

**SUBSTITUTE FOR  
SENATE BILL NO. 90**

A bill to amend 1937 PA 94, entitled  
"Use tax act,"  
by amending section 2 (MCL 205.92), as amended by 2008 PA 439.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1       Sec. 2. As used in this act:

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

10       (b) "Use" means the exercise of a right or power over tangible

1 personal property incident to the ownership of that property  
2 including transfer of the property in a transaction where  
3 possession is given. Converting tangible personal property acquired  
4 for a use exempt from the tax levied under this act to a use not  
5 exempt from the tax levied under this act is a taxable use.

6 (c) "Storage" means a keeping or retention of property in this  
7 state for any purpose after the property loses its interstate  
8 character.

9 (d) "Seller" means the person from whom a purchase is made and  
10 includes every person selling tangible personal property or  
11 services for storage, use, or other consumption in this state. If,  
12 in the opinion of the department, it is necessary for the efficient  
13 administration of this act to regard a salesperson, representative,  
14 peddler, or canvasser as the agent of a dealer, distributor,  
15 supervisor, or employer under whom the person operates or from whom  
16 he or she obtains tangible personal property or services sold by  
17 him or her for storage, use, or other consumption in this state,  
18 irrespective of whether or not he or she is making the sales on his  
19 or her own behalf or on behalf of the dealer, distributor,  
20 supervisor, or employer, the department may so consider him or her,  
21 and may consider the dealer, distributor, supervisor, or employer  
22 as the seller for the purpose of this act.

23 (e) "Purchase" means to acquire for a consideration, whether  
24 the acquisition is effected by a transfer of title, of possession,  
25 or of both, or a license to use or consume; whether the transfer is  
26 absolute or conditional, and by whatever means the transfer is  
27 effected; and whether consideration is a price or rental in money,

1 or by way of exchange or barter. Purchase includes converting  
2 tangible personal property acquired for a use exempt from the tax  
3 levied under this act to a use not exempt from the tax levied under  
4 this act.

5 (f) "Purchase price" or "price" means the total amount of  
6 consideration paid by the consumer to the seller, including cash,  
7 credit, property, and services, for which tangible personal  
8 property or services are sold, leased, or rented, valued in money,  
9 whether received in money or otherwise, and applies to the measure  
10 subject to use tax. Purchase price includes the following  
11 subparagraphs (i) through (vii) and excludes subparagraphs (viii)  
12 through ~~(x)~~ **(xii)** :

13 (i) Seller's cost of the property sold.

14 (ii) Cost of materials used, labor or service cost, interest,  
15 losses, costs of transportation to the seller, taxes imposed on the  
16 seller other than taxes imposed by this act, and any other expense  
17 of the seller.

18 (iii) Charges by the seller for any services necessary to  
19 complete the sale, other than the following:

20 (A) An amount received or billed by the taxpayer for  
21 remittance to the employee as a gratuity or tip, if the gratuity or  
22 tip is separately identified and itemized on the guest check or  
23 billed to the customer.

24 (B) Labor or service charges involved in maintenance and  
25 repair work on tangible personal property of others if separately  
26 itemized.

27 (iv) Delivery charges incurred or to be incurred before the

1 completion of the transfer of ownership of tangible personal  
2 property subject to the tax levied under this act from the seller  
3 to the purchaser.

4 (v) Installation charges incurred or to be incurred before the  
5 completion of the transfer of ownership of tangible personal  
6 property from the seller to the purchaser.

7 (vi) ~~Credit~~ **EXCEPT AS OTHERWISE PROVIDED IN SUBPARAGRAPHS (xi)**  
8 **AND (xii) , CREDIT** for any trade-in.

9 (vii) Except as otherwise provided in subparagraph (x) ,  
10 consideration received by the seller from third parties if all of  
11 the following conditions are met:

12 (A) The seller actually receives consideration from a party  
13 other than the purchaser and the consideration is directly related  
14 to a price reduction or discount on the sale.

15 (B) The seller has an obligation to pass the price reduction  
16 or discount through to the purchaser.

17 (C) The amount of the consideration attributable to the sale  
18 is fixed and determinable by the seller at the time of the sale of  
19 the item to the purchaser.

