

Legislative Analysis



ELIMINATE SALES AND USE TAXES ON PET FOOD

House Bill 5683 as introduced
Sponsor: Rep. Pamela Hornberger

House Bill 5684 as introduced
Sponsor: Rep. Tommy Brann

Committee: Tax Policy
Complete to 2-14-22

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

Analysis available at
<http://www.legislature.mi.gov>

SUMMARY:

House Bills 5683 and 5684 would amend the General Sales Tax Act and the Use Tax Act, respectively, to exempt *qualified pet food* from sales and use taxes. HB 5683 would exempt the sale of qualified pet food and HB 5684 would exempt its storage, use, or consumption.

Qualified pet food would include *pet food* and *specialty pet food*.

Pet food is defined in the Feed Law as any commercial feed prepared and distributed for consumption by dogs or cats.

Specialty pet food would mean any commercial food prepared and distributed for consumption by *specialty pets*.

Specialty pet is defined in the Feed Law as any noncanine or nonfeline domesticated animal kept as a pet and normally confined to and maintained in a cage or tank within the owner's domicile, including gerbils, hamsters, canaries, psittacine birds (parrots, parakeets, cockatoos, etc.), mynahs, finches, tropical fish, goldfish, snakes, and turtles.

Each bill would take effect 90 days after it is enacted.

HB 5683: Proposed MCL 205.54gg

HB 5684: Proposed MCL 205.94gg

FISCAL IMPACT:

As written, the bills would be expected to reduce sales and use tax revenue by an amount approaching \$100 million for FY 2021-22 on a full fiscal year basis. Industry data report that sales of pet food in the U.S. totaled \$42.0 billion in 2020 and are expected to exceed \$46.3 billion by 2022. Based on pet ownership statistics by state, Michigan's share of pet food sales is expected to exceed \$1.7 billion in 2022.

Assuming the revenue loss is primarily sales tax revenue, the School Aid Fund would be reduced by about \$70.9 million, constitutional revenue sharing would decline by about \$9.7 million, and general fund revenue would decrease by about \$16.5 million.

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■ 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.