



HOUSE BILL No. 6068

September 12, 1996, Introduced by Reps. Bush, LaForge, DeMars and Perricone and referred to the Committee on Tax Policy.

A bill to amend section 4 of Act No. 94 of the Public Acts of 1937, entitled as amended

"Use tax act,"

as amended by Act No. 53 of the Public Acts of 1996, being section 205.94 of the Michigan Compiled Laws.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Section 4 of Act No. 94 of the Public Acts of
2 1937, as amended by Act No. 53 of the Public Acts of 1996, being
3 section 205.94 of the Michigan Compiled Laws, is amended to read
4 as follows:

5 Sec. 4. The tax levied does not apply to the following:

6 (a) Property sold in this state on which transaction a tax
7 is paid under the general sales tax act, Act No. 167 of the
8 Public Acts of 1933, being sections 205.51 to 205.78 of the

1 Michigan Compiled Laws, if the tax was due and paid on the retail
2 sale to a consumer.

3 (b) Property, the storage, use, or other consumption of
4 which ~~—~~ this state is prohibited from taxing under the consti-
5 tution or laws of the United States, or under the constitution of
6 this state.

7 (c) Property purchased for resale, demonstration purposes,
8 or lending or leasing to a public or parochial school offering a
9 course in automobile driving except that a vehicle purchased by
10 the school shall be certified for driving education and shall not
11 be reassigned for personal use by the school's administrative
12 personnel. For a dealer selling a new car or truck, exemption
13 for demonstration purposes ~~shall be~~ IS determined by the number
14 of new cars and trucks sold during the current calendar year or
15 the immediately preceding year without regard to specific make or
16 style according to the following schedule of 0 to 25, 2 units; 26
17 to 100, 7 units; 101 to 500, 20 units; 501 or more, 25 units; but
18 not to exceed 25 cars and trucks in 1 calendar year for demon-
19 stration purposes. ~~For tax years beginning after December 31,~~
20 ~~1987, property~~ PROPERTY purchased for resale includes promo-
21 tional merchandise transferred pursuant to a redemption offer to
22 a person located outside this state.

23 (d) Property that is brought into this state by a nonresi-
24 dent person for storage, use, or consumption while temporarily
25 within this state, except if the property is used in this state
26 in a nontransitory business activity for a period exceeding 15
27 days.

1 (e) Property the sale or use of which was already subjected
2 to a sales tax or use tax equal to, or in excess of, that imposed
3 by this act under the law of any other state or a local govern-
4 mental unit within a state if the tax was due and paid on the
5 retail sale to the consumer and the state or local governmental
6 unit within a state in which the tax was imposed accords like or
7 complete exemption on property the sale or use of which was sub-
8 jected to the sales or use tax of this state. If the sale or use
9 of property was already subjected to a tax under the law of any
10 other state or local governmental unit within a state in an
11 amount less than the tax imposed by this act, this act shall
12 apply, but at a rate measured by the difference between the rate
13 provided in this act and the rate by which the previous tax was
14 computed.

15 (f) Property sold to a person engaged in a business enter-
16 prise and using and consuming the property in the tilling, plant-
17 ing, caring for, or harvesting of the things of the soil or in
18 the breeding, raising, or caring for livestock, poultry, or
19 horticultural products, including transfers of livestock, poul-
20 try, or horticultural products for further growth. At the time
21 of the transfer of that tangible personal property, the trans-
22 feree shall sign a statement, in a form approved by the depart-
23 ment, stating that the property is to be used or consumed in con-
24 nection with the production of horticultural or agricultural pro-
25 ducts as a business enterprise. The statement shall be accepted
26 by the courts as prima facie evidence of the exemption. This
27 exemption includes agricultural land tile, which means fired clay

1 or perforated plastic tubing used as part of a subsurface
2 drainage system for land used in the production of agricultural
3 products as a business enterprise and includes a portable grain
4 bin, which means a structure that is used or is to be used to
5 shelter grain and that is designed to be disassembled without
6 significant damage to its component parts. This exemption does
7 not include transfers of food, fuel, clothing, or similar tangi-
8 ble personal property for personal living or human consumption.
9 This exemption does not include tangible personal property per-
10 manently affixed and becoming a structural part of real estate.

