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SFA BILL ANALYSIS

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Senate Bill 526 (as introduced 5-22-97)
Sponsor: Senator Bill Bullard, Jr.
Committee: Finance

Date Completed: 6-10-97

CONTENT

The bill would amend the General Sales Tax Act to make the current application of the sales tax to food and drink sold from a mobile facility or vending machine effective for sales that occurred after 1977.

(Prior to Public Act 576 of 1996 (effective January 1, 1997), food or drink intended for immediate consumption sold from a vending machine or by a vendor from a mobile facility was subject to the sales tax; however, milk, juices, fresh fruit, candy, nuts, chewing gum, bakery products, cookies, crackers, and chips were not taxed. Public Act 576 eliminated this provision and provided instead that the tax applies to carbonated beverages sold from a mobile facility or vending machine, or food or drink heated or cooled mechanically, electrically, or by other artificial means to an average temperature above 75 degrees Fahrenheit or below 65 degrees Fahrenheit before sale and sold from a mobile facility or vending machine; however, milk, noncarbonated beverages containing 10% or more juice content, and fresh fruit are exempt from the tax. Public Act 576 further provided that the tax due on the sale of food or drink from a vending machine selling both taxable items and exempt items has to be calculated based on one of the following as determined by the taxpayer: actual gross proceeds from sales at retail; or, the sum of proceeds from carbonated beverages and 45% of proceeds from the sale of items subject to the tax or exempt from the tax, other than from the sale of carbonated beverages.)

MCL 205.54g Legislative Analyst: G. Towne

FISCAL IMPACT

This bill would make it possible for mobile vendors and vending machine operators to file for a sales tax refund. The changes in the tax status of the items sold by mobile vendors and vending machines enacted through Public Act 576 of 1996 are reducing sales tax collections by an estimated $2.3 million in FY 1996-97, on a full-year basis, and an exemption of certain baked goods enacted in 1995 is reducing sales tax collections by $0.5 million, according to the Department of Treasury. Under the statute of limitations, a taxpayer may claim a refund for no more than four years prior to the date the refund return is filed. Therefore, this bill could result in potential sales tax refunds of about $9 million. Assuming these refunds were made in FY 1997-98, this loss in sales tax revenue would affect the following budget areas: School Aid Fund revenue would be reduced by $6.6 million, revenue sharing would fall by about $2 million, and General Fund/General Purpose revenue would decline about $0.4 million.

Fiscal Analyst: J. Wortley

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