

Legislative Analysis



ELIMINATE TAX EXEMPTION FOR FREE OR REDUCED EMPLOYEE MEALS

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House Bills 6214 & 6221

Sponsor: Rep. Mark Meadows

Committee: Tax Policy

Complete to 6-21-10

A SUMMARY OF HOUSE BILLS 6214 & 6221 AS INTRODUCED 5-27-10

Under both the General Sales Tax Act and the Use Tax Act, there is a tax exemption for meals served to employees of a licensed food service establishment during work hours free of charge or at reduced rates. (For purposes of the sales tax exemption, this applies if it is done for the convenience of the employer.) The bills would eliminate that exemption as of October 1, 2010, thus charging sales or use tax on such meals.

House Bill 6214 would amend the Use Tax Act. (MCL 205.94a)

House Bill 6215 would amend the General Sales Tax Act. (MCL 205.52)

FISCAL IMPACT:

These bills would increase sales/use revenue by an estimated \$12.4 million on a full year basis. Of the total fiscal impact, approximately \$9.0 million would affect the School Aid Fund (SAF) and \$3.4 million would affect the General Fund/General Purpose (GF/GP).

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