

State Notes

TOPICS OF LEGISLATIVE INTEREST

Summer 2017



Michigan Use Tax Basics

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Michigan is one of 45 states that levy a use tax on specific purchases of products and services not subject to the sales tax. While the sales tax is applied to the retail sale of goods within the State and some internet purchases, the use tax applies primarily to purchases of goods outside of the State and brought into Michigan for use, consumption, or storage; to the consumption of specific types of services; to certain sales of motor vehicles between individuals; and to goods that were purchased without payment of sales or use tax, that are subsequently converted to a taxable use. Use taxes typically are levied by states in conjunction with a sales tax in order to prevent tax evasion by people leaving the state to make purchases in a lower-tax jurisdiction. In Michigan, the use tax was enacted by Public Act 94 of 1937, four years after the adoption of the sales tax.

In fiscal year (FY) 2014-15, the use tax was the third-largest source of State tax revenue, raising nearly \$2.1 billion. Of that amount, \$701.3 was deposited into the School Aid Fund pursuant to a constitutional earmark and \$1,361.5 was deposited into the General Fund. General Fund revenue from the use tax declined in FY 2015-16 and will continue to decrease in future years due to recent changes associated with personal property taxation. Public Act 80 of 2014 changed part of use tax revenue from a State tax to a local tax levied by a newly created Local Community Stabilization Authority (LCSA). The LCSA receives the use tax revenue to reimburse local governments for local revenue losses due to the exemption of eligible personal property from property taxation. Other pressures on State use tax revenue include recently enacted exemptions for some types of economic development projects. This article provides a brief review of the structure of the use tax, revenue history, and recently enacted laws that affect the use tax.¹

Use Tax Base

The use tax is levied as a companion tax to the sales tax. Sales tax applies to retail purchases within the State or through transactions, such as online purchases, from sellers that have nexus² with Michigan. In contrast, the use tax applies to goods purchased out of State brought into Michigan for consumption, storage, or use; to goods purchased for a tax-exempt use (such as for resale) that are later used for a taxable purpose; to the transfer of motor vehicles between individuals (except for certain family-member transactions); and to specific purchases

¹ Additional information on sales and use taxes, including estimates by sector, long-term legislative history, and interstate comparisons, is available in *Michigan Sales and Use Taxes 2014*, Michigan Department of Treasury, Office of Revenue and Tax Analysis, Tax Analysis Division, Revised 2016.

² Having "nexus" means that a company has enough of a presence in the State that it is required to remit sales and use taxes. The presence may consist of a facility such as a store or warehouse or the presence of employees. As a result of Public Act 554 of 2014 (MCL 205.95a), a company is presumed to have nexus and is required to collect applicable sales and use taxes in the following situations: the presence of sales and technical support staff within the State; annual gross receipts for sales for storage, use, or consumption by purchasers in Michigan of \$50,000 or more; or sales of \$10,000 or more per year due to referrals pursuant to agreements with Michigan residents.



of services named in the Use Tax Act. The taxed services include telecommunications services, hotel and motel services, transmission and distribution of electricity, and rentals and leases of tangible personal property when the owner chooses to pay use tax on rental receipts instead of paying sales or use tax on the property at the time it was acquired. The types of personal property and services subject to the use tax and the applicable Michigan Compiled Law (MCL) citation are listed in Table 1.

The use tax reaches purchases of goods that are not subject to the sales tax; by law, all transactions subject to Michigan sales tax are exempt from the use tax. The use tax applies to individuals and firms except for specific purchasers that are exempted by law, including United States, State, and local government entities, churches, and nonprofit corporations.

Table 1

Transactions Subject to Use Tax	
Type of Transaction	Citation
General Authority - Use, storage, or consumption of tangible personal property and specified services, unless the purchaser or type of property is exempted by the Use Tax Act. Does not apply to transactions on which Michigan sales tax has been paid.	MCL 205.93(1)
Tangible personal property purchased out of State and brought into Michigan within 90 days for consumption, use, or storage within the State. The amount of sales tax paid to another state is credited against the Michigan use tax liability, up to 6%.	MCL 205.93(1)
Tangible personal property or services that are originally purchased for a tax-exempt use and subsequently converted to a taxable use, including an interim taxable use.	MCL 205.93(1)
In-state telecommunications services.	MCL 205.93a(1)(a)
Out-of-state telecommunications services.	MCL 205.93a(1)(c)
Mobile wireless services.	MCL 205.93b
Hotel and motel rooms rented for 30 days or less.	MCL 205.93a(1)(b)
Transmission and distribution of electricity.	MCL 205.93a(1)(e)
Transfer of certain vehicles between individuals or businesses that are not registered dealers. Exemptions apply for related individuals.	MCL 205.93(2) and (3)
Rental and lease option on personal property - The lessor (property owner) may choose to pay sales or use tax on the acquisition cost of the personal property to be leased or to pay use tax on rental or leasing receipts.	MCL 205.95(4)
Textile cleaning and laundering with a contract term of at least five days (excludes restaurants and retail businesses).	MCL 205.93a(1)(d)
Note: The use tax also applied to medical services provided by Medicaid managed care organizations (the "HMO Use Tax") from April 1, 2009 to March 31, 2012, and again from April 1, 2014, to December 31, 2016, as discussed in the text of the article.	

