

HOUSE BILL No. 5877

March 11, 2008, Introduced by Rep. Condino and referred to the Committee on Agriculture.

A bill to amend 1937 PA 94, entitled
"Use tax act,"
by amending section 4 (MCL 205.94), as amended by 2007 PA 103.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 4. (1) The following are exempt from the tax levied under
2 this act, subject to subsection (2):

3 (a) Property sold in this state on which transaction a tax is
4 paid under the general sales tax act, 1933 PA 167, MCL 205.51 to
5 205.78, if the tax was due and paid on the retail sale to a
6 consumer.

7 (b) Property, the storage, use, or other consumption of which
8 this state is prohibited from taxing under the constitution or laws
9 of the United States, or under the constitution of this state.

1 (c) All of the following:

2 (i) Property purchased for resale. Property purchased for
3 resale includes promotional merchandise transferred pursuant to a
4 redemption offer to a person located outside this state or any
5 packaging material, other than promotional merchandise, acquired
6 for use in fulfilling a redemption offer or rebate to a person
7 located outside this state.

8 (ii) Property purchased for lending or leasing to a public or
9 parochial school offering a course in automobile driving except
10 that a vehicle purchased by the school shall be certified for
11 driving education and shall not be reassigned for personal use by
12 the school's administrative personnel.

13 (iii) Property purchased for demonstration purposes. For a new
14 vehicle dealer selling a new car or truck, exemption for
15 demonstration purposes shall be determined by the number of new
16 cars and trucks sold during the current calendar year or the
17 immediately preceding calendar year, without regard to specific
18 make or style, according to the following schedule but not to
19 exceed 25 cars and trucks in 1 calendar year for demonstration
20 purposes:

21 (A) 0 to 25, 2 units.

22 (B) 26 to 100, 7 units.

23 (C) 101 to 500, 20 units.

24 (D) 501 or more, 25 units.

25 (iv) Motor vehicles purchased for resale purposes by a new
26 vehicle dealer licensed under section 248(8)(a) of the Michigan
27 vehicle code, 1949 PA 300, MCL 257.248.

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

(e) Property the sale or use of which was already subjected to a sales tax or use tax equal to, or in excess of, that imposed by this act under the law of any other state or a local governmental unit within a state if the tax was due and paid on the retail sale to the consumer and the state or local governmental unit within a state in which the tax was imposed accords like or complete exemption on property the sale or use of which was subjected to the sales or use tax of this state. If the sale or use of property was already subjected to a tax under the law of any other state or local governmental unit within a state in an amount less than the tax imposed by this act, this act shall apply, but at a rate measured by the difference between the rate provided in this act and the rate by which the previous tax was computed.

(f) Property sold to a person engaged in a business enterprise and using and consuming the property in the tilling, planting, caring for, or harvesting of the things of the soil or in the breeding, raising, or caring for livestock, poultry, or horticultural products, including transfers of livestock, poultry, or horticultural products for further growth. **THIS EXEMPTION INCLUDES MACHINERY THAT IS CAPABLE OF SIMULTANEOUSLY HARVESTING GRAIN OR OTHER CROPS AND BIOMASS [AND MACHINERY USED FOR THE PURPOSE OF HARVESTING BIOMASS.**

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This exemption includes agricultural land tile, which means fired clay or perforated plastic tubing used as part of a subsurface drainage system for land used in the production of agricultural products as a business enterprise and includes a portable grain bin, which means a structure that is used or is to be used to shelter grain and that is designed to be disassembled without significant damage to its component parts. This exemption does not include transfers of food, fuel, clothing, or similar tangible personal property for personal living or human consumption. This exemption does not include tangible personal property permanently affixed to and becoming a structural part of real estate. **AS USED IN THIS SUBDIVISION, "BIOMASS" MEANS CROP RESIDUE USED TO PRODUCE ENERGY OR AGRICULTURAL CROPS GROWN SPECIFICALLY FOR THE PRODUCTION OF [] ENERGY.**

(g) Property or services sold to the United States, an unincorporated agency or instrumentality of the United States, an incorporated agency or instrumentality of the United States wholly owned by the United States or by a corporation wholly owned by the United States, the American red cross and its chapters or branches, this state, a department or institution of this state, or a political subdivision of this state.

