

SENATE BILL No. 91

February 1, 2001, Introduced by Senator JAYE and referred to the Committee on Education.

A bill to amend 1933 PA 167, entitled "General sales tax act," by amending sections 4a and 25 (MCL 205.54a and 205.75), section 4a as amended by 1999 PA 116 and section 25 as amended by 1993 PA 325.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 4a. (1) A person subject to tax under this act may
2 exclude from the amount of the gross proceeds used for the compu-
3 tation of the tax, a sale of tangible personal property, subject
4 to subsection (2):

5 (a) Not for resale to a nonprofit school, nonprofit hospi-
6 tal, or nonprofit home for the care and maintenance of children
7 or aged persons operated by an entity of government, a regularly
8 organized church, religious, or fraternal organization, a
9 veterans' organization, or a corporation incorporated under the

1 laws of the state, if the income or benefit from the operation
2 does not inure, in whole or in part, to an individual or private
3 shareholder, directly or indirectly, and if the activities of the
4 entity or agency are carried on exclusively for the benefit of
5 the public at large and are not limited to the advantage, inter-
6 ests, and benefits of its members or any restricted group. At
7 the time of the transfer of this tangible personal property, the
8 transferee shall sign a statement, in a form approved by the
9 department, stating that the property is to be used or consumed
10 in connection with the operation of the institution or agency and
11 that the institution or agency qualifies as an exempt entity
12 under this subdivision. The statement shall be accepted by all
13 courts as prima facie evidence of the exemption and the statement
14 shall provide that if the claim for tax exemption is disallowed
15 the transferee will reimburse the transferor for the amount of
16 tax involved. A sale of tangible personal property to a parent
17 cooperative preschool is exempt from taxation under this act. As
18 used in this subdivision, "parent cooperative preschool" means a
19 nonprofit, nondiscriminatory educational institution, maintained
20 as a community service and administered by parents of children
21 currently enrolled in the preschool, that provides an educational
22 and developmental program for children younger than compulsory
23 school age, that provides an educational program for parents,
24 including active participation with children in preschool activi-
25 ties, that is directed by qualified preschool personnel, and that
26 is licensed by the department of consumer and industry services
27 pursuant to 1973 PA 116, MCL 722.111 to 722.128.

1 (b) Not for resale to a regularly organized church or house
2 of religious worship, except the following:

3 (i) Sales in activities that are mainly commercial
4 enterprises.

5 (ii) Sales of vehicles licensed for use on public highways
6 other than a passenger van or bus with a manufacturer's rated
7 seating capacity of 10 or more that is used primarily for the
8 transportation of persons for religious purposes.

9 (c) To bona fide enrolled students, of food by a school or
10 other educational institution not operated for profit.

11 (d) That is a vessel designated for commercial use of regis-
12 tered tonnage of 500 tons or more, if produced upon special order
13 of the purchaser, and bunker and galley fuel, provisions, sup-
14 plies, maintenance, and repairs for the exclusive use of the
15 vessel engaged in interstate commerce.

16 (e) To persons engaged in a business enterprise and using or
17 consuming the tangible personal property in the tilling, plant-
18 ing, caring for, or harvesting of the things of the soil; in the
19 breeding, raising, or caring for livestock, poultry, or horticul-
20 tural products, including transfers of livestock, poultry, or
21 horticultural products for further growth; or in the direct gath-
22 ering of fish, by net, line, or otherwise only by an
23 owner-operator of the business enterprise, not including a
24 charter fishing business enterprise. This exemption includes
25 agricultural land tile, which means fired clay or perforated
26 plastic tubing used as part of a subsurface drainage system for
27 land, and subsurface irrigation pipe, if the land tile or

1 irrigation pipe is used in the production of agricultural
2 products as a business enterprise. At the time of the transfer
3 of this tangible personal property, the transferee shall sign a
4 statement, in a form approved by the department, stating that the
5 property is to be used or consumed in connection with the produc-
6 tion of horticultural or agricultural products as a business
7 enterprise, or in connection with fishing as an owner-operator
8 business enterprise. The statement shall be accepted by all
9 courts as prima facie evidence of the exemption. This exemption
10 includes a portable grain bin, which means a structure that is
11 used or is to be used to shelter grain and that is designed to be
12 disassembled without significant damage to its component parts.
13 This exemption also includes grain drying equipment and natural
14 or propane gas used to fuel that equipment for agricultural
15 purposes. This exemption does not include transfers of food,
16 fuel, clothing, or any similar tangible personal property for
17 personal living or human consumption. This exemption does not
18 include tangible personal property permanently affixed and becom-
19 ing a structural part of real estate.

