



This Week in State Tax (TWIST)

May 1, 2023



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Michigan: Notice Addresses Recent Change in Taxability of Delivery and Installation Charges

The Department of Treasury recently issued guidance on a recent law change around the taxability of delivery and installation charges. Public Act 20 made several changes to the taxability of delivery and installation charges previously included in the “sales price” for sales tax purposes or “purchase price” for use tax purposes. Effective April 26, 2023, delivery and installation charges are no longer included in the “sales price” or “purchase price” if the seller (1) separately states the charges on the invoice, bill of sale, or similar document provided to the purchaser and (2) maintains appropriate books and records detailing the transactions used to determine the applicable tax. Delivery and installation charges related to the sale of electricity, natural gas, or artificial gas by a utility remain taxable for sales and use tax purposes unless otherwise exempt.

In addition to the taxability changes, Public Act 20 requires Treasury to cancel all outstanding (unpaid) balances in existence before the effective date related to the delivery and installation charges on Notices of Intent to Assess and Final Assessments issued by Treasury no later than ninety (90) days after the effective date. The Act further prohibits Treasury from issuing new assessments for tax periods before the effective date. The Act does not establish a right to a refund for sales or use tax on delivery or installation charges remitted before the effective date. While there is no statutory requirement for retailers to refund customers for taxes collected in error, customers may seek a refund from retailers who continue to charge taxes on delivery or installation charges after the effective date, and the retailer may then seek a refund from Treasury for tax remitted upon proof of refunding to the customer. Treasury is working to locate and cancel existing assessments, but taxpayers with outstanding balances for delivery or installation charges are strongly encouraged to contact Treasury. Please contact [Ryan Hohenthauer](#) for questions on Public Act 20 of 2023 and Treasury Release on “Changes in the Taxability of Delivery and Installation Charges for Sales and Use Taxes, dated April 26, 2023.



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