

# HOUSE BILL NO. 5318

December 02, 2025, Introduced by Reps. Frisbie, Pavlov, Rigas, Roth, Snyder, Liberati, Tate and Aragona and referred to Committee on Finance.

A bill to amend 1933 PA 167, entitled  
"General sales tax act,"

by amending sections 4o and 4q (MCL 205.54o and 205.54q), section 4o as amended by 2018 PA 249 and section 4q as amended by 2018 PA 530.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1       Sec. 4o. (1) ~~The~~ **Except as otherwise limited under this**  
2 **subsection and subject to subsection (2), the** sale of ~~the first~~  
3 ~~\$10,000.00 of tangible personal property in a calendar year for~~  
4 ~~fund-raising purposes~~ by a school, church, hospital, parent  
5 cooperative preschool, or nonprofit organization that has a tax-

1 exempt status under section 4q(1)(a) or (b) ~~and that has aggregate~~  
2 ~~sales at retail in the calendar year of less than \$25,000.00 are~~  
3 **for the purpose of raising funds for the charitable purpose of the**  
4 **organization is** exempt from the tax under this act. **The exemption**  
5 **under this subsection is limited to \$75,000.00 in aggregate sales**  
6 **of tangible personal property for each individual fund-raising**  
7 **event, which amount must be adjusted for inflation as provided in**  
8 **subsection (5).**

9 (2) A club, association, auxiliary, or other organization  
10 affiliated with a school, church, hospital, parent cooperative  
11 preschool, or nonprofit organization with a tax-exempt status under  
12 section 4q(1)(a) or (b) is not considered a separate person for  
13 purposes of ~~this~~ **the exemption under subsection (1).** ~~As used in~~  
14 ~~this section, "school" means each elementary, middle, junior, or~~  
15 ~~high school site within a local school district that represents a~~  
16 ~~district attendance area as established by the board of the local~~  
17 ~~school district.~~

18 (3) Except as otherwise limited under this subsection **and**  
19 **subject to subsection (4),** the sale of tangible personal property  
20 by a veterans' organization that is exempt from federal income tax  
21 under section 501(c)(19) of the internal revenue code **of 1986,** 26  
22 USC 501, for the purpose of raising funds for the benefit of an  
23 active duty service member or a veteran is exempt from the tax  
24 under this act. The exemption under this subsection is limited to  
25 ~~\$25,000.00~~ **\$75,000.00** in aggregate sales of tangible personal  
26 property for each individual fund-raising event, **which amount must**  
27 **be adjusted for inflation as provided in subsection (5).**

28 (4) A club, association, auxiliary, or other organization  
29 affiliated with a veterans' organization that is exempt from

1 federal income tax under section 501(c)(19) of the internal revenue  
 2 code of 1986, 26 USC 501, is not considered a separate person for  
 3 purposes of ~~this~~**the exemption under subsection (3).**

4 **(5) At the end of each calendar year after the effective date**  
 5 **of the amendatory act that added this subsection, the state**  
 6 **treasurer shall adjust the amounts in subsections (1) and (3) by an**  
 7 **amount determined by the state treasurer to reflect the cumulative**  
 8 **annual percentage change in the Consumer Price Index. If the**  
 9 **cumulative annual percentage change in the Consumer Price Index is**  
 10 **negative, then the adjustment for that calendar year is zero.**

11 **(6) As used in this ~~subsection~~section:**

12 (a) "Active duty" means active duty pursuant to an executive  
 13 order of the President of the United States, an act of Congress, or  
 14 an order of the governor.

15 (b) "Armed Forces of the United States" means the Army, Air  
 16 Force, Navy, Marine Corps, Coast Guard, or other military force  
 17 designated by Congress as a part of the Armed Forces of the United  
 18 States.

19 (c) "Consumer Price Index" means the most comprehensive index  
 20 of consumer prices available for this state from the Bureau of  
 21 Labor Statistics of the United States Department of Labor.

22 (d) "School" means each elementary, middle, junior, or high  
 23 school site within a local school district that represents a  
 24 district attendance area as established by the board of the local  
 25 school district.

26 (e) ~~(e)~~"Service member" means a member of the Armed Forces of  
 27 the United States, a reserve branch of the Armed Forces of the  
 28 United States, or the National Guard.

29 (f) ~~(d)~~"Veteran" means any of the following:

(i) ~~A person~~ **An individual** who served on active duty in the Armed Forces of the United States for a period of more than 180 days and separated from the Armed Forces of the United States in a manner other than a dishonorable discharge.

(ii) ~~A person~~ **An individual** discharged or released from active duty because of a service-related disability.

(iii) ~~A~~ **An individual who meets all of the following requirements:**

(A) **Was a** member of a reserve branch of the Armed Forces of the United States ~~at the time he or she~~ **when the individual** was ordered to active duty ~~pursuant to subtitle E of title 10 of the United States Code,~~ **under** 10 USC 10001 to 18506. ~~who served~~

(B) **Served** on active duty during a period of war, or in a campaign or expedition for which a campaign badge is authorized. ~~and was~~

(C) **Was** released from active duty in a manner other than a dishonorable discharge.

