



Senate Fiscal Agency
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BILL



ANALYSIS

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House Bill 4831 (as reported without amendment)
Sponsor: Representative Lisa Posthumus Lyons
House Committee: Tax Policy
Senate Committee: Finance

CONTENT

The bill would amend the General Sales Tax Act to provide a tax exemption for the sale of over-the-counter drugs pursuant to a prescription.

Currently, the sales tax does not apply to sales of drugs for human use that can only be legally dispensed by prescription. The bill, instead, would exempt the sale of a prescription drug for human use, and an over-the-counter drug for human use pursuant to a prescription.

The bill would define "prescription" and "prescription drug" as those terms are defined in Part 177 of the Public Health Code.

(The Code defines "prescription" as an order by a prescriber (e.g., a licensed dentist, physician, or podiatrist) to fill, compound, or dispense a drug or device written and signed; written or created in an electronic format, signed, and transmitted by facsimile; or transmitted electronically or by other means of communication.

"Prescription drug" means one or more of the following: a drug dispensed pursuant to a prescription; a drug bearing the Federal legend "CAUTION: federal law prohibits dispensing without prescription" or "Rx only"; or a drug designated by the Michigan Board of Pharmacy as a drug that may only be dispensed pursuant to a prescription.)

MCL 205.54g

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would reduce sales tax revenue by approximately \$12.8 million per year, assuming that physicians provide prescriptions for roughly 30% of sales most likely to be associated with a prescription. The actual reduction would depend on the extent to which consumers request, and physicians supply, prescriptions for over-the-counter drugs. Because sales tax revenue is distributed to different funds and expenditures, under the above assumption the bill would annually reduce School Aid Fund revenue by \$9.4 million, General Fund revenue by \$2.1 million, and constitutional revenue sharing to cities, villages, and townships by \$1.3 million.

Date Completed: 12-10-13

Fiscal Analyst: David Zin