

Legislative Analysis



RETURNABLE CONTAINER TAX CREDIT

Phone: (517) 373-8080
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House Bill 5546 as reported from committee

Sponsor: Rep. Will Snyder

Committee: Regulatory Reform

Complete to 5-23-24

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

SUMMARY:

House Bill 5546 would amend the Income Tax Act to create individual and corporate income tax credits for distributors that originate deposits on beverage containers.

Currently, under the Michigan Bottle Law, *distributors* that sell nonrefillable containers containing a *beverage*, other than a beverage containing alcohol, to a *dealer* must originate a 10-cent deposit on the container.¹

Distributor means a person that sells beverages in *beverage containers* to a dealer in Michigan, including a manufacturer that engages in such sales.

Beverage container means an airtight metal, glass, paper, or plastic container, or a container composed of a combination of these materials, which, at the time of sale, contains one gallon or less of a beverage.

Beverage means a soft drink, soda water, carbonated natural or mineral water, or other nonalcoholic carbonated drink; beer, ale, or other malt drink of whatever alcoholic content; or a mixed wine drink or a mixed spirit drink.

Dealer means a person that sells or offers for sale to consumers in Michigan a beverage in a beverage container, including an operator of a vending machine containing a beverage in a beverage container.

Under the bill, beginning in the 2024 tax year, taxpayers that are distributors could claim a refundable credit equal to \$0.005 (i.e., a half cent) per *returnable container* sold during that tax year. The amount of this credit would be adjusted annually for inflation beginning in the 2025 tax year using the United States Consumer Price Index for all urban consumers from the preceding calendar year.

Returnable container would mean a beverage container on which a deposit of at least 10 cents has been paid, or is required to be paid upon the removal of the container from the sale or consumption area, and for which a refund of at least 10 cents in cash is payable by every dealer or distributor in Michigan of that beverage in beverage containers, as further provided in section 2 of the Bottle Law.²

In order to claim the credit, a taxpayer would have to attach the report required by the Michigan Bottle Law with their annual tax return.

¹ <https://www.legislature.mi.gov/Laws/MCL?objectName=mcl-445-574c>

² <https://www.legislature.mi.gov/Laws/MCL?objectName=MCL-445-572>

If a taxpayer claiming the credit against the individual income tax were a partnership, limited liability corporation (LLC), or subchapter S corporation, the credit would be distributed proportionally based on each partner's, member's, or shareholder's share of ownership or using an alternative method approved by the Department of Treasury.

Proposed MCL 206.279 and 206.679

BACKGROUND AND DISCUSSION:

According to committee testimony, the bill is intended to create a source of funds for bottle distributors to invest in their bottle return infrastructure and perform the tasks required of them under the Bottle Law. Supporters of the bill argue that, originally, distributors were able to receive unclaimed deposits from unreturned containers for these purposes. However, over the years, these funds have been diverted to other areas, such as environmental cleanups. In addition, a credit that briefly existed under the Michigan Business Tax for distributors was eliminated when that tax was repealed in favor of the Corporate Income Tax.³

The bill is similar to House Bill 4443 of the 2021-22 legislative session. That bill was passed by the House and reported from the Senate Regulatory Reform committee.

FISCAL IMPACT:

Assuming that the number of beverage containers returned remains relatively constant between 3.8 billion and 3.9 billion per year and adjusting the credit per returnable for projected inflation, House Bill 5546 would reduce general fund revenue by about \$20.0 million per year.

POSITIONS:

A representative of the Michigan Beer & Wine Wholesalers testified in support of the bill. (5-14-24)

The following entities indicated support for the bill:

- Michigan Soft Drink Association (5-21-24)
- Great Lakes Wine & Spirit (5-14-24)
- Schupan & Sons (5-14-24)
- UBCR, LLC. (5-14-24)
- TOMRA (5-14-24)
- Anheuser Busch (5-21-24)

The Department of Treasury indicated opposition to the bill. (5-14-24)

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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.

³ <https://www.downtownpublications.com/single-post/bottle-return-law-may-be-expanded-in-michigan>