SUBSTITUTE FOR

SENATE BILL NO. 357

A bill to amend 1933 PA 167, entitled

"General sales tax act,"

by amending section 25 (MCL 205.75), as amended by 2025 PA 17.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

Sec. 25. (1) All money received and collected under this act must be deposited by the department in the state treasury to the credit of the general fund, except as otherwise provided in this section.

(2) Fifteen percent of the collections of the tax imposed at a rate of 4% must be distributed to cities, villages, and townships pursuant to the Glenn Steil state revenue sharing act of 1971, 1971 PA 140, MCL 141.901 to 141.921.

(3) Sixty percent of the collections of the tax imposed at a

rate of 4% must be deposited in the state school aid fund and distributed as provided by law. In addition, all of the collections of the tax imposed at the additional rate of 2% approved by the electors on March 15, 1994 must be deposited in the state school aid fund.

(4) Except as otherwise provided in this subsection, not less than 27.9% of 25% of the collections of the general sales tax imposed at a rate of 4% directly or indirectly on fuels sold to propel motor vehicles upon highways, on the sale of motor vehicles, and on the sale of the parts and accessories of motor vehicles by new and used car businesses, used car businesses, accessory dealer businesses, and gasoline station businesses as classified by the department must be deposited each year into the comprehensive transportation fund. For the fiscal year ending September 30, 2021 only, the amount deposited into the comprehensive transportation fund under this subsection must be reduced by $18,000,000.00 and that $18,000,000.00 must be deposited into the transportation administration collection fund.

(5) Beginning October 1, 2016 and the first day of each calendar quarter thereafter, an amount equal to the collections for the calendar quarter that is 2 calendar quarters immediately preceding the current calendar quarter of the tax imposed under this act at the additional rate of 2% approved by the electors on March 15, 1994 from the sale at retail of aviation fuel must be distributed as follows:

(a) An amount equal to 35% of the collections of the tax imposed at a rate of 2% on the sale at retail of aviation fuel must be deposited in the state aeronautics fund and must be expended, on appropriation, only for those purposes authorized in the aeronautics code of the state of Michigan, 1945 PA 327, MCL 259.1 to 259.208.

(b) An amount equal to 65% of the collections of the tax imposed at a rate of 2% on the sale at retail of aviation fuel must be deposited in the qualified airport fund and must be expended, on appropriation, only for those purposes authorized under section 35 of the aeronautics code of the state of Michigan, 1945 PA 327, MCL 259.35.

(6) The department shall, on an annual basis, reconcile the amounts distributed under subsection (5) during each fiscal year with the amounts actually collected for a particular fiscal year and shall make any necessary adjustments, positive or negative, to the amounts to be distributed for the next successive calendar quarter that begins January 1. The state treasurer or the state treasurer's designee shall annually provide to the operator of each qualified airport a report of the reconciliation performed under this subsection. The reconciliation report is subject to the confidentiality restrictions and penalties provided in section 28(1)(f) of 1941 PA 122, MCL 205.28.

(7) An amount equal to the collections of the tax imposed at a rate of 4% under this act from the sale at retail of computer software must be deposited in the Michigan health initiative fund created in section 5911 of the public health code, 1978 PA 368, MCL 333.5911, and must be considered in addition to, and is not intended as a replacement for any other money appropriated to the department of health and human services. The funds deposited in the Michigan health initiative fund on an annual basis must not be less than $9,000,000.00 or more than $12,000,000.00.

(8) In addition to the money deposited in the state school aid

fund under ~~subsection~~ **subsections** (3) **and (9)**, from the collections of the tax imposed at a rate of 4% under this act, an amount equal to ~~the sum of the following, as determined by the department, must be deposited into the state school aid fund:~~

~~(a) All revenue lost to the state school aid fund as a result of the exemption under section 4a(1)(u).~~

~~(b) All revenue lost to the state school aid fund as a result of the exemption under section 4ee. A person that claims an exemption under section 4ee shall report the sales price of the data center equipment as that term is defined in section 4ee and any other information necessary to determine the amount of revenue lost to the state school aid fund as a result of the exemption under section 4ee annually on a form at the time and in a manner prescribed by the department. The report required under this subdivision must not include any remittance for tax, and does not constitute a return or otherwise alleviate any obligations under section 6.~~

~~(c) All revenue lost to the state school aid fund as a result of the exclusion under section 1(1)(d)(*xv*).~~

~~(d) All~~ **all** revenue lost to the state school aid fund as a result of both of the following**, as determined by the department, must be deposited into the state school aid fund:**

(a) ~~(*i*)~~ The exemption under section 4gg.

(b) ~~(*ii*)~~ The exemption under section 4gg of the use tax act, 1937 PA 94, MCL 205.94gg.

(9) In addition to the amount deposited under subsections (3) and (8), beginning with the fiscal year ending September 30, 2026 and for each fiscal year thereafter, the state treasurer shall transfer $50,000,000.00 from the general fund to the state school

aid fund. For the fiscal year ending September 30, 2027 and each fiscal year thereafter, the state treasurer shall adjust the figure described in this subsection by an amount determined by the state treasurer to reflect the annual percentage change in the Consumer Price Index for the calendar year ending during that fiscal year. If the annual percentage change in the Consumer Price Index is negative for any year, then the adjustment for that fiscal year is zero. As used in this subsection, "Consumer Price Index" means the United States Consumer Price Index for all urban consumers as defined and reported by the Bureau of Labor Statistics of the United States Department of Labor.

(10) ~~(9)~~ The balance in the state general fund shall be disbursed only on an appropriation or appropriations by the legislature.

(11) ~~(10)~~ As used in this section:

(a) "Aviation fuel" means fuel as that term is defined in section 4 of the aeronautics code of the state of Michigan, 1945 PA 327, MCL 259.4.

(b) "Comprehensive transportation fund" means the comprehensive transportation fund created in section 10b of 1951 PA 51, MCL 247.660b.

(c) "Qualified airport" means that term as defined in section 109 of the aeronautics code of the state of Michigan, 1945 PA 327, MCL 259.109.

(d) "Qualified airport fund" means the qualified airport fund created in section 34(2) of the aeronautics code of the state of Michigan, 1945 PA 327, MCL 259.34.

(e) "State aeronautics fund" means the state aeronautics fund created in section 34(1) of the aeronautics code of the state of

Michigan, 1945 PA 327, MCL 259.34.

(f) "State school aid fund" means the state school aid fund established in section 11 of article IX of the state constitution of 1963.

(g) "Transportation administration collection fund" means the transportation administration collection fund created in section 810b of the Michigan vehicle code, 1949 PA 300, MCL 257.810b.

Enacting section 1. This amendatory act does not take effect unless Senate Bill No. 358 of the 103rd Legislature is enacted into law.