
Senate Fiscal Agency
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SFA**BILL ANALYSIS**

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Senate Bill 1248 (as reported without amendment)
Sponsor: Senator Joanne G. Emmons
Committee: Finance

CONTENT

The bill would amend the General Sales Tax Act to exempt from the sales tax machinery and equipment taxable under Section 3b of the Use Tax Act. The bill is tie-barred to Senate Bill 824, which would add Section 3b to the Use Tax Act to prescribe the application of the use tax to mobile telecommunications services. Senate Bill 1248 also is tie-barred to Senate Bill 477 which, 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.

Currently, the General Sales Tax Act exempts from the tax the purchase of certain machinery and equipment that is used in transmitting, receiving, or switching two-way interactive communication, and whose use or consumption is subject to the use tax.

MCL 205.54u

Legislative Analyst: George Towne

FISCAL IMPACT

Senate Bills 824 (S-1) and 1248 would have no net fiscal impact on State or local government. The provisions in these bills would bring Michigan in conformity with the Federal Mobile Telecommunications Sourcing Act which requires states to adhere to a uniform rule for taxing telecommunications. Under these new rules, Michigan would tax all calls made by telecommunications customers whose primary place of use is Michigan. Michigan no longer would be allowed to tax calls made in Michigan by nonresidents, but it would tax calls made outside of Michigan by Michigan residents. States have until August 1, 2002, to adopt these new rules. If these new rules are not adopted by this date, Michigan would realize a loss in revenue because under Federal law it would not be able to tax calls made outside of Michigan by Michigan residents.

Date Completed: 4-25-02

Fiscal Analyst: Jay Wortley