

Capitol Briefings: Retailers face tax on collecting tax

October 15, 2007

By [Amy Lane](#) of Crain's Detroit Business

LANSING — As wrinkles unfold with Michigan's new business tax, here's something some retail businesses didn't expect: They have to pay tax on the sales tax they collect from customers.

Under the Michigan Business Tax, sales tax received in the sale of goods must be counted as part of gross receipts, along with the actual sale price of the item. Both are considered part of the modified gross receipts in the MBT, a levy enacted in June that is based on a 4.95 percent business income tax and a 0.8 percent gross receipts tax on sales minus purchases of tangible property.

"It defies logic that you would tax somebody on something they don't keep, that's a pass-through," said Eric Rule, director of governmental affairs with the **Michigan Retailers Association**. "Nobody anticipated that."

But Scott Schrager, director of legislative affairs for the **Michigan Department of Treasury**, said the tax policy isn't new. It's the same way sales tax is treated in relation to gross receipts under the single-business tax, which the MBT is replacing, Schrager said.

"The difference is that under the single-business tax, it was important only for those taxpayers that used a gross receipts method. And under the MBT, everyone pays gross receipts tax. So the scope of the application is probably broader, and that may be the reason why it's getting more attention," Schrager said.

"We're just at this point interpreting 30 years of history, based on how the SBT was administered."

Business officials are hoping to change that interpretation, such as through legislation.

But Schrager said any change holds "a revenue implication" that Treasury has not yet analyzed.

"There are a number of issues that may come up, and we're open to discussing issues relating to the MBT," he said. "I wouldn't put this one on a pedestal, or in the ditch."