

Senate Fiscal Agency
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SFA**BILL ANALYSIS**

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Senate Bill 824 (Substitute S-1 as reported)
Sponsor: Senator Joanne G. Emmons
Committee: Finance

CONTENT

The bill would amend the Use Tax Act to provide that the use or consumption of mobile telecommunications services would be subject to the use tax in the same manner as tangible personal property, regardless of where the services originated, terminated, or passed through. The bill is tie-barred to Senate Bills 477 and 1248. Senate Bill 1248 would amend the General Sales Tax Act to exempt from the sales tax machinery and equipment taxable under Senate Bill 824. Senate Bill 477, as passed by the Senate, would amend the Use Tax Act to allow a taxpayer to separate taxable and nontaxable telecommunications and other services in the application of the use tax.

Senate Bill 824 (S-1) specifies that mobile telecommunications services provided to a customer, the charges for which were billed by or for the customer's home service provider, would be considered to be provided by the customer's home service provider if the customer's place of primary use for the services were in the State. If the customer's place of primary use for mobile telecommunications services were outside the State, the services would not be subject to the use tax. The bill also provides that, for an air-ground radiotelephone service, the use tax would be imposed at the location of the origination of the service in the State, as identified by a home service provider or information received by the provider from its servicing carrier. ("Mobile telecommunications services" would be commercial mobile radio services that originate and terminate in the same state or originate in one state and terminate in another state; the term would not include prepaid mobile telecommunications services or air-ground radiotelephone service. "Air-ground radiotelephone service" would be defined as it is in Federal regulations, i.e., a radio service in which common carriers are authorized to offer and provide radio telecommunications service for hire to subscribers in aircraft.)

The bill specifies that it would not apply to the following (which are currently exempt from the use tax): a prepaid telephone calling card; a prepaid authorization number for telephone use; a charge for Internet access; or the purchase of machinery and equipment for use or consumption in the rendition of any combination of services taxable under the bill.

MCL 205.93 et al.

Legislative Analyst: George Towne

FISCAL IMPACT

Please see **FISCAL IMPACT** on Senate Bill 1248.

Date Completed: 4-25-02

Fiscal Analyst: Jay Wortley