



Senate Fiscal Agency  
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## BILL ANALYSIS



Telephone: (517) 373-5383  
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House Bill 4464 (Substitute H-1 as reported without amendment)  
House Bill 4465 (Substitute H-1 as reported without amendment)  
Sponsor: Representative Lisa Posthumous Lyons  
House Committee: Tax Policy  
Senate Committee: Finance

**CONTENT**

House Bill 4464 (H-1) would amend the General Sales Tax Act to revise the description of drugs, including over-the-counter (OTC) drugs, that are exempt from the sales tax, and to define "over-the-counter drug".

As amended by Public Act 211 of 2013, the General Sales Tax Act provides a sales tax exemption for the sale of a prescription drug for human use and the sale of an over-the-counter drug for human use pursuant to a prescription. The bill, instead, would exempt the sale of drugs for human use that can be legally dispensed only by prescription and the sale of OTC drugs for human use that are legally dispensed by prescription.

The bill would define "over-the-counter drug" as a drug that is labeled in accordance with the format and content requirements required for labeling OTC drugs under 21 CFR 201.66.

The Act defines "prescription" and "prescription drug", for this purpose, as those terms are defined in Part 177 of the Public Health Code. The bill would delete the definitions from the Act.

House Bill 4465 (H-1) would amend the Use Tax Act to provide a use tax exemption for the sale of OTC drugs for human use that are legally dispensed by prescription, in addition to the current exemption for drugs for human use that can be legally dispensed only by prescription. The bill also would define "over-the-counter drug" as it would be defined by House Bill 4464 (H-1).

Each bill would be retroactive and effective beginning March 14, 2014.

MCL 205.54g (H.B. 4464)  
205.94d (H.B. 4465)

Legislative Analyst: Suzanne Lowe

**FISCAL IMPACT**

The bills would have no impact on State or local revenue relative to current estimates and current practice. When Public Act 211 of 2013 was enacted, the fiscal impact assumed that affected transactions would be exempt from both sales and use taxes, and that tax liabilities would not be converted from sales tax liabilities to use tax liabilities. Similarly, it is expected that the proposed definitional changes would have no fiscal impact.

Date Completed: 10-7-15

Fiscal Analyst: David Zin

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Bill Analysis @ [www.senate.michigan.gov/sfa](http://www.senate.michigan.gov/sfa)

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