



MICHIGAN

To: Honorable Members of the House Tax Policy

From: Charles Owens, State Director

Date: October 11, 2017

RE: Senate Bills 566 -567 and House Bills 5929-5930 Dental Labs Sales Tax Exemption

We are writing to ask your support for Senate Bills 566 – 567 and House Bills 5929-5930 that would reinstate the long-standing sales tax exemption on dental prosthetics. This legislation is necessary because of recent administrative action by the Michigan Department of Treasury that withdrew this exemption.

In 1985 Treasury issued Letter Ruling 1985-20 addressing sales of dental prosthetics finding that:

“when a dental lab manufactures a device in accordance with specifications provided by a dentist it provides a non-taxable service (emphasis added) rather than making a [taxable] sale to the ultimate consumer.”

Allowing administrative reclassification of what was previously a “service”, and therefore exempt, to a “product” so that it is subject to sales tax, sets a dangerous precedent for expanding the state’s sales tax to services one service at a time.

Most of the dentists and dental labs that engage in commerce in our state are small businesses that rely on consistency and fairness in our tax laws to conduct business. Arbitrary changes in the “rules of the game” by administrative fiat create uncertainty and undo much of the hard work done by lawmakers and the Governor to return Michigan to a top state for growing or locating a business.

Again, we ask your support for Senate Bills 566 – 567 and House Bills 5929-5930 and we thank you for your support of small business!