

Legislative Analysis



FAST-FOOD RESTAURANT AND FOOD SERVICE TAX ACT

Mitchell Bean, Director
Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 4804

Sponsor: Rep. Marsha G. Cheeks

Committee: Tax Policy (Motion to Discharge)

Complete to 6-29-05

A SUMMARY OF HOUSE BILL 4804 AS INTRODUCED 5-17-05

The bill would create a new act known as the "Fast-Food Restaurant and Food Service Tax Act" that would impose an excise tax of two percent on the gross monthly sales of prepared food and beverages at fast-food restaurants in the City of Detroit. The city council would also have to approve, by resolution, the imposition of the tax.

The tax would be collected with the state sales tax, and taxpayers (food businesses) could recoup the cost of the tax by adding it to the cost of prepared food and beverages. Prepared food and beverages subject to the new tax would be those also subject to the sales tax.

The tax would be administered by the state treasurer. Proceeds from the tax would be deposited into a newly-created Fast-Food Restaurant and Food Service Fund within the state treasury. Money in the fund would be remitted, upon appropriation, to the city. (The bill identifies an eligible city as one with a population of 750,000 or more.)

A fast-food restaurant would be a restaurant with a North American Industrial Classification System (NAICS) of 722211, where patrons pay for the food before consumption, whether the food was consumed on or off the premises.

[The Census Bureau notes that "this U.S. industry comprises establishments primarily engaged in providing food services (except snack and nonalcoholic beverage bars) where patrons generally order or select items and pay before eating. Food and drink may be consumed on premises, taken out, or delivered to customers' location. Some establishments in this industry may provide these food services in combination with selling alcoholic beverages."]

FISCAL IMPACT:

This bill would permit the governing body of the City of Detroit to approve a resolution to levy a 2 percent excise tax on prepared food and beverages sold at fast-food restaurants located within the City of Detroit. If approved, the excise tax would generate an estimated \$17 to \$18 million on a full year basis.

Legislative Analyst: Mark Wolf
Fiscal Analyst: Rebecca Ross

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