

HOUSE BILL NO. 4378

April 11, 2023, Introduced by Rep. Neeley and referred to the Committee on Tax Policy.

A bill to amend 1933 PA 167, entitled
"General sales tax act,"
by amending section 4g (MCL 205.54g), as amended by 2015 PA 171.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 4g. (1) The following are exempt from the tax under this
2 act:
3 (a) Sales of drugs for human use that can only be legally
4 dispensed by prescription, over-the-counter drugs for human use
5 that are legally dispensed by prescription, or food or food

1 ingredients, except prepared food intended for immediate human
 2 consumption. As used in this subdivision, "over-the-counter drug"
 3 means a drug that is labeled in accordance with the format and
 4 content requirements ~~required for labeling over-the-counter drugs~~
 5 **drug product labeling** under 21 CFR 201.66.

6 (b) The deposit on a returnable container for a beverage or
 7 the deposit on a carton or case that is used for returnable
 8 containers.

9 (c) Food or tangible personal property purchased under the
 10 federal food stamp program or meals sold by a person exempt from
 11 the tax under this act that are eligible to be purchased under the
 12 federal food stamp program.

13 (d) Fruit or vegetable seeds and fruit or vegetable plants if
 14 purchased at a place of business authorized to accept food stamps
 15 by the Food and Nutrition Service of the United States Department
 16 of Agriculture or a place of business that has made a complete and
 17 proper application for authorization to accept food stamps but has
 18 been denied authorization and provides proof of denial to the
 19 department. ~~of treasury.~~

20 (e) Live animals purchased with the intent to be slaughtered
 21 for human consumption.

22 (2) Food or drink heated or cooled mechanically, electrically,
 23 or by other artificial means to an average temperature above 75
 24 degrees Fahrenheit or below 65 degrees Fahrenheit before sale and
 25 sold from a vending machine, except milk, nonalcoholic beverages in
 26 a sealed container, and fresh fruit, is subject to the tax under
 27 this act. The tax due under this act on the sale of food or drink
 28 from a vending machine selling both taxable items and items exempt
 29 under this subsection shall be calculated under this act based on 1

1 of the following as determined by the taxpayer:

2 (a) Actual gross proceeds from sales at retail.

3 (b) Forty-five percent of proceeds from the sale of items
4 subject to tax under this act or exempt from the tax levied under
5 this act, other than from the sale of carbonated beverages.

6 (3) **As used in this section:**

7 (a) **"Bottled water" means water that is placed in a safety**
8 **sealed container or package for human consumption, including water**
9 **that is delivered to the buyer in a reusable container that is not**
10 **sold with the water. Bottled water is calorie-free and does not**
11 **contain sweeteners or other additives except that it may contain**
12 **antimicrobial agents, fluoride, carbonation, vitamins, minerals,**
13 **and electrolytes, oxygen, preservatives, and only those flavors,**
14 **extracts, or essences derived from a spice or fruit.**

15 (b) **"Candy" means a preparation of sugar, honey, or other**
16 **natural or artificial sweeteners in combination with chocolate,**
17 **fruits, nuts, or other ingredients or flavorings in the form of**
18 **bars, drops, or pieces. Candy shall not include any preparation**
19 **containing flour and shall require no refrigeration.**

20 (c) **"Food and food ingredients" means substances, whether in**
21 **liquid, concentrated, solid, frozen, dried, or dehydrated form,**
22 **that are sold for ingestion or chewing by humans and are consumed**
23 **for their taste or nutritional value. Food and food ingredients do**
24 **not include alcoholic beverages and tobacco.**

25 (d) **"Food sold in an unheated state by weight or volume as a**
26 **single item" means food sold in an unheated state and the sales**
27 **price of which is determined by multiplying its per unit price by**
28 **its weight or volume and the sales price of which varies based on**
29 **its weight or volume.**

1 (e) "Food sold with eating utensils provided by the seller"
2 means food sold by a seller who meets the requirements of
3 subparagraph (i) or (ii), but does not include food described in
4 subparagraph (iii):

5 (i) For a seller with a prepared food sales percentage of
6 greater than 75%, the seller makes eating utensils available to
7 purchasers or, if a food item is bottled water, candy, or soft
8 drinks, the seller gives or hands the eating utensils to purchasers
9 or makes plates, bowls, glasses, or cups that are necessary for the
10 purchaser to receive the food available to purchasers. If a food
11 item has 4 or more servings packaged as 1 food item sold for a
12 single price, the seller must give or hand the eating utensil to
13 the purchaser. Serving sizes must be determined based on a label on
14 an item sold, or if no label is available, then a seller shall
15 determine the reasonable number of servings in an item.

