



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

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House Bills 5164 and 5173 (as reported without amendment)  
Sponsor: Representative Bronna Kahle (H.B. 5164)  
Representative Julie Alexander (H.B. 5173)  
House Committee: Tax Policy  
Senate Committee: Finance

**CONTENT**

House Bills 5164 and 5173 would amend the Use Tax Act and General Sales Tax Act, respectively, to exempt from taxation under those Acts the sale of dental prostheses. Each bill would be retroactive and effective beginning July 1, 2017.

MCL 205.94 (H.B. 5164)  
205.54a (H.B. 5173)

Legislative Analyst: Drew Krogulecki

**FISCAL IMPACT**

The bills would reduce State General Fund and School Aid Fund revenue, and local unit revenue from constitutional revenue sharing, by approximately \$8.1 million per year. Under current law, labs may claim an industrial processing exemption for property used in manufacturing dental prosthetics and the sales tax is paid on the transaction from the labs to the dentists. Based on national data, the value of shipments from dental labs increased 2.8% between 2007 and 2012. Applying the same growth rate to the 2012 data, the most recent data available, suggests that sales and use tax revenue would decline by approximately \$8.1 million if the bills were effective for all of 2017.

The distribution of the impact between the General Fund, School Aid Fund, and constitutional revenue sharing would depend on the amounts exempted under the sales tax relative to the amounts exempted under the use tax. The School Aid Fund receives approximately 73.3% of sales tax revenue, while constitutional revenue sharing receives 10%, and the remainder is directed to the General Fund. However, the School Aid Fund receives one-third of use tax revenue, and the remainder of any reduction lowers General Fund revenue. (Use tax collections providing revenue to the Local Community Stabilization Authority would be unaffected by the bills.) The bills' potential impact is expected to affect mostly sales tax revenue. If 100% of the bills' impact were under the sales tax, the bills would reduce School Aid Fund revenue by approximately \$6.0 million per year, constitutional revenue sharing to local units by approximately \$0.8 million per year, and General Fund revenue by approximately \$1.4 million per year.

Date Completed: 12-1-17

Fiscal Analyst: David Zin