

Legislative Analysis



SALES AND USE TAX EXEMPTIONS FOR CONTACT LENSES

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

**Senate Bill 1026 as passed by the Senate
Sponsor: Sen. Dale W. Zorn**

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

**Senate Bill 1027 as passed by the Senate
Sponsor: Sen. Jack Brandenburg**

**House Committee: Tax Policy
Senate Committee: Finance**

Complete to 12-10-18

SUMMARY:

Senate Bills 1026 and 1027 would amend the General Sales Tax Act and the Use Tax Act, respectively, to exempt contact lenses from the sales tax and use tax.

Each act currently exempts from taxation a prosthetic device, meaning a replacement, corrective, or supportive device medically prescribed to be worn on or in a person's body to replace, correct, or support a deformity, malfunction, or missing part of the body. Contact lenses are specifically excepted from being considered prosthetic devices under each act.

Senate Bills 1026 and 1027 would remove that exception and allow contact lenses purchased on a written prescription to be exempt from taxation under both the General Sales Tax Act and the Use Tax Act.

Each bill would take effect 90 days after its enactment.

MCL 205.51a (Senate Bill 1026)
MCL 205.92b (Senate Bill 1027)

FISCAL IMPACT:

As written, the bills would reduce sales and/or use tax revenue. Under current law, eyeglasses and contact lenses prescribed by a doctor for a specific medical condition that precludes the use of eyeglasses are exempt from sales and use taxes, although contact lenses worn in lieu of glasses at the discretion of the individual are fully taxable.

Information regarding the size of the contact lens market (such as the number of wearers and the annual cost of contact lenses) varies widely at the national level, and little reliable information is Michigan-specific. Therefore, the estimates range from \$10.1 million (using

data from The Vision Council) to \$16.7 million (utilizing information from the Centers for Disease Control).

Assuming that the loss is almost entirely sales tax revenue, the School Aid Fund would be reduced by between \$12.3 to \$7.4 million, Constitutional revenue sharing would decrease by \$1.7 million to \$1.0 million, and General Fund revenue would fall by \$2.8 million to \$1.7 million.

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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.