



Senate Fiscal Agency  
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House Bill 4203 (Substitute H-2 as passed by the House)  
House Bill 4204 (Substitute H-2 as passed by the House)  
Sponsor: Representative Lynn Afendoulis (H.B. 4203)  
Representative Bronna Kahle (H.B. 4204)  
House Committee: Tax Policy  
Ways and Means  
Senate Committee: Finance

Date Completed: 1-22-20

### **CONTENT**

**House Bill 4203 (H-2) and House Bill 4204 (H-2) would amend the General Sales Tax Act and the Use Tax Act, respectively, to exempt from taxation under those Acts the sale to a hospital or freestanding surgical outpatient facility of a prosthetic device for implantation into a human.**

The General Sales Tax Act and the Use Tax Act specify that the sale of a prosthetic device is exempt from sales and use tax, respectively. Each Act defines "prosthetic device" as 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.

Under the bill, this definition would apply, except as provided below.

In addition, the bills specify that the sale to a hospital or freestanding surgical outpatient facility of a prosthetic device for implantation into a human would be exempt from taxation under those Acts. As used in these provisions, "prosthetic device" would mean a replacement, corrective, or supportive device, other than contact lenses and dental prosthesis, 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.

MCL 205.51a et al. (H.B. 4203)  
205.92b et al. (H.B. 4204)

Legislative Analyst: Jeff Mann

### **FISCAL IMPACT**

The Department of Treasury estimates the bills would reduce sales and use tax revenue by approximately \$3.0 million per year, lowering both School Aid Fund and General Fund revenue

as well as local unit revenue. The degree to which the revenue reduction would be split between the sales tax and the use tax is unknown. Approximately 73% of sales tax revenue is distributed to the School Aid Fund, while another 10% is distributed to local units through constitutional revenue sharing payments. The remaining 17% of any lost sales tax revenue would lower General Fund revenue. In contrast, one-third of use tax revenue is directed to the School Aid Fund, and remaining revenue lost under the use tax would lower General Fund revenue.

Fiscal Analyst: David Zin

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.