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Senate Fiscal Agency  
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**SFA****BILL ANALYSIS**

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Senate Bill 555 (Substitute S-1 as reported)  
Sponsor: Senator Bev Hammerstrom  
Committee: Finance

### **CONTENT**

The bill would amend the General Sales Tax Act to exempt from the tax all nonalcoholic beverages sold in their original sealed container. Under the Act, "prepared food intended for immediate consumption" is taxable. The bill specifies that prepared food intended for immediate consumption would not include a nonalcoholic beverage sold in its original sealed container.

Currently, sales of carbonated beverages sold from a vending machine, mobile facility, or restaurant are taxable. Sales of carbonated beverages and juice from a grocery store or convenience store are not taxable; sales of juice from a vending machine or mobile facility also are exempt.

Under the Act, tax due on the sale of food or drink, from a vending machine that sells both taxable and tax-exempt items, must be calculated based on the actual gross proceeds from sales at retail; or the sum of the proceeds from carbonated beverage sales, plus 45% of the proceeds from the sale of taxable and tax-exempt items other than the sale of carbonated beverages. The bill would eliminate from the calculation the sum of proceeds from carbonated beverages. This means that, under the bill, tax due could be calculated by determining 45% of the proceeds from the sale of taxable and tax-exempt items other than the sale of carbonated beverages; or the tax could be based on actual gross proceeds.

The bill also contains a provision that would exempt from the tax sales of nonalcoholic beverages in a sealed container sold from a vending machine or mobile facility.

MCL 205.54g

Legislative Analyst: G. Towne

### **FISCAL IMPACT**

Exempting nonalcoholic beverages sold through vending machines or mobile facilities would reduce sales tax revenue by an estimated \$6.5 million in FY 1999-2000. Of this amount, 73% or \$4.7 million would be lost to the School Aid Fund, 24% or \$1.6 million would be lost to revenue sharing, and the remaining \$0.2 million would be lost to the General Fund. This bill also would exempt sales of nonalcoholic beverages sold in their original sealed container by eating and drinking establishments, but the fiscal impact of this exemption is not known at this time.

Date Completed: 5-13-99

Fiscal Analyst: J. Wortley