locations.

Currently, the industrial processing exemption under each Act does not apply to tangible personal property used for the preparation of food or beverages by a retailer for ultimate sale at retail through its own locations. The bills would make an exception to this provision, as described above.

The bills are tie-barred to each other.

MCL 205.94o (S.B. 369)
205.54t (S.B. 370)

Legislative Analyst: Jeff Mann

FISCAL IMPACT

The bills would reduce both General Fund and School Aid Fund (SAF) revenue by an unknown and likely negligible amount. According to the 2012 Economic census, distilleries in Michigan made $168,000 in capital expenditures while wineries spent $2.7 million and breweries spent $16.6 million. The proportion of these expenditures that would be affected by the bills is unknown, but if 20% were affected and the estimate were representative of the average annual capital expenditure, the bills would reduce General Fund revenue by approximately $156,000 and SAF revenue by approximately $78,000 per year.

Date Completed: 9-16-15

Fiscal Analyst: David Zin