(h) Property or services sold to a school, hospital, or home for the care and maintenance of children or aged persons, operated by an entity of government, a regularly organized church, religious, or fraternal organization, a veterans' organization, or a corporation incorporated under the laws of this state, if not

1 operated for profit, and if the income or benefit from the
2 operation does not inure, in whole or in part, to an individual or
3 private shareholder, directly or indirectly, and if the activities
4 of the entity or agency are carried on exclusively for the benefit
5 of the public at large and are not limited to the advantage,
6 interests, and benefits of its members or a restricted group. The
7 tax levied does not apply to property or services sold to a parent
8 cooperative preschool. As used in this subdivision, "parent
9 cooperative preschool" means a nonprofit, nondiscriminatory
10 educational institution, maintained as a community service and
11 administered by parents of children currently enrolled in the
12 preschool that provides an educational and developmental program
13 for children younger than compulsory school age, that provides an
14 educational program for parents, including active participation
15 with children in preschool activities, that is directed by
16 qualified preschool personnel, and that is licensed ~~by the~~
17 ~~department of consumer and industry services~~ pursuant to 1973 PA
18 116, MCL 722.111 to 722.128.

19 (i) Property or services sold to a regularly organized church
20 or house of religious worship except the following:

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

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

27 (j) A vessel designed for commercial use of registered tonnage

1 of 500 tons or more, if produced upon special order of the
2 purchaser, and bunker and galley fuel, provisions, supplies,
3 maintenance, and repairs for the exclusive use of a vessel of 500
4 tons or more engaged in interstate commerce.

5 (k) Property purchased for use in this state where actual
6 personal possession is obtained outside this state, the purchase
7 price or actual value of which does not exceed \$10.00 during 1
8 calendar month.

9 (l) A newspaper or periodical classified under federal postal
10 laws and regulations effective September 1, 1985 as second-class
11 mail matter or as a controlled circulation publication or qualified
12 to accept legal notices for publication in this state, as defined
13 by law, or any other newspaper or periodical of general
14 circulation, established at least 2 years, and published at least
15 once a week, and a copyrighted motion picture film. Tangible
16 personal property used or consumed in producing a copyrighted
17 motion picture film, a newspaper published more than 14 times per
18 year, or a periodical published more than 14 times per year, and
19 not becoming a component part of that film, newspaper, or
20 periodical is subject to the tax. After December 31, 1993, tangible
21 personal property used or consumed in producing a newspaper
22 published 14 times or less per year or a periodical published 14
23 times or less per year and that portion or percentage of tangible
24 personal property used or consumed in producing an advertising
25 supplement that becomes a component part of a newspaper or
26 periodical is exempt from the tax under this subdivision. A claim
27 for a refund for taxes paid before January 1, 1999 under this

1 subdivision shall be made before June 30, 1999. For purposes of
2 this subdivision, tangible personal property that becomes a
3 component part of a newspaper or periodical and consequently not
4 subject to tax, includes an advertising supplement inserted into
5 and circulated with a newspaper or periodical that is otherwise
6 exempt from tax under this subdivision, if the advertising
7 supplement is delivered directly to the newspaper or periodical by
8 a person other than the advertiser, or the advertising supplement
9 is printed by the newspaper or periodical.

10 (m) Property purchased by persons licensed to operate a
11 commercial radio or television station if the property is used in
12 the origination or integration of the various sources of program
13 material for commercial radio or television transmission. This
14 subdivision does not include a vehicle licensed and titled for use
15 on public highways or property used in the transmitting to or
16 receiving from an artificial satellite.

17 (n) A person who is a resident of this state who purchases an
18 automobile in another state while in the military service of the
19 United States and who pays a sales tax in the state where the
20 automobile is purchased.

21 (o) A vehicle for which a special registration is secured in
22 accordance with section ~~226(12)~~ **226(9)** of the Michigan vehicle
23 code, 1949 PA 300, MCL 257.226.

24 (p) The sale of a prosthetic device, durable medical
25 equipment, or mobility enhancing equipment.

