

HOUSE BILL No. 5496

January 27, 1998, Introduced by Reps. Richner, Crissman, Birkholz, Kukuk, Whyman, Anthony, DeHart, McBryde, Hammerstrom, Cassis, Scranton, Lowe, Kaza, Goschka, Dobb, Stallworth, Quarles, Raczkowski and Perricone and referred to the Committee on Tax Policy.

A bill to amend 1933 PA 167, entitled
"General sales tax act,"
by amending section 1 (MCL 205.51), as amended by 1995 PA 209.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 1. (1) As used in this act:

2 (a) "Person" means an individual, firm, partnership, joint
3 venture, association, social club, fraternal organization, munic-
4 ipal or private corporation, whether organized for profit or not,
5 company, estate, trust, receiver, trustee, syndicate, the United
6 States, this state, county, or any other group or combination
7 acting as a unit, and includes the plural as well as the singular
8 number, unless the intention to give a more limited meaning is
9 disclosed by the context.

10 (b) "Sale at retail" means a transaction by which the
11 ownership of tangible personal property is transferred for

1 consideration, if the transfer is made in the ordinary course of
2 the transferor's business and is made to the transferee for con-
3 sumption or use, or for any purpose other than for resale, or for
4 lease, if the rental receipts are taxable under the use tax act,
5 ~~Act No. 94 of the Public Acts of 1937, being sections 205.91 to~~
6 ~~205.111 of the Michigan Compiled Laws~~ 1937 PA 94, MCL 205.91 TO
7 205.111, in the form of tangible personal property to a person
8 licensed under this act, or for demonstration purposes or lending
9 or leasing to a public or parochial school offering a course in
10 automobile driving. However, a vehicle purchased by the school
11 shall be certified for driver education and shall not be reas-
12 signed for personal use of the school's administrative
13 personnel. For a dealer selling a new car or truck, the exemp-
14 tion for demonstration purposes shall be determined by the number
15 of new cars and trucks sold during the current calendar year or
16 the immediately preceding year without regard to specific make or
17 style in accordance with the following schedule of 0 to 25, 2
18 units; 26 to 100, 7 units; 101 to 500, 20 units; 501 or more, 25
19 units; but not to exceed 25 cars and trucks in a calendar year
20 for demonstration purposes.

21 (c) "Sale at retail" includes the sale of tangible personal
22 property to persons directly engaged in the business of con-
23 structing, altering, repairing, or improving real estate for
24 others except property affixed to and made a structural part of
25 the real estate of a nonprofit hospital or nonprofit housing. A
26 nonprofit hospital or nonprofit housing includes only the
27 property of a nonprofit hospital or the homes or dwelling places

1 constructed by a nonprofit housing entity qualified as exempt
2 pursuant to section 15a of the state housing development author-
3 ity act of 1966, ~~Act No. 346 of the Public Acts of 1966, being~~
4 ~~section 125.1415a of the Michigan Compiled Laws~~ 1966 PA 346, MCL
5 125.1415A, the income or property of which does not directly or
6 indirectly inure to the benefit of an individual, private stock-
7 holder, or other private person.

8 (d) "Sale at retail" includes a conditional sale, install-
9 ment lease sale, and other transfer of property if title is
10 retained as security for the purchase price but is intended to be
11 transferred later.

12 (e) "Sale at retail" includes the sale of electricity, natu-
13 ral or artificial gas, or steam if made to the consumer or user
14 for consumption or use rather than for resale. Sale at retail
15 does not include the sale of water through water mains or the
16 sale of water delivered in bulk tanks in quantities of not less
17 than 500 gallons.

18 (f) "Sale at retail" includes computer software offered for
19 general sale to the public or software modified or adapted to the
20 user's needs or equipment by the seller, only if the software is
21 available for sale from a seller of software on an as is basis or
22 as an end product without modification or adaptation. Sale at
23 retail does not include specific charges for technical support or
24 for adapting or modifying prewritten, standard, or canned com-
25 puter software programs to a purchaser's needs or equipment if
26 those charges are separately stated and identified. Sale at
27 retail does not include computer software originally designed for

1 the exclusive use and special needs of the purchaser. As used in
2 this subdivision, "computer software" means a set of statements
3 or instructions that when incorporated in a machine usable medium
4 is capable of causing a machine or device having information pro-
5 cessing capabilities to indicate, perform, or achieve a particu-
6 lar function, task, or result.

