

# Legislative Analysis



## SALES AND USE TAX EXEMPTIONS FOR PROSTHETIC DEVICES

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

**House Bill 4203 (proposed substitute H-1)**  
**Sponsor: Rep. Lynn Afendoulis**

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

**House Bill 4204 (proposed substitute H-1)**  
**Sponsor: Rep. Bronna Kahle**

**Committee: Tax Policy**  
**Complete to 4-9-19**

### SUMMARY:

House Bills 4203 and 4204 would amend the General Sales Tax Act and the Use Tax Act, respectively, to modify the exemption of prosthetic devices from sales and use taxes. The current exemption requires that a prosthetic device be dispensed pursuant to a prescription. The bills would retain this exemption and would further exempt from taxation the sale to a hospital or freestanding surgical outpatient facility (such as an ambulatory surgical center) of a prosthetic device for implantation into a human, regardless of whether the device had been dispensed pursuant to a prescription.

Each act currently exempts from taxation the sale of “a *prosthetic device*, durable medical equipment, or mobility enhancing equipment.”

As used in each act, *prosthetic device* means 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.

Each bill would add a new section to its respective act that exempts from taxation the sale to a hospital or freestanding surgical outpatient facility of a *prosthetic device* for implantation into a human. The definition of *prosthetic device* for this exemption only would be the same as above, except that the underlined phrase requiring that the device be dispensed pursuant to a prescription would be removed.

Each bill would be retroactive and effective beginning July 31, 2018, but would not apply to any refund claims for taxes paid before the effective date of the bill.

MCL 205.51a (HB 4203)  
MCL 205.92b (HB 4204)

**FISCAL IMPACT:**

As written, the bills would reduce sales and use tax revenue by between \$3.0 million to \$7.0 million on a full-year basis. Most of the revenue loss is likely to be reduced sales tax collections.

Approximately 73% of sales tax revenue is constitutionally earmarked to the school aid fund, with an additional 10% dedicated to constitutional revenue sharing. The majority of the remainder accrues to the general fund. About one-third of use tax revenue is constitutionally earmarked to the school aid fund, with the remainder accruing to the general fund.

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