20 (D) One of the following criteria is met:

21 (I) The purchaser presents a coupon, certificate, or other  
22 documentation to the seller to claim a price reduction or discount  
23 where the coupon, certificate, or documentation is authorized,  
24 distributed, or granted by a third party with the understanding  
25 that the third party will reimburse any seller to whom the coupon,  
26 certificate, or documentation is presented.

27 (II) The purchaser identifies himself or herself to the seller

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1 as a member of a group or organization entitled to a price  
2 reduction or discount. A preferred customer card that is available  
3 to any patron does not constitute membership in a group or  
4 organization.

5 (III) The price reduction or discount is identified as a third  
6 party price reduction or discount on the invoice received by the  
7 purchaser or on a coupon, certificate, or other documentation  
8 presented by the purchaser.

9 (viii) Interest, financing, or carrying charges from credit  
10 extended on the sale of personal property or services, if the  
11 amount is separately stated on the invoice, bill of sale, or  
12 similar document given to the purchaser.

13 (ix) Any taxes legally imposed directly on the consumer that  
14 are separately stated on the invoice, bill of sale, or similar  
15 document given to the purchaser.

16 (x) Beginning January 1, 2000, employee discounts that are  
17 reimbursed by a third party on sales of motor vehicles.

18 (xi) BEGINNING <<ON THE EFFECTIVE DATE OF THE AMENDATORY ACT  
19 THAT ADDED THIS SUBPARAGRAPH>>, THE AGREED-UPON VALUE OF A TITLED  
20 WATERCRAFT USED AS PART PAYMENT OF THE PURCHASE PRICE OF A NEW  
21 TITLED WATERCRAFT OR USED TITLED WATERCRAFT IF THE AGREED-UPON  
22 VALUE IS SEPARATELY STATED ON THE INVOICE, BILL OF SALE, OR SIMILAR  
23 DOCUMENT GIVEN TO THE PURCHASER.

24 (xii) BEGINNING <<OCTOBER 1, 2013>>, THE AGREED-UPON VALUE OF A MOTOR  
25 VEHICLE OR RECREATIONAL VEHICLE USED AS PART PAYMENT OF THE  
26 PURCHASE PRICE OF A NEW MOTOR VEHICLE OR USED MOTOR VEHICLE OR  
27 RECREATIONAL VEHICLE IF THE AGREED-UPON VALUE IS SEPARATELY STATED  
ON THE INVOICE, BILL OF SALE, OR SIMILAR DOCUMENT GIVEN TO THE

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1 PURCHASER. FOR PURPOSES OF THIS SUBPARAGRAPH, THE AGREED-UPON VALUE  
2 OF A MOTOR VEHICLE OR RECREATIONAL VEHICLE USED AS PART PAYMENT  
3 SHALL BE LIMITED AS FOLLOWS:

4 (A) BEGINNING <<OCTOBER 1, 2013>>, 10% OF THE AGREED-UPON VALUE OF  
5 THE MOTOR VEHICLE OR RECREATIONAL VEHICLE USED AS PART PAYMENT.

6 (B) IN 2014, 20% OF THE AGREED-UPON VALUE OF THE MOTOR VEHICLE  
7 OR RECREATIONAL VEHICLE USED AS PART PAYMENT.

8 (C) IN 2015, 30% OF THE AGREED-UPON VALUE OF THE MOTOR VEHICLE  
9 OR RECREATIONAL VEHICLE USED AS PART PAYMENT.

10 (D) IN 2016, 40% OF THE AGREED-UPON VALUE OF THE MOTOR VEHICLE  
11 OR RECREATIONAL VEHICLE USED AS PART PAYMENT.

12 (E) IN 2017, 50% OF THE AGREED-UPON VALUE OF THE MOTOR VEHICLE  
13 OR RECREATIONAL VEHICLE USED AS PART PAYMENT.

14 (F) IN 2018, 60% OF THE AGREED-UPON VALUE OF THE MOTOR VEHICLE  
15 OR RECREATIONAL VEHICLE USED AS PART PAYMENT.