11 (g) Property sold to the following:

12 (i) An industrial processor for use or consumption in indus-
13 trial processing. Property used or consumed in industrial pro-
14 cessing does not include tangible personal property permanently
15 affixed and becoming a structural part of real estate; office
16 furniture, office supplies, and administrative office equipment;
17 or vehicles licensed and titled for use on public highways other
18 than a specially designed vehicle, together with parts, used to
19 mix and agitate materials added at a plant or jobsite in the con-
20 crete manufacturing process. Industrial processing does not
21 include receipt and storage of raw materials purchased or
22 extracted by the user or consumer, or the preparation of food and
23 beverages by a retailer for retail sale. INDUSTRIAL PROCESSING
24 INCLUDES PACKAGING PROMOTIONAL MERCHANDISE TO FULFILL A
25 REDEMPTION OR REBATE OFFER. As used in this subdivision,
26 "industrial processor" means a person who transforms, alters, or
27 modifies tangible personal property by changing the form,

1 composition, or character of the property for ultimate sale at
2 retail or sale to another industrial processor to be further pro-
3 cessed for ultimate sale at retail. INDUSTRIAL PROCESSOR
4 INCLUDES A PERSON WHO PACKAGES PROMOTIONAL MERCHANDISE TO FULFILL
5 A REDEMPTION OR REBATE OFFER. Sales to a person performing a
6 service who does not act as an industrial processor while per-
7 forming the service may not be excluded under this subdivision,
8 except as provided in subparagraph (ii).

9 (ii) A person, whether or not the person is an industrial
10 processor, when the property is a computer used in operating
11 industrial processing equipment; equipment used in a computer
12 assisted manufacturing system; equipment used in a computer
13 assisted design or engineering system integral to an industrial
14 process; or a subunit or electronic assembly comprising a compo-
15 nent in a computer integrated industrial processing system.

16 (h) Property or services sold to the United States, an unin-
17 corporated agency or instrumentality of the United States, an
18 incorporated agency or instrumentality of the United States
19 wholly owned by the United States or by a corporation wholly
20 owned by the United States, the American red cross and its chap-
21 ters or branches, this state, a department or institution of this
22 state, or a political subdivision of this state.

23 (i) Property or services sold to a school, hospital, or home
24 for the care and maintenance of children or aged persons, oper-
25 ated by an entity of government, a regularly organized church,
26 religious, or fraternal organization, a veterans' organization,
27 or a corporation incorporated under the laws of this state, if

1 not operated for profit, and if the income or benefit from the
2 operation does not inure, in whole or in part, to an individual
3 or private shareholder, directly or indirectly, and if the activ-
4 ities of the entity or agency are carried on exclusively for the
5 benefit of the public at large and are not limited to the advan-
6 tage, interests, and benefits of its members or a restricted
7 group. The tax levied ~~shall~~ DOES not apply to property or
8 services sold to a parent cooperative preschool. As used in this
9 subdivision, "parent cooperative preschool" means a nonprofit,
10 nondiscriminatory educational institution, maintained as a commu-
11 nity service and administered by parents of children currently
12 enrolled in the preschool that provides an educational and devel-
13 opmental program for children younger than compulsory school age,
14 that provides an educational program for parents, including
15 active participation with children in preschool activities, that
16 is directed by qualified preschool personnel, and that is
17 licensed by the department of ~~social~~ CONSUMER AND INDUSTRY
18 services pursuant to Act No. 116 of the Public Acts of 1973,
19 being sections 722.111 to 722.128 of the Michigan Compiled Laws.

20 (j) Property or services sold to a regularly organized
21 church or house of religious worship except THE FOLLOWING:

22 (i) Sales in which the property is used in activities that
23 are mainly commercial enterprises.