Source: Senate Fiscal Agency

The statutes include many exemptions to payment of the use tax. The Office of Revenue and Tax Analysis (ORTA) within the Michigan Department of Treasury regularly estimates the State revenue foregone due to various tax exemptions. Looking at the sales and use taxes together,



ORTA estimates that exemptions to these taxes reduced State revenue by \$17.6 billion in FY 2016-17³. Of this amount, an estimated \$12.5 billion is due to the impact of the exemption for specific services. The estimated cost of the sales and use tax exemptions is nearly twice the combined gross sales and use tax revenue of \$9.4 billion projected for FY 2016-17.

Use Tax Rate

The use tax rate totals 6.0%, the same as the sales tax rate. In 1937, the use tax and sales tax rate was 3%. This increased to 4% in 1961 due to a constitutional amendment. The use tax rate was changed again with the adoption of Proposal A school finance reforms approved by the voters in 1994, which increased the sales tax and use tax rate from 4% to 6%. Proposal A dedicated revenue from the 2% increase in the sales and use tax rate to the School Aid Fund. The sales and use tax rates have stayed at 6% since that time. [Table 2](#) summarizes the history of the use tax rate.

A significant change in the use tax occurred with revisions to personal property taxation made by Public Act 80 of 2014, as part of changes in the taxation of personal property. As a result, the use tax is no longer solely a State tax. As of October 1, 2015, the use tax has a "local community stabilization share" levied by the Local Community Stabilization Authority and a State share. The total rate of the tax remains 6.0%; however, that is a combination of a State and local portion, where the local tax rate levied by the LCSA is computed as the rate necessary to raise the amount of revenue each year specified in the Use Tax Act. The State use tax rate for each year equals 6.0% less the local community stabilization share tax rate. The amount of use tax revenue each year that constitutes the local community stabilization share is shown in [Table 3](#). Estimated total use tax revenue and the amount levied by the LCSA pursuant to statute results in an estimated FY 2016-17 LCSA use tax rate of approximately 1.3% and a State use tax rate of approximately 4.7% (including the 2.0% levy for the School Aid Fund). The Local Community Stabilization Authority levy reduces the amount of revenue that otherwise would be deposited in the General Fund.⁴

³ *Executive Budget Appendix on Tax Credits, Deductions, and Exemptions: Fiscal Years 2016 and 2017*, Michigan Department of Treasury.

⁴ The personal property tax reform (PPT) package added the Essential Services Assessment (a tax on property that is eligible for certain PPT exemptions) to partially replace General Fund revenue losses and the cost of School Aid Fund reimbursement. In FY 2016-17, the Essential Service Assessment raised an estimated \$75.0 million, which offset 17.7% of the General Fund costs of PPT reform, which were the total of the LCSA share shown in [Table 3](#) plus the School Aid Fund reimbursement of \$42.0 million discussed further in the text.



Table 2
History of the Use Tax Rate

Time Period	Legal Authority	Tax Rate	Jurisdiction That Levies the Tax
1937-1960	Public Act 94 of 1937	3%	State
1960-1994	<u>Proposal 2 approved November 8, 1960</u> Limited the State sales tax to 4%. Effective January 1, 1961. ^{a)}	4%	State
	<u>Proposal A approved March 15, 1994</u> Increased the sales and use tax rate by 2% and earmarked the proceeds to the School Aid Fund. Effective May 1, 1994.	6%	State
1994-Present	<u>Proposal 14-1 approved August 5, 2014</u> Implemented Public Act 80 of 2014, which set a fixed dollar amount of use tax revenue that is levied by the Local Community Stabilization Authority each year. Effective January 1, 2015.	6%	State and Local Community Stabilization Authority
	^{a)} Implemented by legislation enacted during the second extra session of 1960. Public Act 1 raised the sales tax to 4%, effective 1-1-1961, and Public Act 2 raised the use tax to 4%, effective 1-1-1961		

Source: Senate Fiscal Agency

Table 3

Local Community Stabilization Share of the Use Tax	
FY 2015-16.....	\$96,400,000
FY 2016-17.....	380,900,000
FY 2017-18.....	410,800,000
FY 2018-19.....	438,000,000
FY 2019-20.....	465,900,000
FY 2020-21.....	491,500,000
FY 2021-22.....	521,300,000
FY 2022-23.....	548,000,000
FY 2023-24.....	561,700,000
FY 2024-25.....	569,800,000
FY 2025-26.....	571,400,000
FY 2026-27.....	572,200,000
FY 2027-28.....	572,600,000
FY 2028-29 and beyond.....	^{a)}
^{a)} The amount distributed in the preceding year adjusted by the personal property growth factor described in MCL 205.92c(d), which is 1.0% Note: These amounts were previously deposited in the General Fund. General Fund/General Purpose revenue will be reduced by these amounts each year.	