16 (ii) For a seller with a prepared food sales percentage of 75%
17 or less, the seller's business practice is to give or hand eating
18 utensils to purchasers. Eating utensils necessary for the purchaser
19 to receive the food, such as bowls and cups, need only be made
20 available to purchasers.

21 (iii) Except as provided in subparagraph (i) or (ii), food is not
22 sold with eating utensils provided by the seller if the food items
23 have a utensil placed in a package with the food items by a person
24 other than the seller, and that other person's NAICS classification
25 code is that of a manufacturer, subsector 311. If the packager has
26 any other NAICS classification code, the seller is considered to
27 have provided the eating utensil.

28 (f) ~~(4)~~—"Prepared food", subject to subdivision (g), means the
29 following:

1 (i) ~~(a)~~—Food sold in a heated state or that is heated by the
2 seller.

3 (ii) ~~(b)~~—Two or more food ingredients mixed or combined by the
4 seller for sale as a single item.

5 (iii) ~~(c)~~—Food sold with eating utensils provided by the seller,
6 including, **but not limited to**, knives, forks, spoons, glasses,
7 cups, napkins, straws, or plates, but not including a container or
8 packaging used to transport the food.

9 (g) ~~(5)~~—Prepared food does not include the following:

10 (i) ~~(a)~~—Food that is only cut, repackaged, or pasteurized by
11 the seller.

12 (ii) ~~(b)~~—Raw eggs, fish, meat, poultry, and foods containing
13 those raw items requiring cooking by the consumer in
14 recommendations contained in section 3-401.11 of part 3-4 of
15 chapter 3 of the 2001 food code published by the Food and Drug
16 Administration of the Public Health Service of the Department of
17 Health and Human Services, to prevent foodborne illness.

18 (iii) ~~(c)~~—Food sold in an unheated state by weight or volume as
19 a single item, without eating utensils.

20 (iv) ~~(d)~~—Bakery items, including bread, rolls, buns, biscuits,
21 bagels, croissants, pastries, doughnuts, danish, cakes, tortes,
22 pies, tarts, muffins, bars, cookies, and tortillas, sold without
23 eating utensils.

24 (h) ~~(6)~~—"Prepared food intended for immediate consumption"
25 means prepared food.

26 (i) **"Prepared food sales percentage" means the percentage**
27 **described in subparagraph (i) and calculated pursuant to**
28 **subparagraph (ii):**

29 (i) **A percentage determined by dividing the numerator described**

1 in sub-subparagraph (A) by the denominator described in sub-
2 subparagraph (B):

3 (A) The numerator must consist of the seller's annual sales of
4 prepared food described in subdivision (f) (i) and (ii) and food sold
5 when plates, bowls, glasses, or cups are necessary to receive the
6 food. The numerator must not include food described in subdivision
7 (g) or alcoholic beverages.

8 (B) The denominator must consist of the seller's total annual
9 sales of all food and food ingredients and prepared food, excluding
10 alcoholic beverages.

11 (ii) A seller shall calculate the prepared food sales
12 percentage for each tax year or business fiscal year, based on the
13 seller's sales data from the prior tax year or business fiscal
14 year, respectively, as soon as possible after accounting records
15 are available, but not later than 90 days after the beginning of
16 the seller's tax year or business fiscal year. A single prepared
17 food sales percentage must be determined annually for all of the
18 seller's establishments in this state. A seller shall make a good-
19 faith estimate of its prepared food sales percentage for its first
20 year in business. A seller shall adjust its good-faith estimate
21 prospectively after the first 3 months of its business operation if
22 actual prepared food sales percentages materially affect the 75%
23 threshold described in subdivision (e).

24 (j) "Soft drinks" means nonalcoholic beverages that contain
25 natural or artificial sweeteners. Soft drinks does not include
26 beverages that contain milk or milk products, soy, rice, or similar
27 milk substitutes, or greater than 50% of vegetable or fruit juice
28 by volume.

29 (k) "Volume" means a 3-dimensional measure, expressed in units

- 1 such as pints, quarts, cubic centimeters, or liters.
- 2 (l) "Weight" means a measure of heaviness, expressed in units
- 3 such as pounds or grams.