

**Advisor's Brief:** Submission 01-02-107  
**Date:** February 28,2007  
**Policy:** Sub Tax  
**Focus:** Prepaid Cellular Service:

## **SUMMARY**

This proposed policy would require retailers of all non-land line prepaid cellular card services to pay a 10% fee on all non-land line pre-paid cellular cards distributed for sale in Michigan, and all cellular retailers to a pay 15% fee for cellular phones distributed for sale in Michigan and sold without a minimum one year cellular service contract. Fees from the policy would be credited into a newly created **Michigan Department of Treasury 911 Reimbursement Fund** which would distribute revenue bi-annually to local units of government based on the proportionate number of local unit cellular (911) emergency calls.

## **Current Law**

Under existing Michigan Public Service Commission Order, land line prepaid card providers contribute financially to local emergency service delivered via 911. Non land line prepaid cellular providers have no contribution requirement.

## **Proposed Policy**

This proposed policy would require the Michigan Department of Treasury to collect and return a portion of collected revenue to local units of government as follows:

- Minus administrative costs, 10 percent of the retail sales price for each non land line prepaid cellular card sold on or after January 1, 2008, or that is delivered by a manufacturer or dealer that are intended to be stored or used in this State.
- Minus administrative costs, 15 percent of the retail sales price for each cellular phone sold without a minimum one year cellular service contract sold on or after January 1, 2008, or that is delivered by a manufacturer or dealer that are intended to be stored or used in this State.

The policy would require non land line prepaid cellular service card providers to place an auditable State stamp on the packages of all retail products subject to financial penalties for the manufacturer and financial and criminal penalties for the retailer for non-compliance.

Manufacturers would be required to place a surety instrument with the Michigan Department of Treasury in an amount that is not less than \$5,000,000,000 payable to the State of Michigan in the instance of payment default by contracted retailers and distributors. In addition, manufacturers would require by contract that distributors or sellers of their products record and report all sales, and pay all fees associated with sales annually to the Michigan Department of Treasury as

required; subject to contract revocation and penalties determined by the legislature.

The proposed policy would require the fees be collected by the Michigan Department of Treasury. All amounts required to be paid would be paid to Treasury in the form of remittances that are separate from the remittance of any other tax.

Fees collected would be deposited in the 911 Reimbursement Fund for bi-annual distribution as a line item in the State Revenue Sharing Appropriation.

The 911 Reimbursement Fund conceptually would be used upon appropriation by the Legislature, as a Revenue Sharing Line Item for purposes including:

- Treasury's cost of implementation and administration of the admittance, licensing and fee collection components.
- To assist local units of government in uncompensated costs associated with emergency police, fire and medical response to 911 cellular calls.

The proposed policy would provide that Treasury and local units of government adopt regulations necessary to implement, audit and enforce the policy provisions.