Source: Senate Fiscal Agency.



Use Tax Revenue and Earmarking

The use tax has been a significant source of State revenue, raising \$2.1 billion in FY 2014-15, the last year that the use tax was solely a State tax. As discussed above, beginning in FY 2015-16, use tax revenue is divided between the State share and the local community stabilization authority share for personal property tax reimbursements to eligible local units of government. The State share of the use tax is allocated further, with the primary distribution to the School Aid Fund (SAF) which receives 2% of the 6% levy pursuant to Proposal A. From FY 1994-95 to FY 2015-16, sales and use taxes generated an average of \$6.5 billion or 31.3% of the \$20.8 billion average General Fund and SAF revenue during that period. Figure 1 shows the revenue generated from the use tax and the sales tax in comparison to total General Fund/General Purpose (GF/GP) and School Aid Fund revenue with available consensus revenue estimates. In FY 2016-17, the use tax is estimated to contribute 7.7% of GF/GP revenue and 4.6% of SAF revenue, as shown in Figure 2.

Figure 1

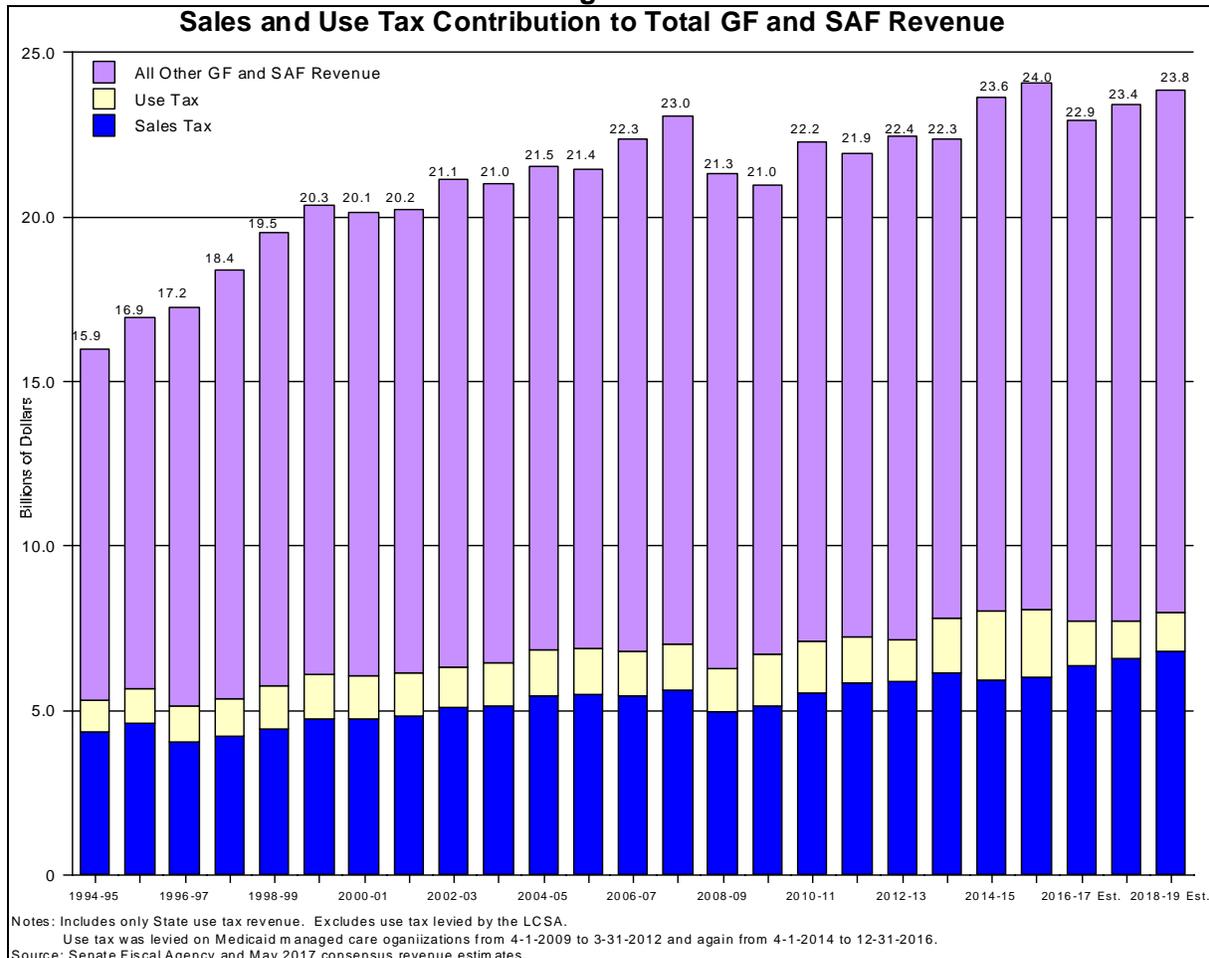
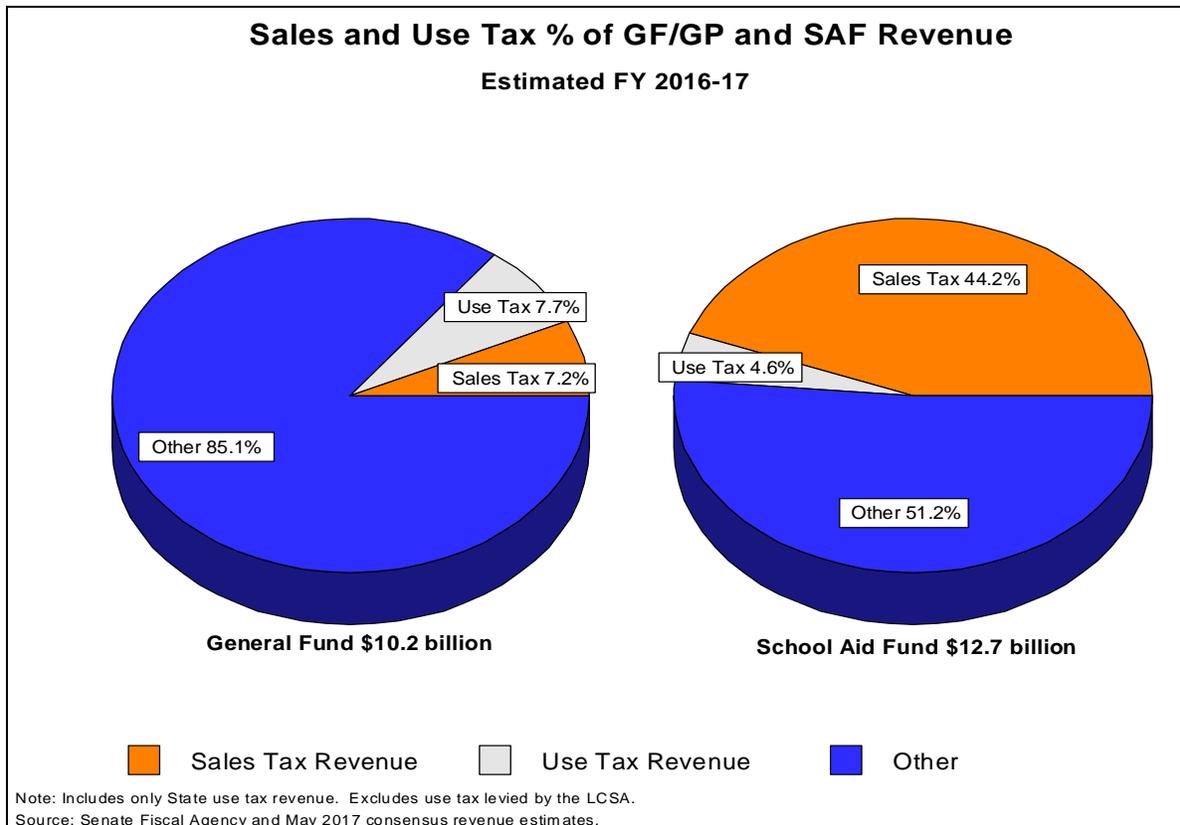


