



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536



BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bill 1103 (Substitute S-2)
Sponsor: Senator Shirley Johnson
Committee: Appropriations

Date Completed: 9-8-04

CONTENT

This bill would amend the General Sales Tax Act to increase the amount of sales tax collections earmarked to the General Fund and reduce the amount earmarked to the Comprehensive Transportation Fund (CTF). Section 25 of the Act provides for the distribution of sales tax revenue collected from 4 percentage points of the overall 6% tax rate. (The revenue generated from 2 percentage points of the 6% tax rate is earmarked to the School Aid Fund, pursuant to Article IX, Section 8 of the State Constitution.)

Under current law, the tax collected at a 4% tax rate on the sale of motor fuels, motor vehicles, and parts and accessories for motor vehicles by new and used car businesses, accessory dealer businesses, and gasoline station businesses is distributed as follows: fiscal years 2003-04 and 2004-05, 60% to the School Aid Fund; 15% for local revenue sharing; of the remaining 25%, not less than 24% to the CTF; and the balance to the General Fund. In all other fiscal years, the CTF share equals not less than 27.9% of the 25% remaining after the School Aid Fund and revenue sharing distributions. Under this bill, in FY 2004-05 only, the amount going to the CTF would be reduced by \$10 million from what it otherwise will be and the General Fund share would increase by \$10 million.

MCL 205.75

FISCAL IMPACT

Based on the sales tax revenue estimate adopted at the May 2004 Consensus Revenue Estimating Conference, total motor vehicle-related sales tax revenue at the 4% tax rate for FY 2004-05 is estimated at \$1,135.5 million. Based on the current distribution formula, the CTF will receive \$68.1 million (24% of motor vehicle-related sales tax collections after the School Aid Fund and revenue sharing distributions). Under this bill, in FY 2004-05 only, the CTF share would be reduced by \$10 million to \$58.1 million, and the General Fund share would be increased by \$10 million.

In addition to the current earmarking of \$68.1 million in motor vehicle-related sales tax revenue, the CTF will receive \$171.3 million from the statutory earmarking of the Michigan Transportation Fund in FY 2004-05. A total of \$242.3 million in CTF revenue is appropriated in the Governor's FY 2004-05 budget for the Michigan Department of Transportation for a variety of public transportation and freight programs. A reduction of \$10 million in CTF revenue, as proposed under this bill, would require a corresponding reduction in CTF appropriations in the Michigan Department of Transportation budget in FY 2004-05.

Fiscal Analyst: Jay Wortley
Craig Thiel

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