

Legislative Analysis



SALES AND USE TAX EXEMPTIONS FOR PROSTHETIC DEVICES

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<http://www.house.mi.gov/hfa>

House Bill 4203 as introduced
Sponsor: Rep. Lynn Afendoulis

Analysis available at
<http://www.legislature.mi.gov>

House Bill 4204 as introduced
Sponsor: Rep. Bronna Kahle

Committee: Tax Policy
Complete to 3-6-19

SUMMARY:

House Bills 4203 and 4204 would amend the General Sales Tax Act and the Use Tax Act, respectively, to modify the definition of prosthetic device as used in exempting those devices from sales and use taxes.

Each act currently exempts from taxation the sale of “a *prosthetic device*, durable medical equipment, or mobility enhancing equipment.”

As used in each act, *prosthetic device* means a replacement, corrective, or supportive device, other than contact lenses and dental prosthesis, dispensed pursuant to a prescription, including repair or replacement parts for that device, worn on or in the body to do one or more of the following:

- Artificially replace a missing portion of the body.
- Prevent or correct a physical deformity or malfunction of the body.
- Support a weak or deformed portion of the body.

The bills would remove the underlined phrase, thus expanding the exemptions from the sales and use taxes to include all devices that meet the definition, regardless of whether they were dispensed pursuant to a prescription.

[Note: It is unclear whether the amended definition would provide a tax exemption for such nonprescription items as, for example, elastic bandages (which support a weak portion of the body), shoe insoles (which correct a physical deformity of the body), or anti-snoring nasal strips (which correct a physical deformity or malfunction of the body).]

Both bills would be retroactive and effective beginning July 31, 2018.

MCL 205.51a (HB 4203)
MCL 205.92b (HB 4204)

FISCAL IMPACT:

As written, the bills would reduce sales and use tax revenue by between \$5.0 million to \$10.0 million on a full-year basis. Most of the revenue loss is likely to be reduced sales tax collections.

Approximately 73% of sales tax revenue is constitutionally earmarked to the school aid fund, with an additional 10% dedicated to constitutional revenue sharing. The majority of the remainder accrues to the general fund. About one-third of use tax revenue is constitutionally earmarked to the school aid fund, with the remainder accruing to the general fund.

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations and does not constitute an official statement of legislative intent.