Figure 2



In addition to the SAF earmark, there are provisions that require General Fund revenue raised by the use tax to reimburse the SAF for revenue foregone due to specific tax exemptions. The largest of these reimbursements is the transfer of an amount from General Fund use tax revenue to the SAF to reimburse the SAF for the estimated lost revenue and increased costs due to exempting certain personal property from property taxation. These personal property tax-related reimbursements will total an estimated \$42.4 million in FY 2017-18.⁵ These exemptions not only reduced SAF revenue from the State Education Tax, but also local school district operating revenue from 18 mills levied on nonhomestead property, thus increasing the State cost of the foundation allowance (the primary per-pupil funding source for school districts). The General Fund also is required to reimburse the SAF for use tax revenue lost due to the exemption from the tax for storage, use, or consumption of an aircraft with a takeoff weight of 6,000 pounds or more by a domestic air carrier (MCL 205.94(1)(u)). The Department of Treasury has estimated the General Fund reimbursement for this provision at \$285,000 annually and makes this transfer during the State book-closing process at the end of the fiscal year. Finally, Public Act 252 of 2015 included an enacting section that requires the Legislature to appropriate a sufficient amount from the General Fund each year to reimburse the SAF for

⁵ In FY 2015-16 and FY 2016-17, this reimbursement was handled through the appropriations process.



any revenue loss due to the use tax exemption for equipment purchased by an eligible data center. The enacting section language will not be effective unless an annual appropriation is made. No such appropriation has been enacted to date.

The General Fund share of the use tax also is required to reimburse the Qualified Airport Fund and the State Aeronautics Fund for the amount of the 2% use tax (which goes to School Aid Fund) paid on sales of aviation fuel. This requirement resulted from legislation that brought the State into compliance with Federal law regarding revenue generated by airport-related purposes from airports that receive Federal assistance. Revenue generated from airports that receive assistance under the Airport Improvement Program must be used for airport-related purposes. Under Public Acts 262 and 263 of 2015, beginning October 1, 2016, an amount of General Fund revenue equivalent to the 2% sales and use tax on aviation fuel is distributed 35% to the State Aeronautics Fund and 65% to the Qualified Airport Fund. The primary cost to the General Fund under this provision is from the sales tax, and is estimated at \$8.2 million for FY 2016-17.

