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## BILL ANALYSIS



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Senate Bills 906 and 907 (as introduced 3-15-18)  
Sponsor: Senator Jack Brandenburg  
Committee: Finance

Date Completed: 3-19-18

**CONTENT**

**Senate Bills 906 and 907 would amend the General Sales Tax Act and the Use Tax Act, respectively, to exempt from taxation under those Acts the purchase, sale, or lease of a school bus or services, including parts, if the school bus or services were used to transport pupils to or from a school or school-related events.**

The Acts impose a tax of 6% on the purchase price or sales price of nonexempt personal property and services. The Acts exempt from taxation certain items, property, and vehicles.

Under the bills, the sale, purchase, or lease of a school bus or services, and parts affixed to or to be affixed to a school bus that were used in the repair or maintenance of a school bus, would be exempt from taxation under the Acts if the school bus or services were used in the performance of a contract entered into with an authorized representative of a school for the transportation of preprimary, primary, or secondary school pupils to or from a school or school-related events authorized by the administration of the school.

Under each bill, "lease" would mean any transfer of possession or control for a fixed or indeterminate term for consideration and could include future options to purchase or extend. "School" would mean a public school or public school academy as defined in the Revised School Code. "School bus" would mean the term as defined in the Pupil Transportation Act.

(That Act defines "school bus" as a motor vehicle with a manufacturer's rated seating capacity of 11 or more passengers, including the driver, used for the transportation of preprimary, primary, or secondary school pupils to or from school or school-related events or a multifunction school activity bus manufactured after September 2, 2003, as defined in Federal law. "School bus" does not include a vehicle operated by a public transit agency or authority.)

MCL 205.54a (S.B. 906)  
205.94 (S.B. 907)

Legislative Analyst: Drew Krogulecki

**FISCAL IMPACT**

The bills would reduce sales and use tax revenue by approximately \$3.8 million or more per year. Based on data from the 2012 Economic Census, approximately 263 small buses and 591 large buses were purchased for school transportation in Michigan that year. Prices for buses vary by bus size and options, but diesel buses can range from \$60,000 to \$100,000 per bus while an electric bus can cost between \$225,000 and \$300,000. Assuming an average price of \$75,000, sales and use tax on those vehicles would total approximately \$3.8 million. The impact on the General Fund and the School Aid Fund would depend on the relative

distribution of transactions between the sales tax and the use tax. Under the sales tax, 73.3% of revenue is distributed to the School Aid Fund, 10% is distributed to constitutional revenue sharing to local units of government, approximately 4.6% goes to the Michigan Transportation Fund, and the remainder is directed to the General Fund. Under the use tax, one-third of the revenue is directed to the School Aid Fund, with the remainder directed to the General Fund.

Fiscal Analyst: David Zin

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