16 (G) IN 2019, 70% OF THE AGREED-UPON VALUE OF THE MOTOR VEHICLE  
17 OR RECREATIONAL VEHICLE USED AS PART PAYMENT.

18 (H) IN 2020, 80% OF THE AGREED-UPON VALUE OF THE MOTOR VEHICLE  
19 OR RECREATIONAL VEHICLE USED AS PART PAYMENT.

20 (I) IN 2021, 90% OF THE AGREED-UPON VALUE OF THE MOTOR VEHICLE  
21 OR RECREATIONAL VEHICLE USED AS PART PAYMENT.

22 (J) IN 2022 AND EACH YEAR AFTER 2022, NO LIMITATION ON THE  
23 AGREED-UPON VALUE OF THE MOTOR VEHICLE OR RECREATIONAL VEHICLE USED  
24 AS PART PAYMENT.

25 (g) "Consumer" means the person who has purchased tangible  
26 personal property or services for storage, use, or other  
27 consumption in this state and includes, but is not limited to, 1 or

1 more of the following:

2 (i) A person acquiring tangible personal property if engaged in  
3 the business of constructing, altering, repairing, or improving the  
4 real estate of others.

5 (ii) A person who has converted tangible personal property or  
6 services acquired for storage, use, or consumption in this state  
7 that is exempt from the tax levied under this act to storage, use,  
8 or consumption in this state that is not exempt from the tax levied  
9 under this act.

10 (h) "Business" means all activities engaged in by a person or  
11 caused to be engaged in by a person with the object of gain,  
12 benefit, or advantage, either direct or indirect.

13 (i) "Department" means the department of treasury.

14 (j) "Tax" includes all taxes, interest, or penalties levied  
15 under this act.

16 (k) "Tangible personal property" means personal property that  
17 can be seen, weighed, measured, felt, or touched or that is in any  
18 other manner perceptible to the senses and includes electricity,  
19 water, gas, steam, and prewritten computer software.

20 (l) "Textiles" means goods that are made of or incorporate  
21 woven or nonwoven fabric, including, but not limited to, clothing,  
22 shoes, hats, gloves, handkerchiefs, curtains, towels, sheets,  
23 pillows, pillowcases, tablecloths, napkins, aprons, linens, floor  
24 mops, floor mats, and thread. Textiles also include materials used  
25 to repair or construct textiles, or other goods used in the rental,  
26 sale, or cleaning of textiles.

27 (m) "Interstate motor carrier" means a person who operates or

1 causes to be operated a qualified commercial motor vehicle on a  
2 public road or highway in this state and at least 1 other state or  
3 Canadian province.

4 (n) "Qualified commercial motor vehicle" means that term as  
5 defined in section 1(i), (j), and (k) of the motor carrier fuel tax  
6 act, 1980 PA 119, MCL 207.211.

7 (o) "Diesel fuel" means that term as defined in section 2(p)  
8 of the motor fuel tax act, 2000 PA 403, MCL 207.1002.

9 (p) "Sale" means a transaction by which tangible personal  
10 property or services are purchased or rented for storage, use, or  
11 other consumption in this state.

12 (q) "Convert" means putting a service or tangible personal  
13 property acquired for a use exempt from the tax levied under this  
14 act at the time of acquisition to a use that is not exempt from the  
15 tax levied under this act, whether the use is in whole or in part,  
16 or permanent or not permanent. A motor vehicle purchased for resale  
17 by a new vehicle dealer licensed under section 248(8)(a) of the  
18 Michigan vehicle code, 1949 PA 300, MCL 257.248, and not titled in  
19 the name of the dealer shall not be considered to be converted  
20 prior to sale or lease by that dealer.

21 (R) "NEW MOTOR VEHICLE" MEANS THAT TERM AS DEFINED IN SECTION  
22 33A OF THE MICHIGAN VEHICLE CODE, 1949 PA 300, MCL 257.33A.

23 (S) "RECREATIONAL VEHICLE" MEANS THAT TERM AS DEFINED IN  
24 SECTION 49A OF THE MICHIGAN VEHICLE CODE, 1949 PA 300, MCL 257.49A.