

Legislative Analysis



SALES AND USE TAX EXEMPTIONS FOR DIAPERS

Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bills 5611 and 5612 as introduced
Sponsor: Rep. Julie Alexander
Committee: Families, Children and Seniors
Complete to 1-24-22

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 children's and adult *diapers* from the sales and use taxes.

Diaper would mean an absorbent garment worn by humans who are incapable of, or who have difficulty, controlling their bladder or bowel movements.

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.

Legislative Analyst: Rick Yuille
Fiscal Analyst: Jim Stansell

■ 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.