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NOTICE TO TAXPAYERS REGARDING 2016 PA 515 and 516 (CORE CHARGES)

Issued: January 25, 2017

On January 5, 2017, Public Acts 515 and 516 of 2016 (the Acts) were signed into law. The Acts provide that – beginning January 1, 2017 – credit for the core charge attributable to a recycling fee, deposit, or disposal fee for a motor vehicle or recreational vehicle part or battery is not included in the definition of “sales price” (for purposes of the General Sales Tax Act) or “purchase price” (for purposes of the Use Tax Act) so long as the core charge is separately stated on the invoice, bill of sale, or similar document given to the purchaser.¹ That is, the core charges identified in the Acts and separately stated on the invoice given to the purchaser are not subject to sales or use tax after January 1, 2017.

However, despite the clear statutory language that these core charges be excluded from the definition of “sales price” and “purchase price” beginning January 1, 2017, the Acts do not take effect until March 29, 2017.²

If – on or after January 1, 2017, but before March 29, 2017 – a seller collects sales tax from its customer for a core charge subject to the Acts, it must remit that tax. Where a taxpayer, after January 1, 2017, remits sales or use tax on core charges for periods between January 1, 2017 and March 29, 2017, which became exempt as of March 29, 2017, that taxpayer may request a refund on or after March 29, 2017. No refund will be issued unless the seller can establish that it first refunded the tax to its customer.

To read the Acts in their entirety, please go to www.legislature.mi.gov.

¹ MCL 205.51(1)(d)(xiii), 205.92(f)(xiii).

² See Const. 1963, Art 4, § 27.