Sec. 4q. (1) ~~A~~ **Subject to subsection (5),** a sale of tangible personal property not for resale to **any of** the following ~~subject to subsection (5),~~ is exempt from the tax under this act:

(a) A health, welfare, educational, cultural arts, charitable, or benevolent organization not operated for profit that has been issued an exemption ruling letter to purchase items exempt from tax before July 17, 1998 signed by the administrator of the sales, use, and withholding taxes division of the department.

(b) An organization not operated for profit and exempt from federal income tax under section 501(c)(3) or ~~501(c)(4)~~ **(4)** of the internal revenue code **of 1986,** 26 USC 501.

(c) An organization not operated for profit and exempt from

1 federal income tax under section 501(c)(19) of the internal revenue  
2 code, 26 USC 501.

3 (2) The exemptions provided for in subsection (1) do not apply  
4 to any of the following:

5 (a) Sales of tangible personal property and sales of vehicles  
6 licensed for use on public highways that are not used primarily to  
7 carry out the purposes of the organization or to raise funds or  
8 obtain resources necessary to carry out the purposes of the  
9 organization as stated in the bylaws or articles of incorporation  
10 of the exempt entity.

11 (b) Sales of tangible personal property or vehicles used for  
12 purposes of raising funds or obtaining resources if the sales price  
13 exceeds the following:

14 ~~(i) For an organization exempt under subsection (1)(a) or (b),~~  
15 ~~\$5,000.00.~~ **tangible personal property, \$60,000.00, adjusted for**  
16 **inflation as provided in subsection (6).**

17 ~~(ii) For an organization exempt under subsection (1)(c),~~  
18 ~~\$25,000.00.~~ **vehicles, \$75,000.00, adjusted for inflation as provided**  
19 **in subsection (6).**

20 (3) At the time of the transfer of the tangible personal  
21 property exempt under subsection (1), the transferee shall do 1 of  
22 the following:

23 (a) Present the exemption ruling letter signed by the  
24 administrator of the sales, use, and withholding taxes division of  
25 the department certifying that the property is to be used or  
26 consumed in connection with the operation of the organization.

27 (b) Present a signed statement, on a form approved by the  
28 department, stating that the property is to be used or consumed in  
29 connection with the operation of the organization, to carry out the

1 purpose or purposes of the organization, or to raise funds or  
2 obtain resources necessary for the operation of the organization,  
3 that the organization qualifies as an exempt organization under  
4 this section, and that the sales price of any single item of  
5 tangible personal property or vehicle purchased for purposes of  
6 raising funds or obtaining resources does not exceed the applicable  
7 cap amount established in subsection (2)(b). The transferee shall  
8 also provide to the transferor a copy of the federal exemption  
9 letter. However, a copy of the federal exemption letter is not  
10 required if the organization is exempt from filing an application  
11 for exempt status with the ~~internal revenue service~~. **Internal**  
12 **Revenue Service.**

13 (4) The letter provided under subsection (3)(a) and the  
14 statement with the accompanying letter provided under subsection  
15 (3)(b) shall be accepted by all courts as prima facie evidence of  
16 the exemption and the statement ~~shall~~ **must** provide that if the  
17 claim for tax exemption is disallowed, the transferee will  
18 reimburse the transferor for the amount of tax involved.

19 (5) The tangible personal property under subsection (1) is  
20 exempt only to the extent that the property is used to carry out  
21 the purposes of the organization or to raise funds or obtain  
22 resources necessary to carry out the purposes of the organization  
23 as stated in the organization's bylaws or articles of  
24 incorporation. The exemption for purposes of carrying out the  
25 purposes of the organization as stated in its bylaws or articles of  
26 incorporation is limited to the percentage of exempt use to total  
27 use determined by a reasonable formula or method approved by the  
28 department. The exemption for any single item of tangible personal  
29 property or vehicle used to raise funds or obtain resources is

1 limited to a sales price that does not exceed ~~\$5,000.00 for an~~  
2 ~~organization exempt under subsection (1) (a) or (b) and \$25,000.00~~  
3 ~~for an organization exempt under subsection (1) (c).~~ \$60,000.00 for a  
4 single item of tangible personal property and \$75,000.00 for a  
5 vehicle, adjusted for inflation as provided in subsection (6).

6 (6) At the end of each calendar year after the effective date  
7 of the amendatory act that added this subsection, the state  
8 treasurer shall adjust the amounts in subsections (2) and (5) by an  
9 amount determined by the state treasurer to reflect the cumulative  
10 annual percentage change in the Consumer Price Index. If the  
11 cumulative annual percentage change in the Consumer Price Index is  
12 negative, then the adjustment for that calendar year is zero. As  
13 used in this subsection, "Consumer Price Index" means the most  
14 comprehensive index of consumer prices available for this state  
15 from the Bureau of Labor Statistics of the United States Department  
16 of Labor.