24 (ii) Sales of vehicles licensed for use on the public high-
25 ways other than a passenger van or bus with a manufacturer's
26 rated seating capacity of 10 or more that is used primarily for
27 the transportation of persons for religious purposes.

1 (k) A vessel designed for commercial use of registered
2 tonnage of 500 tons or more, if produced upon special order of
3 the purchaser, and bunker and galley fuel, provisions, supplies,
4 maintenance, and repairs for the exclusive use of a vessel of 500
5 tons or more engaged in interstate commerce.

6 (l) Property purchased by a person engaged in the business
7 of constructing, altering, repairing, or improving real estate
8 for others to the extent the property is affixed to and made a
9 structural part of the real estate of a nonprofit hospital or a
10 nonprofit housing entity qualified as exempt pursuant to section
11 15a of the state housing development authority act of 1966, Act
12 No. 346 of the Public Acts of 1966, being section 125.1415a of
13 the Michigan Compiled Laws. A nonprofit hospital or nonprofit
14 housing includes only the property of a nonprofit hospital or the
15 homes or dwelling places constructed by a nonprofit housing
16 entity, the income or property of which does not directly or
17 indirectly inure to the benefit of an individual, private stock-
18 holder, or other private person.

19 (m) Property purchased for use in this state where actual
20 personal possession is obtained outside this state, the purchase
21 price or actual value of which does not exceed \$10.00 during 1
22 calendar month.

23 (n) A newspaper or periodical classified under federal
24 postal laws and regulations effective September 1, 1985 as second
25 class mail matter or as a controlled circulation publication or
26 qualified to accept legal notices for publication in this state,
27 as defined by law, or any other newspaper or periodical of

1 general circulation, established at least 2 years, and published
2 at least once a week, and a copyrighted motion picture film.

3 Tangible personal property used or consumed, and not becoming a
4 component part of a copyrighted motion picture film, newspaper or
5 periodical, except that portion or percentage of tangible per-
6 sonal property used or consumed in producing an advertising sup-
7 plement that becomes a component part of a newspaper or periodi-
8 cal is subject to tax. For purposes of this subdivision, tangi-
9 ble personal property that becomes a component part of a newspa-
10 per or periodical and consequently not subject to tax, includes
11 an advertising supplement inserted into and circulated with a
12 newspaper or periodical that is otherwise exempt from tax under
13 this subdivision, if the advertising supplement is delivered
14 directly to the newspaper or periodical by a person other than
15 the advertiser, or the advertising supplement is printed by the
16 newspaper or periodical.

17 (o) Property purchased by persons licensed to operate a com-
18 mercial radio or television station if the property is used in
19 the origination or integration of the various sources of program
20 material for commercial radio or television transmission. This
21 subdivision does not include a vehicle licensed and titled for
22 use on public highways or property used in the transmitting to or
23 receiving from an artificial satellite.

24 (p) A person who is a resident of this state who purchases
25 an automobile in another state while in the military service of
26 the United States and who pays a sales tax in the state where the
27 automobile is purchased.

1 (q) A vehicle for which a special registration is secured in
2 accordance with section 226(12) of the Michigan vehicle code, Act
3 No. 300 of the Public Acts of 1949, being section 257.226 of the
4 Michigan Compiled Laws.

5 (r) A hearing aid, contact lenses if prescribed for a spe-
6 cific disease which precludes the use of eyeglasses, or any other
7 apparatus, device, or equipment used to replace or substitute for
8 any part of the human body, or used to assist the disabled person
9 to lead a reasonably normal life when the tangible personal prop-
10 erty is purchased on a written prescription or order issued by a
11 health professional as defined by section 4 of former Act No. 264
12 of the Public Acts of 1974, or section 21005 of the public health
13 code, Act No. 368 of the Public Acts of 1978, being section
14 333.21005 of the Michigan Compiled Laws, or eyeglasses prescribed
15 or dispensed to correct the person's vision by an ophthalmolo-
16 gist, optometrist, or optician.