Figure 3 and Table 4 show the revenue from the use tax and the distribution of that revenue from FY 1994-95 through estimated FY 2018-19.

Figure 3

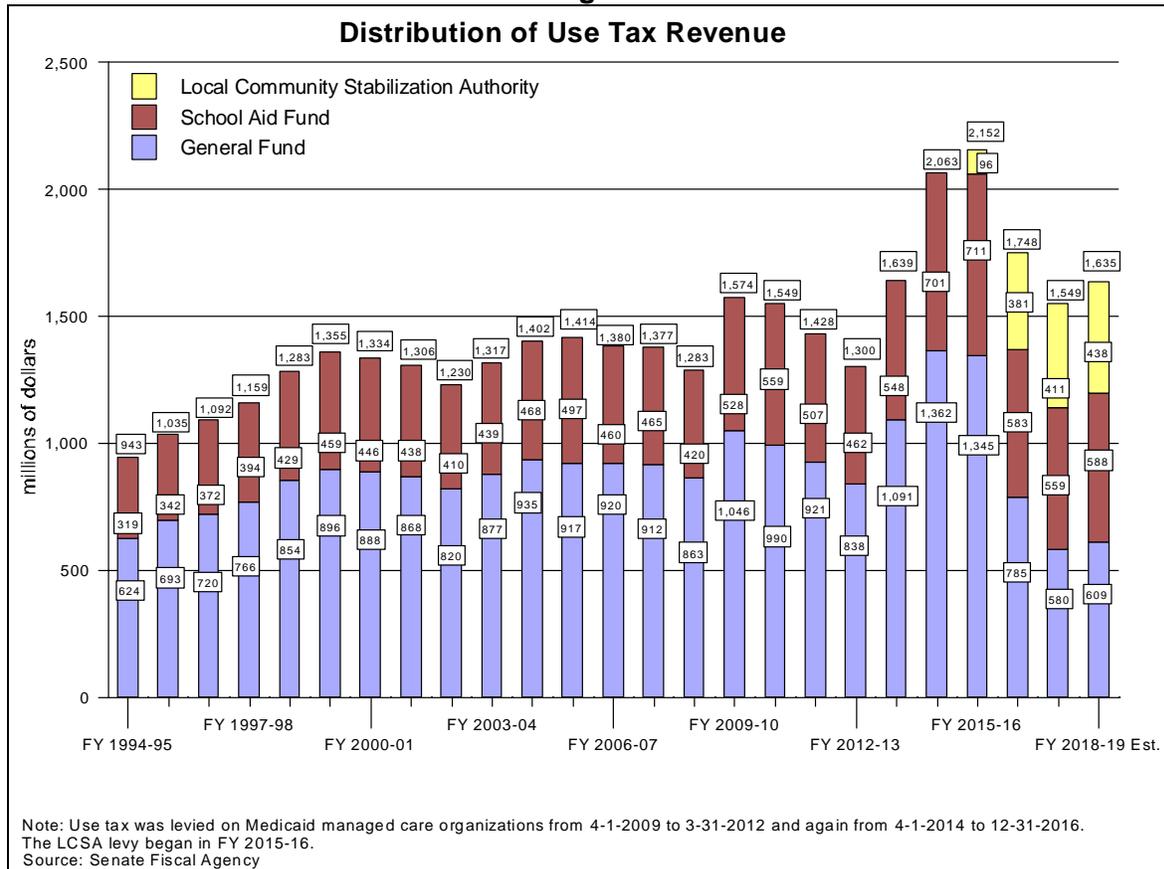




Table 4

Use Tax Revenue and Distribution (millions of dollars)				
Fiscal Year	Total Revenue	State Share		Local Share
		General Fund	School Aid Fund (2%)	LCSA
FY 1994-95	\$942.9	\$623.8	\$319.1	\$0
FY 1995-96	1,034.9	693.0	341.9	0
FY 1996-97	1,092.2	720.2	372.0	0
FY 1997-98	1,159.3	765.6	393.7	0
FY 1998-99	1,283.0	854.2	428.8	0
FY 1999-2000	1,355.4	896.0	459.4	0
FY 2000-01	1,333.6	887.5	446.1	0
FY 2001-02	1,306.4	868.3	438.1	0
FY 2002-03	1,229.8	819.6	410.2	0
FY 2003-04	1,316.5	877.4	439.1	0
FY 2004-05	1,402.4	934.6	467.8	0
FY 2005-06	1,413.8	917.0	496.8	0
FY 2006-07	1,380.4	920.0	460.4	0
FY 2007-08	1,377.1	911.7	465.4	0
FY 2008-09	1,283.7	863.4	420.3	0
FY 2009-10	1,573.7	1,045.7	528.0	0
FY 2010-11	1,548.9	989.9	559.0	0
FY 2011-12	1,428.3	921.4	506.9	0
FY 2012-13	1,300.6	838.3	462.3	0
FY 2013-14	1,639.4	1,091.4	548.0	0
FY 2014-15	2,062.8	1,361.5	701.3	0
FY 2015-16	2,152.5	1,345.2	710.9	96.4
FY 2016-17 Est.	1,748.3	784.6	582.8	380.9
FY 2017-18 Est.	1,549.3	579.7	558.8	410.8
FY 2018-19 Est.	1,635.4	609.4	588.0	438.0