20 (f) That is a copyrighted motion picture film or a newspaper
21 or periodical admitted under federal postal laws and regulations
22 effective September 1, 1985 as second-class mail matter or as a
23 controlled circulation publication or qualified to accept legal
24 notices for publication in this state, as defined by law, or any
25 other newspaper or periodical of general circulation, established
26 not less than 2 years, and published not less than once a week.
27 Tangible personal property used or consumed in producing a

1 copyrighted motion picture film, a newspaper published more than
2 14 times per year, or a periodical published more than 14 times
3 per year, and not becoming a component part of that film, newspa-
4 per, or periodical is subject to the tax. After December 31,
5 1993, tangible personal property used or consumed in producing a
6 newspaper published 14 times or less per year or a periodical
7 published 14 times or less per year and that portion or percen-
8 tage of tangible personal property used or consumed in producing
9 an advertising supplement that becomes a component part of a
10 newspaper or periodical is exempt from the tax under this
11 subdivision. A claim for a refund for taxes paid before January
12 1, 1999, under this subdivision shall be made before June 30,
13 1999. For purposes of this subdivision, tangible personal prop-
14 erty that becomes a component part of a newspaper or periodical
15 and consequently not subject to tax includes an advertising sup-
16 plement inserted into and circulated with a newspaper or periodi-
17 cal that is otherwise exempt from tax under this subdivision, if
18 the advertising supplement is delivered directly to the newspaper
19 or periodical by a person other than the advertiser, or the
20 advertising supplement is printed by the newspaper or
21 periodical.

22 (g) To persons licensed to operate commercial radio or tele-
23 vision stations if the property is used in the origination or
24 integration of the various sources of program material for com-
25 mercial radio or television transmission. This subdivision does
26 not include a vehicle licensed and titled for use on public

1 highways or property used in the transmission to or receiving
2 from an artificial satellite.

3 (h) That is a hearing aid, contact lenses if prescribed for
4 a specific disease that precludes the use of eyeglasses, or any
5 other apparatus, device, or equipment used to replace or substi-
6 tute for a part of the human body, or used to assist the disabled
7 person to lead a reasonably normal life if the tangible personal
8 property is purchased on a written prescription or order issued
9 by a health professional as defined by section ~~21005~~ 3501 of
10 the ~~public health code, 1978 PA 368, MCL 333.21005~~ INSURANCE
11 CODE OF 1956, 1956 PA 218, MCL 500.3501; a hearing aid battery;
12 or eyeglasses prescribed or dispensed to correct the person's
13 vision by an ophthalmologist, optometrist, or optician.

14 (i) That is a vehicle not for resale to a Michigan nonprofit
15 corporation organized exclusively to provide a community with
16 ambulance or fire department services.

17 ~~-(j) To inmates in a penal or correctional institution pur-~~
18 ~~chased with scrip issued and redeemed by the institution.~~

19 (J) ~~-(k)~~ To or for the use of students enrolled in any part
20 of a kindergarten through twelfth grade program, of textbooks
21 sold by a public or nonpublic school.

22 (K) ~~-(l)~~ Installed as a component part of a water pollution
23 control facility for which a tax exemption certificate is issued
24 pursuant to part 37 of the natural resources and environmental
25 protection act, 1994 PA 451, MCL 324.3701 to 324.3708, or an air
26 pollution control facility for which a tax exemption certificate
27 is issued pursuant to part 59 of the natural resources and

1 environmental protection act, 1994 PA 451, MCL 324.5901 to
2 324.5908.

3 (l) ~~-(m)-~~ To a purchaser of a new motor vehicle purchased
4 before January 1, 1993 if the purchaser qualifies for a special
5 registration under section 226(12) of the Michigan vehicle code,
6 1949 PA 300, MCL 257.226, and the vehicle is purchased through a
7 country determined by the department to be providing a like or
8 complete exemption for the purchase of a new motor vehicle to be
9 removed from that country.

10 (M) ~~-(n)-~~ That is the following sold or leased to an indus-
11 trial laundry after December 31, 1997:

12 (i) Textiles and disposable products including, but not
13 limited to, soap, paper, chemicals, tissues, deodorizers and dis-
14 pensers, and all related items such as packaging, supplies, hang-
15 ers, name tags, and identification tags.

16 (ii) Equipment, whether owned or leased, used to repair and
17 dispense textiles including, but not limited to, roll towel cabi-
18 nets, slings, hardware, lockers, mop handles and frames, and
19 carts.

