

“TO BE OR NOT TO BE?” THE NEW MICHIGAN SERVICE TAX

BY EDWARD J. CASTELLANI

In an effort to raise revenue and balance the State budget, the State recently adopted a tax on certain services. The tax rate is 6% and will be effective December 1, 2007.

Under the law, the tax is extended to the use or consumption of the following services, as described in the North American Industry Classification System (NAICS), 2002 as produced by the United States Office of Management and Budget:

- Carpet and upholstery cleaning services.
- Business service center services.
- Consulting services.
- Investigation, guard, and armored car services.
- Investment advice services.
- Janitorial services.
- Office administration services.
- Landscaping services.
- Travel and reservation services.
- Scenic transportation services.
- Skiing services.
- Tour operator services.
- Warehousing and storage services.
- Packaging and labeling services.

- Specialized design services.
- Transit and ground passenger transport services.
- Courier and messenger services.
- Personal care services, except hair care services.
- Security system services.
- Document preparation services.
- Mini warehouse services and self-storage unit services.

Each of these services is subject to tax under the new law based on the description of that service in the applicable NAICS code and not the classification of the establishment providing that service.

The bill also imposes the tax on the use or consumption of the following personal services:

- Astrology services.
- Baby shoe bronzing services.
- Bail bonding services.
- Balloon-o-gram services.
- Coin-operated blood pressure testing machine services.
- Bondsperson services.
- Check room services.
- Coin-operated personal service

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- machine services.
- Comfort station operation services.
- Concierge services.
- Consumer buying services.
- Credit card notification services.
- Dating services.
- Discount buying services.
- Social escort services.
- Fortune-telling services.
- Genealogical investigation services.
- House sitting services.
- Social introduction services.
- Coin-operated rental locker services.
- Numerology services.
- Palm reading services.
- Party planning services.
- Pay telephone services.
- Personal fitness trainer services.
- Personal shopping services.
- Coin-operated photographic machine services.
- Phrenology services.
- Porter services.
- Psychic services.
- Rest room operation services.
- Shoeshine services.
- Singing telegram services.
- Wedding chapel services, but not churches.
- Wedding planning services.

The bill extends the tax to service contract services in which the seller, in exchange for the buyer's single payment, agrees to provide repair,

maintenance, or replacement of one or more items of tangible personal property during a specified period of time, which services the buyer is not required to buy in connection with the purchase of tangible personal property.

There are no Administrative Rules, Regulations or Revenue Administrative Bulletins to provide guidance on the interpretation and application of this new law. Taxpayers are advised to consult with tax counsel for compliance questions.

“Business lobby groups are engaged in a lobbying effort to repeal the tax on services in return for an increase in the recently passed MBT tax rate.”

It is not clear at this time whether this tax will actually become effective on December 1, 2007, as currently provided. Business

lobby groups are engaged in a lobbying effort to repeal the tax on services in return for an increase in the recently passed MBT tax rate. If their efforts are unsuccessful and the tax on services takes effect on December 1, 2007, the business lobby may undertake a ballot initiative, with a goal of having citizens vote on the issue in November, 2008. So, while all taxpayers should be prepared to implement this tax by December 1, 2007, it is possible the tax will be repealed prior to the effective date.

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Edward J. Castellani, CPA is a shareholder with Fraser Trebilcock Davis & Dunlap, P.C., and the head of the Business Tax Law Department. If you have any questions regarding the Michigan Service Tax or tax law in general, you may contact him at (517) 377 0845 or by email at ecastellani@fraserlawfirm.com

ATTORNEY ACTIVITIES OF NOTE:

■ WILSON SECURES GUARDIANSHIP

Ryan M. Wilson was successful in obtaining the appointment of a temporary guardian and conservator at a contested proceeding in Washtenaw County Probate Court, on October 24, 2007. Mr. Wilson has handled several contested guardianships and conservatorships. As a result of his experience, he was brought in on this matter to act as co-counsel with a local Ann Arbor attorney.

■ HARRIS PRESENTS AT GLOBAL GAMING EXPO

Toni L. Harris, shareholder with Fraser Trebilcock Davis & Dunlap, P.C., spoke at the Global Gaming Exposition held in Las Vegas, Nevada, November 12th-15th.

Ms. Harris addressed the convention on the area of Intellectual Property (IP) and IP litigation and had the opportunity to represent the Intellectual Property & Technology Group of Fraser Trebilcock, which includes (along with Ms. Harris) the department chair and current board president Mark R. Fox, Mary M. Moyne, Iris K. Linder, Thaddeus E. Morgan, Jonathan E. Raven, and Graham K. Crabtree.

■ ATTORNEY CASEY SINGLED OUT AS BEST IN FAMILY LAW IN LANSING

Nan Elizabeth Casey, shareholder with Fraser Trebilcock Davis & Dunlap, P.C. was one of several FTD&D attorneys included in the 2007 *Best Lawyers in America*. Ms. Casey's practice area is Family Law - and she was the *only* Lansing area attorney in that practice arena to be so designated.

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NEW FACES AT FTD&D

■ THREE NEW ATTORNEYS JOIN FIRM

Three new attorneys have joined the Fraser Trebilcock Davis & Dunlap, P.C. law firm this month.

Louis A. Brown Jr., Esq. and Samantha A. Kopacz were both admitted to the Bar in November and are now associates with the firm's Lansing office; Matthew A. Carmona, who has been in practice since 2004, joined the Detroit office this month as an associate.

Brown received his B.A. in Political Economy and International Relations from the James Madison College at Michigan State University and received his J.D. from Howard University School of Law. Kopacz received her B.A., cum laude, from New York University in Economics and her J.D. from Wayne State University Law School.

Carmona received his B.S. from the Cornell University School of Industrial and Labor Relations and his J.D. from the University of Illinois, College of Law.



Louis A. Brown Jr., Esq



Samantha A. Kopacz



Matthew A. Carmona

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REPORT

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“No law or ordinance is mightier than understanding.”

Plato

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FRASER
TREBILCOCK
DAVIS &
DUNLAP, P.C.
WWW.FRASERLAWFIRM.COM

124 W. ALLEGAN, SUITE 1000
LANSING, MICHIGAN 48933
517.482.5800

ONE WOODWARD AVENUE, SUITE 1550
DETROIT, MICHIGAN 48226
313.237.7300

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