Note: The use tax applied to medical services provided by Medicaid managed care organizations from April 1, 2009, to March 31, 2012, and again from April 1, 2014, to December 31, 2016. This is discussed further in the article.

Source: Senate Fiscal Agency and May 2017 consensus revenue estimates

Medicaid Managed Care Use Tax

The use tax was applied to Medicaid managed care organizations during two different periods, from April 1, 2009, to March 31, 2012, and from April 1, 2014, to December 31, 2016, as a mechanism to draw down additional Federal Medicaid revenue. Public Act 440 of 2008 imposed the use tax on the use or consumption of medical services provided by Medicaid managed care organizations effective April 1, 2009. The tax base in essence consisted of State Medicaid payments to Medicaid managed care organizations. The Medicaid managed care organizations included private companies that provided coverage for physical health care for Medicaid recipients and the Prepaid Inpatient Health Plans, the public entities that are regional collections of the community mental health authorities that provide mental health services to eligible Medicaid recipients.

Several steps were involved in obtaining the additional Medicaid funding. The Medicaid managed care organizations paid the 6% use tax, which was distributed to the General Fund and the SAF in accordance with constitutional and statutory allocations. The cost of the use tax paid by Medicaid managed care organizations had to be reimbursed by Medicaid due to the requirement that Medicaid payment rates be actuarially sound (cover expected costs). Because every State dollar spent on Medicaid is matched by the Federal government at a rate of roughly \$2 Federal for \$1 of State spending⁶, this additional State spending resulted in higher Federal Medicaid payments to the State. Due to the increase in the General Fund revenue from the payment of use tax by Medicaid managed care organizations, there was sufficient General Fund revenue available to pay the cost of the match needed to draw down the additional Federal funds.

In 2011, the Federal government signaled that revenue from the Medicaid managed care use tax would no longer be acceptable as State match. In response, Public Act 142 of 2011 established the Health Insurance Claims Assessment (HICA) effective January 1, 2012, and Public Act 141 of 2011 halted the collection of the Medicaid managed care use tax effective March 31, 2012. The Health Insurance Claims Assessment levied an amount equal to 1.0% of the health claims paid by health insurers, a different approach than the Medicaid managed care use tax. Subsequently, the Federal government approved a Medicaid managed care use tax in California, and Michigan also was able to gain temporary approval for reinstatement of the Medicaid managed care use tax in this State. Public Act 161 of 2014 reinstated the Medicaid managed care use tax effective April 1, 2014, and Public Act 162 of 2014 lowered the HICA rate to 0.75%, with a trigger in the statute that would increase the rate back to 1.0% if the Federal government informed Michigan that the Medicaid managed care organization use tax could no longer be used as State match for Medicaid. Later, a definitive nationwide Federal instruction stated that the Medicaid managed care use tax would no longer be acceptable for Medicaid match after December 31, 2016. Public Act 390 of 2016 stopped collection of the Medicaid managed care use tax effective December 31, 2016, triggering the HICA rate change from 0.75% back to its original 1.0% rate. Contingency language remains in statute to revive the Medicaid managed care use tax at the earliest of the following: when the HICA Act sunsets on July 1, 2020; when the HICA Act is repealed; or when the HICA rate is set at 0.0%.

Use Tax Administration

The use tax is levied on the individual or firm that purchases or consumes the taxable goods or services. Businesses register with the Department of Treasury and submit use tax payments that they are liable for or collect as part of the Department of Treasury system for collection of sales tax, use tax, and income tax withholding payments. Individuals with use tax liability not paid to a seller are responsible for reporting and paying the required amount with the individual income tax on form MI-1040 or, for certain transactions involving the transfer of vehicles, to the Secretary of State. The Secretary of State collects use tax payments related to the transfer of motor vehicles, off-road vehicles, manufactured housing, snowmobiles, and watercraft when those items are purchased or transferred among individuals and businesses that are not licensed dealers or retailers.

For businesses that collect use tax or incur use tax liability, the frequency of tax filing and payments depends initially on the estimated tax due each month during the first year of

⁶ This was the Medicaid match rate in effect at that time for the traditional Medicaid program, excluding the Healthy Michigan Medicaid expansion.



operation. For subsequent years, the filing frequency depends on the amount of total tax liability in the prior year. The timing of payment and filing of returns is shown in [Table 5](#). If a business that is required to collect the tax does not pay the required tax, then the seller can be held personally liable for the use tax due (MCL 205.99).