20 (iii) Machinery, equipment, parts, lubricants, and repair
21 services used to clean, process, and package textiles and related
22 items, whether owned or leased.

23 (iv) Utilities such as electric, gas, water, or oil.

24 (v) Production washroom equipment and mending and packaging
25 supplies and equipment.

1 (vi) Material handling equipment including, but not limited
2 to, conveyors, racks, and elevators and related control
3 equipment.

4 (vii) Wastewater pretreatment equipment and supplies and
5 related maintenance and repair services.

6 (N) ~~-(o)-~~ To a person holding a direct payment permit under
7 section 8 of the use tax act, 1937 PA 94, MCL 205.98.

8 (2) The tangible personal property under subsection (1) is
9 exempt only to the extent that that property is used for the
10 exempt purpose if one is stated in subsection (1). The exemption
11 is limited to the percentage of exempt use to total use deter-
12 mined by a reasonable formula or method approved by the
13 department.

14 Sec. 25. (1) All sums of money received and collected under
15 this act shall be deposited by the department in the state trea-
16 sury to the credit of the general fund, except as provided in
17 this section.

18 (2) Fifteen percent of the collections of the tax imposed at
19 a rate of 4% shall be distributed to cities, villages, and town-
20 ships pursuant to the GLENN STEIL state revenue sharing act of
21 1971, ~~Act No. 140 of the Public Acts of 1971, being sections~~
22 ~~141.901 to 141.921 of the Michigan Compiled Laws~~ 1971 PA 140,
23 MCL 141.901 TO 141.921.

24 (3) Sixty percent of the collections of the tax imposed at a
25 rate of 4% shall be deposited in the state school aid fund estab-
26 lished in section 11 of article IX of the state constitution of
27 1963 and distributed as provided by law. In addition, all of the

1 collections of the tax imposed at the additional rate of 2%
2 approved by the electors March 15, 1994 shall be deposited in the
3 state school aid fund.

4 (4) For the fiscal year ending September 30, 1988 and each
5 fiscal year ending after September 30, 1988, of the 25% of the
6 collections of the general sales tax imposed at a rate of 4%
7 directly or indirectly on fuels sold to propel motor vehicles
8 upon highways, on the sale of motor vehicles, and on the sale of
9 the parts and accessories of motor vehicles by new and used car
10 businesses, used car businesses, accessory dealer businesses, and
11 gasoline station businesses as classified by the department of
12 treasury remaining after the allocations and distributions are
13 made pursuant to subsections (2) and (3), the following amounts
14 shall be deposited each year into the respective funds:

15 (a) Not less than 27.9% to the comprehensive transportation
16 fund. However, for the fiscal year ending September 30, 1991
17 only, the amount to be deposited in the comprehensive transporta-
18 tion fund shall be reduced by \$1,500,000.00.

19 (b) The balance to the state general fund.

20 (5) After the allocations and distributions are made
21 ~~pursuant to~~ UNDER subsections (2) and (3), an amount equal to
22 the collections of the tax imposed at a rate of 4% by this act
23 from the sale at retail of computer software as defined in sec-
24 tion 1 shall be deposited in the Michigan health initiative fund
25 created in section 5911 of the public health code, ~~Act No. 368~~
26 ~~of the Public Acts of 1978, being section 333.5911 of the~~
27 ~~Michigan Compiled Laws~~ 1978 PA 368, MCL 333.5911, and shall be

1 considered in addition to, and is not intended as a replacement
2 for any other money appropriated to the department of public
3 health. The funds deposited in the Michigan health initiative
4 fund on an annual basis shall not be less than \$9,000,000.00 or
5 more than \$12,000,000.00.

6 (6) AFTER THE ALLOCATIONS AND DISTRIBUTIONS ARE MADE UNDER
7 SUBSECTIONS (2) AND (3), AN AMOUNT EQUAL TO THE COLLECTIONS OF
8 THE TAX ON SALES MADE TO INMATES IN A CORRECTIONAL FACILITY IN
9 THIS STATE SHALL BE DESIGNATED AND USED ONLY TO FUND GENERAL EDU-
10 CATIONAL DEVELOPMENT TESTING PREPARATION PROGRAMS AS THAT TERM IS
11 DEFINED IN SECTION 4 OF THE STATE SCHOOL AID ACT OF 1979, 1979 PA
12 94, MCL 388.1604, PROVIDED AT STATE CORRECTIONAL FACILITIES AND
13 COUNTY JAILS.

14 (7) ~~-(6)-~~ The balance in the state general fund shall be
15 disbursed only on an appropriation or appropriations by the
16 legislature.