7 (g) "Sale at retail" does not include an isolated transac-
8 tion by a person not licensed or required to be licensed under
9 this act, in which tangible personal property is offered for
10 sale, sold, transferred, and delivered by the owner.

11 (h) "Sale at retail" does not include a commercial advertis-
12 ing element if the commercial advertising element is used to
13 create or develop a print, radio, television, or other advertise-
14 ment, the commercial advertising element is discarded or returned
15 to the provider after the advertising message is completed, and
16 the commercial advertising element is custom developed by the
17 provider for the purchaser. As used in this subdivision,
18 "commercial advertising element" means a negative or positive
19 photographic image, an audiotape or videotape master, a layout, a
20 manuscript, writing of copy, a design, artwork, an illustration,
21 retouching, and mechanical or keyline instructions. "Sale at
22 retail" includes black and white or full color process separation
23 elements, an audiotape reproduction, or a videotape
24 reproduction.

25 (i) "Gross proceeds" means the amount received in money,
26 credits, subsidies, property, or other money's worth in
27 consideration of a sale at retail within this state — AFTER A

1 DEDUCTION FOR THE AMOUNT OF A REBATE, DISCOUNT, OR COUPON USED,
2 BUT without a deduction for the cost of the property sold, the
3 cost of material used, the cost of labor or service purchased, an
4 amount paid for interest, ~~or a discount,~~ a tax paid on ciga-
5 rettes or tobacco products at the time of purchase, a tax paid on
6 beer or liquor at the time of purchase, or other expenses. Also,
7 a deduction is not allowed for losses. Gross proceeds does not
8 include an amount received or billed by the taxpayer for remit-
9 tance to the employee as a gratuity or tip, if the gratuity or
10 tip is separately identified and itemized on the guest check or
11 billed to the customer. In a taxable sale at retail of a motor
12 vehicle, if another motor vehicle is used as part payment of the
13 purchase price, the value of the motor vehicle used as part pay-
14 ment of the purchase price shall be that value agreed to by the
15 parties to the sale as evidenced by the signed statement executed
16 pursuant to section 251 of the Michigan vehicle code, ~~Act~~
17 ~~No. 300 of the Public Acts of 1949, being section 257.251 of the~~
18 ~~Michigan Compiled Laws~~ 1949 PA 300, MCL 257.251. A credit or
19 refund for returned goods or a refund less an allowance for use
20 made for a motor vehicle returned under ~~Act No. 87 of the Public~~
21 ~~Acts of 1986, being sections 257.1401 to 257.1410 of the Michigan~~
22 ~~Compiled Laws~~ 1986 PA 87, MCL 257.1401 TO 257.1410, as certified
23 by the manufacturer on a form provided by the department of trea-
24 sury, may be deducted.

25 (j) "Business" includes an activity engaged in by a person
26 or caused to be engaged in by that person with the object of
27 gain, benefit, or advantage, either direct or indirect.

1 (k) "Tax year" or "taxable year" means the fiscal year of
2 the state or the taxpayer's fiscal year if permission is obtained
3 by the taxpayer from the department to use the taxpayer's fiscal
4 year as the tax period instead.

5 (l) "Department" means the revenue division of the depart-
6 ment of treasury.

7 (m) "Taxpayer" means a person subject to a tax under this
8 act.

9 (n) "Tax" includes a tax, interest, or penalty levied under
10 this act.

11 (2) If the department determines that it is necessary for
12 the efficient administration of this act to regard an unlicensed
13 person, including a salesperson, representative, peddler, or can-
14 vasser as the agent of the dealer, distributor, supervisor, or
15 employer under whom the unlicensed person operates or from whom
16 the unlicensed person obtains the tangible personal property sold
17 by the unlicensed person, irrespective of whether the unlicensed
18 person is making sales on the unlicensed person's own behalf or
19 on behalf of the dealer, distributor, supervisor, or employer,
20 the department may so regard the unlicensed person and may regard
21 the dealer, distributor, supervisor, or employer as making sales
22 at retail at the retail price for the purposes of this act.