26 (q) Water when delivered through water mains, water sold in
27 bulk tanks in quantities of not less than 500 gallons, or the sale

1 of bottled water.

2 (r) A vehicle not for resale used by a nonprofit corporation
3 organized exclusively to provide a community with ambulance or fire
4 department services.

5 (s) Tangible personal property purchased and installed as a
6 component part of a water pollution control facility for which a
7 tax exemption certificate is issued pursuant to part 37 of the
8 natural resources and environmental protection act, 1994 PA 451,
9 MCL 324.3701 to 324.3708, or an air pollution control facility for
10 which a tax exemption certificate is issued pursuant to part 59 of
11 the natural resources and environmental protection act, 1994 PA
12 451, MCL 324.5901 to 324.5908.

13 (t) Tangible real or personal property donated by a
14 manufacturer, wholesaler, or retailer to an organization or entity
15 exempt pursuant to subdivision (h) or (i) or section 4a(1)(a) or
16 (b) of the general sales tax act, 1933 PA 167, MCL 205.54a.

17 (u) The storage, use, or consumption of an aircraft by a
18 domestic air carrier for use solely in the transport of air cargo,
19 passengers, or a combination of air cargo and passengers, that has
20 a maximum certificated takeoff weight of at least 6,000 pounds. For
21 purposes of this subdivision, the term "domestic air carrier" is
22 limited to a person engaged primarily in the commercial transport
23 for hire of air cargo, passengers, or a combination of air cargo
24 and passengers as a business activity. The state treasurer shall
25 estimate on January 1 each year the revenue lost by this act from
26 the school aid fund and deposit that amount into the school aid
27 fund from the general fund.

1 (v) The storage, use, or consumption of an aircraft by a
2 person who purchases the aircraft for subsequent lease to a
3 domestic air carrier operating under a certificate issued by the
4 federal aviation administration under 14 CFR part 121, for use
5 solely in the regularly scheduled transport of passengers.

6 (w) Property or services sold to an organization not operated
7 for profit and exempt from federal income tax under section
8 501(c)(3) or 501(c)(4) of the internal revenue code, 26 USC 501; or
9 to a health, welfare, educational, cultural arts, charitable, or
10 benevolent organization not operated for profit that has been
11 issued before June 13, 1994 an exemption ruling letter to purchase
12 items exempt from tax signed by the administrator of the sales,
13 use, and withholding taxes division of the department. The
14 department shall reissue an exemption letter after June 13, 1994 to
15 each of those organizations that had an exemption letter that shall
16 remain in effect unless the organization fails to meet the
17 requirements that originally entitled it to this exemption. The
18 exemption does not apply to sales of tangible personal property and
19 sales of vehicles licensed for use on public highways, that are not
20 used primarily to carry out the purposes of the organization as
21 stated in the bylaws or articles of incorporation of the exempt
22 organization.

23 (x) The use or consumption of services described in section
24 3a(1)(a) or (b) or 3b by means of a prepaid telephone calling card,
25 a prepaid authorization number for telephone use, or a charge for
26 internet access.

27 (y) The purchase, lease, use, or consumption of the following

1 by an industrial laundry after December 31, 1997:

2 (i) Textiles and disposable products including, but not limited
3 to, soap, paper, chemicals, tissues, deodorizers and dispensers,
4 and all related items such as packaging, supplies, hangers, name
5 tags, and identification tags.

6 (ii) Equipment, whether owned or leased, used to repair and
7 dispense textiles including, but not limited to, roll towel
8 cabinets, slings, hardware, lockers, mop handles and frames, and
9 carts.

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

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

14 (v) Production washroom equipment and mending and packaging
15 supplies and equipment.

16 (vi) Material handling equipment including, but not limited to,
17 conveyors, racks, and elevators and related control equipment.

18 (vii) Wastewater pretreatment equipment and supplies and
19 related maintenance and repair services.

20 (2) The property or services under subsection (1) are exempt
21 only to the extent that the property or services are used for the
22 exempt purposes if one is stated in subsection (1). The exemption
23 is limited to the percentage of exempt use to total use determined
24 by a reasonable formula or method approved by the department.