Table 5

Use Tax Filing and Payment Requirements		
Previous Year's Total Tax Liability (Sales, Use, Withholding)	Frequency of Return	Due Date
Under \$750	Annually	February 28
\$750 to \$3,600	Quarterly	20 th Day of the Following Quarter
Over \$3,600 up to \$719,000	Monthly	20 th Day of the Following Month
Sales or use tax liability of \$720,000 or more in the previous calendar year	Monthly	Accelerated Payments Prepayment: Due 20 th Day of the Current Month (Payment is the lesser of 75% of the liability in the previous month or the same month in the prior calendar year.) Reconciliation Payment: Due 20 th Day of the Following Month (The difference between the prepayment amount and the actual amount due.)
Source: Michigan Department of Treasury, "FAQs for Sales and Use Tax", MCL 205.94f, and MCL 205.96.		

Payment discounts are available to use tax filers who pay early or on time. The discount applies only to sales and use taxes levied at a 4% rate. The additional 2% tax dedicated to the School Aid Fund is not subject to discounting. Smaller filers, not subject to accelerated payments, can receive a discount that is the larger of two calculations. If the tax due is paid by the 12th of the month, the discount is 0.75% of the 4% tax with a maximum discount of \$20,000 of the tax collected for the month. If the tax due is paid after the 12th of the month and by the 20th of the month, the discount is 0.5% of the 4% tax with a maximum discount of \$15,000. For companies with a sales or use tax liability of \$720,000 per year or more that are subject to accelerated payments, the discount is 0.5% of the monthly amount due at a rate of 4%.

Recent Legislation

The use tax has been a frequent subject of legislation in recent years, often in conjunction with proposals to make comparable changes to the sales tax. In the 2015-2016 legislative session, 28 bills to amend the Use Tax Act were introduced in the House and Senate and 11 of those were signed into law. These include a number of provisions with a significant fiscal impact, including the personal property tax reform legislation that changed a portion of use tax proceeds from General Fund revenue to local revenue for the LCSA, new tax exemptions to encourage economic development of data centers and transformational brownfields, adjustments to the Medicaid managed care use tax, expansion of the presumption of nexus with Michigan to apply the sales and use tax to additional internet sales, and the exemption of core charges on motor vehicle parts and batteries from the sales price used to determine the use tax due on purchases of those items. These and other recent changes from Public Act 54 of 2014 through Public Act 49 of 2017 are described briefly in [Appendix A](#).



Pending Legislation

In the 2017-2018 legislative session, as of July 12, 2017, nine bills had been introduced to amend the Use Tax Act. One of those bills has been enacted: Senate Bill 114 (Public Act 49 of 2017), which exempts certain equipment expenditures within a transformational brownfield plan from the use tax. Another bill has been vetoed: Senate Bill 95, which would have accelerated the implementation of exempting the value of a trade-in vehicle from the sales price used to compute the use tax (the use tax on the difference) and exempted the value of a recreational vehicle when used as a trade-in for a recreational vehicle purchased from a dealer. House Bill 4350, which was passed by the House on May 25, 2017, would exempt certain aviation equipment from the use tax. House Bill 4564, which was passed by the House on June 6, 2016, would clarify an exemption for agricultural equipment. The remaining bills are pending on the Senate floor or in House or Senate committee. Table 7 lists the bills that have been introduced to date.

Table 7
Bills That Would Amend the Use Tax Act
Introduced to Date^{a)} during the 2017-2018 Session

Bill Number	Status/Committee	Description
Senate Bill 31	Senate Michigan Competitiveness	Establishes a new version of the Medicaid managed care use tax.
Senate Bill 92	Reported from Senate Finance	Exempts feminine hygiene products from the use tax.
Senate Bill 95	Vetoed by the Governor 7-25-2017	Accelerates implementation of the use tax on the difference (exemption of the value of the trade-in vehicle when determining use tax on motor vehicle purchases) and applies the exemption to the trade-in of a recreational vehicle for the purchase of a new recreational vehicle from a dealer.
Senate Bill 114	P.A. 49 of 2017	For eligible property within a transformational brownfield plan, exempts from the use tax personal property used in the improvement of real estate or to be made a structural part of improvements to real property within a transformational brownfield plan.
House Bill 4128	House Tax Policy	Exempts feminine hygiene products from the use tax.
House Bill 4253	House Tax Policy	Accelerates implementation of the use tax on the difference (exemption of the value of the trade-in vehicle when determining use tax on motor vehicle purchases) and applies the exemption to the trade-in of a recreational vehicle for the purchase of a new recreational vehicle from a dealer. (Includes different dates and value thresholds than Senate Bill 95.)
House Bill 4350	Passed by the House Referred to Senate Finance	Exempts certain aviation equipment from the use tax.
House Bill 4439	House Tax Policy	Establishes an annual, one-day holiday from use tax collection for specific types of back-to-school shopping.
House Bill 4564	Passed by the House Referred to Senate Agriculture	Clarifies use tax exemptions for equipment used in agriculture.

