



Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 838 (as introduced 10-18-07)
Sponsor: Senator Nancy Cassis
Committee: Finance

Date Completed: 11-5-07

CONTENT

The bill would repeal Section 3d of the Use Tax Act, which extends the use tax to certain services and appropriates \$100,000 to the Department of Treasury for the implementation of the section's requirements.

Section 3d was enacted by Public Act 93 of 2007, which will take effect on December 1, 2007.

Services Subject to Tax

The Act imposes a specific tax for the privilege of using, storing, or consuming tangible personal property in the State at a rate of 6% of the price of property or services specified in the Act.

Under Section 3d, the use or consumption of the following services, as described in the North American Industry Classification System (NAICS), 2002 as produced by the United States Office of Management and Budget, will be taxed:

- Carpet and upholstery cleaning services.
- Business service center services.
- Consulting services.
- Investigation, guard, and armored car services.
- Investment advice services.
- Janitorial services.
- Office administration services.
- Landscaping services.
- Travel and reservation services.
- Scenic transportation services.
- Skiing services.
- Tour operator services.
- Warehousing and storage services.
- Packaging and labeling services.
- Specialized design services.
- Transit and ground passenger transport services.
- Courier and messenger services.
- Personal care services, except hair care services.
- Security system services.
- Document preparation services.
- Miniwarehouse services and self-storage unit services.

The use or consumption of the following personal services also will be taxed under Section 3d:

- Astrology services.
- Baby shoe bronzing services.
- Bail bonding services.
- Balloon-o-gram services.
- Coin-operated blood pressure testing machine services.
- Bondsperson services.
- Check room services.
- Coin-operated personal service machine services.
- Comfort station operation services.
- Concierge services.
- Consumer buying services.
- Credit card notification services.
- Dating services.
- Discount buying services.
- Social escort services.
- Fortune-telling services.
- Genealogical investigation services.
- House sitting services.
- Social introduction services.
- Coin-operated rental locker services.
- Numerology services.
- Palm reading services.
- Party planning services.
- Pay telephone services.
- Personal fitness trainer services.
- Personal shopping services.
- Coin-operated photographic machine services.
- Phrenology services.
- Porter services.
- Psychic services.
- Rest room operation services.
- Shoeshine services.
- Singing telegram services.
- Wedding chapel services, but not churches.
- Wedding planning services.

Also taxed will be service contract services in which the seller, in exchange for the buyer's single payment, agrees to provide repair, maintenance, or replacement of one or more items of tangible personal property during a specified period of time, which services the buyer is not required to buy in connection with the purchase of tangible personal property.

Appropriation

Under Section 3d, \$100,000 will be appropriated to the Department of Treasury for the 2006-07 State fiscal year to begin implementing the requirements of the section. Any portion of this amount that is not spent in the 2006-07 State fiscal year may not lapse to the General Fund but must be carried forward in a work project account that is in compliance with the Management and Budget Act for the following State fiscal year.

MCL 205.93d

Legislative Analyst: Craig Laurie

FISCAL IMPACT

This bill would reduce use tax revenue an estimated \$613.8 million in FY 2007-08 and \$751.3 million in FY 2008-09. Two-thirds of this loss in revenue would have an impact on the General Fund/General Purpose budget and one-third of this loss in revenue would affect the School Aid Fund. Local units of government would not be directly affected by this bill.

Fiscal Analyst: Jay Wortley

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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.