

Legislative Analysis



SALES AND USE TAX EXEMPTIONS FOR DIAPERS

Phone: (517) 373-8080
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House Bills 5611 (H-1) and 5612 (H-1) as reported from committee

Sponsor: Rep. Julie Alexander

Committee: Families, Children and Seniors

Complete to 3-10-22

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

SUMMARY:

House Bills 5611 and 5612 would amend the Use Tax Act and the General Sales Tax Act, respectively, to exempt *adult briefs* and *children's diapers* from the use and sales taxes.

Adult briefs would mean *diapers* that are not children's diapers.

Children's diapers would mean diapers marketed to be worn by children.

Diaper would mean an absorbent garment worn by humans who are incapable of controlling their bladder or bowel movements, or have difficulty doing so, and would include an incontinence pad.

The amount of the revenue lost to the School Aid Fund as a result of the above exemptions would have to be deposited into the School Aid Fund from the general fund.

The bills would take effect October 1, 2022.

HB 5611 (Use Tax Act): MCL 205.94 and 205.111

HB 5612 (General Sales Tax Act): MCL 205.54a and 205.75

FISCAL IMPACT:

As written, the bills would be expected to decrease sales and use tax collections by an estimated \$18.0 million to \$20.0 million on a full year basis, much of which would be expected to be sales tax.

Although the bills contain language to hold the School Aid Fund harmless, to the extent that the forgone revenue was sales tax, constitutional revenue sharing would also decline by about 10% of the sales tax loss.

POSITIONS:

A representative of the Michigan Council for Maternal and Child Health testified in support of the bills. (1-25-22)

The following entities indicated support for the bills:

- National Diaper Bank Network (1-25-22)
- Michigan League for Public Policy (1-25-22)
- Michigan Head Start Association (1-25-22)

- Consumer Healthcare Products Association (1-25-22)
- Disability Rights Michigan (1-25-22)
- Michigan State Employee Retirees Association (1-25-22)
- Area Agencies on Aging Association of Michigan (2-1-22)
- Michigan Family Forum (2-1-22)
- Michigan Catholic Conference (2-1-22)

A representative of the Department of Treasury testified in opposition to the bills. (1-25-22)

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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.