^{a)} As of July 12, 2017.

Note: The links above go to the page for each bill at www.legislature.mi.gov where the bill, current status, and analysis of the bills, if available, can be found.

Source: Senate Fiscal Agency

Conclusion

The use tax applies to the use, consumption, or storage of tangible personal property that is not subject to the sales tax and to the consumption of specifically named services. It is levied in conjunction with the sales tax to tax transactions that are not subject to the sales tax. Purchases subject to the use tax include out-of-State purchases of items brought back for use in Michigan, transmission of electricity, hotel and motel room rentals, telecommunication and mobile telephone services, and sales of motor vehicles between unrelated individuals. Many types of transactions are exempted by statute from the use tax. The use tax is a significant source of State (and recently, local) revenue. The consensus estimate of State use tax revenue in FY 2017-18 is more than \$1.1 billion, which would contribute an estimated \$579.7 million or 5.6% of General Fund revenue and \$558.8 million or 4.3% of School Aid Fund revenue. In addition, the use tax now levied by the LCSA will raise \$410.8 million in FY 2017-18 to reimburse eligible local governments for revenue losses due to the exemption of certain eligible personal property from property taxation. The LCSA levy, which will increase each year, reduces the revenue directed to the State General Fund. The Use Tax Act is frequently a subject of legislation to adjust the tax base for economic development purposes and other policy goals.

State Notes
TOPICS OF LEGISLATIVE INTEREST
 Summer 2017



Appendix A

Public Acts Affecting the Use Tax Act Public Act 54 of 2014 through Public Act 49 of 2017		
Public Act	Effective Date	Description
2014 PA 54	3-25-14	Extends use tax exemption to materials used in the Cobo Hall renovation.
2014 PA 80	1-1-15	Provides for the Local Community Stabilization Authority to levy use tax for personal property tax reform reimbursement.
2014 PA 109	4-10-14	Limits use of indirect audit procedures in tax enforcement.
2014 PA 121	5-6-14	Makes effective date of prior legislation (PA 474 of 2012) one year earlier to extend use tax exemption for property affixed to certain property in another state.
2014 PA 161	3-25-14	Extends the use tax base to cover Medicaid managed care providers beginning April 1, 2014. (Reinstates the Medicaid managed care provider use tax that expired March 31, 2012.)
2014 PA 248	6-27-14	Excludes sales to in-laws of motor vehicles, boats, etc., from the use tax.
2014 PA 426	12-30-14	Makes technical changes related to the payment schedule for large taxpayers.
2014 PA 554	10-1-15	Establishes affiliate nexus, presumption of sales at retail.
2015 PA 124	7-10-15	Earmarks \$300,000 of use tax revenue annually for expenses of the Local Community Stabilization Authority; FY 2015-16 to FY 2018-19.
2015 PA 172	11-3-15	Extends the industrial processing tax exemption to personal property used to produce alcoholic beverages sold at the manufacturer's own location.
2015 PA 204	11-30-15	Exempts sales of over-the-counter drugs dispensed by prescription.
2015 PA 252	12-23-16	Exempts sales of data center equipment to a qualified data center. The duration of the exemption depends on the number of jobs created and may extend through 2035. Enacting section requires an annual appropriation from the General Fund to reimburse the School Aid Fund for any lost revenue.
2015 PA 263	3-22-16	Earmarks an amount from the General Fund State share equal to the 2% use tax on use, storage, or consumption of aviation fuel to the Aeronautics Fund and the Qualified Airport Fund in order to comply with Federal requirements on use of revenue from airports that receive certain Federal assistance.
2016 PA 7	2-2-16	Changes the definition of "dealer" to expand earlier legislation allowing sales or use tax regarding motor vehicles to be assessed on the difference between the value of the trade-in and the value of the newly purchased vehicle.
2016 PA 160	9-7-16	Revises source of direct mail purchases for use tax determination.
2016 PA 373	3-29-17	Expands use tax exemption for the sale of personal property that will be a structural part of a nonprofit hospital to a long-term medical care facility that meets certain requirements.
2016 PA 390	12-28-16	Suspends collection of the Medicaid managed care use tax effective December 31, 2016. Provides for reinstatement of the Medicaid managed care use tax at the earliest of the following: the sunset of the Health Insurance Claims Assessment Act on July 1, 2020; the repeal of the HICA Act; or the reduction of the HICA rate to 0.0%.
2016 PA 432	3-29-17	Explicitly exempts from the use tax sales of grain drying and drainage equipment sold for installation on agricultural property. Codifies the current interpretation of the law regarding that type of equipment sold for installation for agricultural use on real estate owned by others.
2016 PA 516	3-29-17	Exempts "core" charges (a recycling fee, deposit, or disposal fee for a motor vehicle part or battery) from the purchase price of a vehicle part for the purpose of determining use tax obligation.
2017 PA 49	7-24-17	Exempts purchases of property that will be affixed to or a structural part of improvements to eligible real property that is part of a transformational brownfield plan.

Source: Senate Fiscal Agency