

Pam:

In response to your email of 9/2/2010, we have reviewed Michigan's August 1, 2010 Taxability Matrix to evaluate whether we believe that Michigan's "general treatment" of a listed item could be added. As indicated in my 9/9/2010 email to you, Michigan's August 1, 2010 Taxability Matrix, as well as prior years' matrices, were drafted to provide a reader with accurate, non-misleading, information, in the context of our responsibilities under Michigan law (MCL 205.28(1)(f)).

While we consider that "checking a box" for the following items as indicated below makes it more likely that the reader of the Taxability Matrix will not review the "comment" box for more detailed information about the taxable/exempt status of transactions involving those items, we believe that the treatment "boxes" indicated below could be checked. This is subject to approval by our State Treasurer. Some categories, given their descriptions in the Taxability Matrix, do not permit Michigan to "check a box;" those categories are noted.

CATEGORY

TREATMENT

Administrative Definitions

- | | |
|--|-------------------------|
| • Charges by the seller for any services necessary to complete the sale other than delivery and installation | Included in sales price |
| • Installation charges | Included in sales price |

Prepared Food Options

- | | |
|--|------------------------------|
| • Food sold without eating utensils provided by the seller whose primary NAICS classification is manufacturing in sector 311, except subsector 3118 (bakeries) | (Neither box can be checked) |
|--|------------------------------|

Drugs

- | | |
|--|------------------------------|
| • Drugs for human use without a prescription | Taxable |
| • Drugs for human use with a prescription | (Neither box can be checked) |
| • Drugs for human use to hospitals | Taxable |
| • Drugs for human use to other medical facilities | Taxable |
| • Prescription drugs for human use to hospitals | (Neither box can be checked) |
| • Prescription drugs for human use to other medical facilities | (Neither box can be checked) |
| • Free samples of drugs for human use | Taxable |
| • Free samples of prescription drugs for human use | (Neither box can be checked) |

Durable medical equipment

- | | |
|--|---------|
| • DME with a prescription | Taxable |
| • DME with a prescription paid for by Medicare | Taxable |
| • DME with a prescription reimbursed by Medicare | Taxable |
| • DME with a prescription paid for by Medicaid | Taxable |

- DME with a prescription reimbursed by Medicaid Taxable
- Oxygen delivery equipment with a prescription Taxable
- Oxygen delivery equipment with a prescription paid for by Medicare Taxable
- Oxygen delivery equipment with a prescription reimbursed by Medicare Taxable
- Oxygen delivery equipment with a prescription paid for by Medicaid Taxable
- Oxygen delivery equipment with a prescription reimbursed by Medicaid Taxable
- Kidney dialysis equipment with a prescription Taxable
- Kidney dialysis equipment with a prescription paid for by Medicare Taxable
- Kidney dialysis equipment with a prescription reimbursed by Medicare Taxable
- Kidney dialysis equipment with a prescription paid for by Medicaid Taxable
- Kidney dialysis equipment with a prescription reimbursed by Medicaid Taxable
- Enteral feeding systems with a prescription Taxable
- Enteral feeding systems with a prescription paid for by Medicare Taxable
- Enteral feeding systems with a prescription reimbursed by Medicare Taxable
- Enteral feeding systems with a prescription paid for by Medicaid Taxable
- Enteral feeding systems with a prescription reimbursed by Medicaid Taxable
- Repair and replacement parts for DME which are for single patient use Taxable

Prosthetic devices

- Prosthetic devices with a prescription Taxable*
- Prosthetic devices with a prescription paid for by Medicare Taxable*
- Prosthetic devices with a prescription reimbursed by Medicare Taxable*
- Prosthetic devices with a prescription paid for by Medicaid Taxable*
- Prosthetic devices with a prescription reimbursed by Medicaid Taxable*

*Since the Streamlined definition of “prosthetic devices” includes contact lenses and dental prostheses, but Michigan’s definition of “prosthetic devices” does not, if we are to “check a box,” we can only check the “Taxable” box.

- Dental prosthesis without a prescription Taxable
- Dental prosthesis with a prescription Taxable
- Dental prosthesis with a prescription paid for by Medicare Taxable
- Prosthetic devices with a prescription reimbursed by Medicare Taxable
- Prosthetic devices with a prescription paid for by Medicaid Taxable
- Prosthetic devices with a prescription reimbursed by Medicaid Taxable

Telecommunications

- Paging service Taxable

The designations identified above are those which we believe Michigan's statutes would permit, albeit that those designations will likely cause some transactions to be improperly treated as taxable.

We will refrain from seeking our State Treasurer's approval to make these changes until we have heard from you.

Mike

9/17/2010