17 (s) Water when delivered through water mains or in bulk
18 tanks in quantities of not less than 500 gallons.

19 (t) The purchase of machinery and equipment for use or con-
20 sumption in the rendition of a service, the use or consumption of
21 which is taxable under section 3a(a) except that this exception
22 is limited to the tangible personal property located on the
23 premises of the subscriber and the necessary exchange equipment.

24 (u) A vehicle not for resale used by a nonprofit corporation
25 organized exclusively to provide a community with ambulance or
26 fire department services.

1 (v) Tangible personal property purchased and installed as a
2 component part of a water pollution control facility for which a
3 tax exemption certificate is issued pursuant to part 37 (water
4 pollution control facilities; tax exemption) of the natural
5 resources and environmental protection act, Act No. 451 of the
6 Public Acts of 1994, being sections 324.3701 to 324.3708 of the
7 Michigan Compiled Laws, or an air pollution control facility for
8 which a tax exemption certificate is issued pursuant to part 59
9 (air pollution control facility; tax exemption) of Act No. 451 of
10 the Public Acts of 1994, being sections 324.5901 to 324.5908 of
11 the Michigan Compiled Laws.

12 (w) Tangible real or personal property donated by a manufac-
13 turer, wholesaler, or retailer to an organization or entity
14 exempt pursuant to subdivision (i) or (j) or section 4a(a) or (b)
15 of ~~the general sales tax act,~~ Act No. 167 of the Public Acts of
16 1933, being section 205.54a of the Michigan Compiled Laws.

17 (x) The storage, use, or consumption by a domestic air car-
18 rier of an aircraft purchased after December 31, 1992 for use
19 solely in the transport of air cargo that has a maximum certifi-
20 cated takeoff weight of at least 12,500 pounds. For purposes of
21 this subdivision, the term "domestic air carrier" is limited to
22 entities engaged in the commercial transport for hire of cargo or
23 entities engaged in the commercial transport of passengers as a
24 business activity.

25 (y) The storage, use, or consumption by a domestic air car-
26 rier of an aircraft purchased after June 30, 1994 that is used
27 solely in the regularly scheduled transport of passengers. For

1 purposes of this subdivision, the term "domestic air carrier" is
2 limited to entities engaged in the commercial transport for hire
3 of cargo or entities engaged in the commercial transport of pas-
4 sengers as a business activity.

5 (z) The storage, use, or consumption by a domestic air car-
6 rier of an aircraft, other than an aircraft described under
7 subdivision (y), purchased after December 31, 1994, that has a
8 maximum certificated takeoff weight of at least 12,500 pounds and
9 that is designed to have a maximum passenger seating configura-
10 tion of more than 30 seats and used solely in the transport of
11 passengers. For purposes of this subdivision, the term "domestic
12 air carrier" is limited to entities engaged in the commercial
13 transport for hire of cargo or entities engaged in the commercial
14 transport of passengers as a business activity.

15 (aa) Property or services sold to a health, welfare, educa-
16 tional, cultural arts, charitable, or benevolent organization not
17 operated for profit that has been issued before June 13, 1994 an
18 exemption ruling letter to purchase items exempt from tax signed
19 by the administrator of the sales, use, and withholding taxes
20 division of the department. The department shall reissue an
21 exemption letter to each of those organizations after June 13,
22 1994 that shall remain in effect unless the organization fails to
23 meet the requirements that originally entitled it to this exemp-
24 tion; or to an organization not operated for profit and exempt
25 from federal income tax under section 501(c)(3) or 501(c)(4) of
26 the internal revenue code of 1986, 26 U.S.C. 501. The exemption
27 does not apply to sales of tangible personal property and sales

1 of vehicles licensed for use on public highways, that are not
2 used primarily to carry out the purposes of the organization as
3 stated in the bylaws or articles of incorporation of the exempt
4 organization.