



Senate Fiscal Agency
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BILL



ANALYSIS

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House Bill 5678 (as passed by the House)
Sponsor: Representative Kenneth Horn
House Committee: Tax Policy
Senate Committee: Finance

Date Completed: 11-7-12

CONTENT

The bill would amend the General Sales Tax Act to provide a tax exemption for the sale of over-the-counter drugs pursuant to a prescription.

Currently, the sales tax does not apply to sales of drugs for human use that can only be legally dispensed by prescription. The bill, instead, would exempt the sale of a prescription drug for human use, and an over-the-counter drug for human use pursuant to a prescription.

The bill would define "prescription" and "prescription drug" as those terms are defined in Part 177 of the Public Health Code.

(The Code defines "prescription" as an order by a prescriber (e.g., a licensed dentist, physician, or podiatrist) to fill, compound, or dispense a drug or device written and signed; written or created in an electronic format, signed, and transmitted by facsimile; or transmitted electronically or by other means of communication.

"Prescription drug" means one or more of the following:

- A drug dispensed pursuant to a prescription.
- A drug bearing the Federal legend "CAUTION: federal law prohibits dispensing without prescription" or "Rx only".
- A drug designated by the Michigan Board of Pharmacy as a drug that may only be dispensed pursuant to a prescription.)

MCL 205.54g

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would reduce State revenue to both the General Fund and the School Aid Fund, as well as revenue to local units. The Department of Treasury estimates that the bill would reduce revenue by approximately \$10.0 million per year, with \$7.3 million of the reduction affecting the School Aid Fund, \$1.7 million of the reduction affecting General Fund revenue, and the remaining \$1.0 million affecting local units through constitutional revenue sharing.

Fiscal Analyst: David Zin

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