

Legislative Analysis



SALES AND USE TAX EXEMPTIONS FOR CERTAIN PERSONAL PROTECTIVE EQUIPMENT

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

House Bill 4224 as introduced
Sponsor: Rep. Jim Lilly

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

House Bill 4225 as introduced
Sponsor: Rep. Sarah Anthony

Committee: Rules and Competitiveness
Complete to 2-17-21

SUMMARY:

House Bills 4224 and 4225 would exempt from the sales and use taxes personal protective equipment and supplies bought by certain employers for certain specified business uses. The exemptions would be retroactive and would apply beginning March 10, 2020, through December 31, 2021.

House Bill 4224 would amend the General Sales Tax Act. The bill would provide that, beginning March 10, 2020, through December 31, 2021, a person subject to sales tax may deduct from the gross proceeds used to calculate the tax the sale of *personal protective equipment and supplies* to a *qualified employer* for use or consumption in the qualified employer's business activities.

House Bill 4225 would amend the Use Tax Act. The bill would provide that, beginning March 10, 2020, through December 31, 2021, the use tax does not apply to the storage, use, or consumption of *personal protective equipment and supplies* sold to a *qualified employer* for use or consumption in the qualified employer's business activities.

As used in both bills:

Personal protective equipment and supplies would mean all of the following:

- Protective equipment that is not suitable for general use and is designed to be worn and to protect the wearer against injury or disease, or to protect against damaging or injuring other persons or property, such as breathing masks, face shields, respirators, protective gloves, or safety glasses and goggles.
- Disinfecting products designed to disinfect or sanitize an individual, workplace, or protective equipment, such as antibacterial soap, disinfecting spray, disinfecting wipes, or hand sanitizer.
- Plexiglass used as a barrier to reduce or prevent exposure to COVID-19.

Qualified employer would mean an employer that adopts and maintains a *COVID-19 safety protocol plan*.

COVID-19 safety protocol plan would mean a COVID-19 exposure prevention, preparedness, and response plan that meets all of the following requirements:

- The plan complies with any applicable law, including applicable executive orders regarding safeguards to protect Michigan workers from COVID-19.
- The plan is consistent with best practices for infection prevention and industrial hygiene.
- The plan promotes remote work to the fullest extent possible, including increasing the number of telework-eligible employees.
- The plan implements enhanced cleaning, screening, testing, and contact tracing procedures and any additional infection-control measures that are reasonable in light of the work performed at the worksite and the rate of infection in the surrounding community.

Each bill states that it is retroactive and applies retroactively beginning March 10, 2020.

Proposed MCL 205.54gg (HB 4224)

Proposed MCL 205.94gg (HB 4225)

FISCAL IMPACT:

As written, the bills would reduce sales and use tax revenues, although almost all of the reduction is assumed to be sales tax. Based on national data scaled to Michigan, the bills would reduce sales and use tax revenue by an estimated \$4 million to \$5 million in FY 2019-20, \$8 million to \$10 million in FY 2020-21, and \$3 million to \$4 million in FY 2021-22.

Approximately 73% of sales tax revenue is constitutionally earmarked to the School Aid Fund, with an additional 10% earmarked for constitutional revenue sharing. The remainder accrues to the general fund.

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