

**SUBSTITUTE FOR  
SENATE BILL NO. 326**

A bill to amend 1937 PA 94, entitled  
"Use tax act,"  
by amending section 2 (MCL 205.92), as amended by 2023 PA 21.

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

1           Sec. 2. (1) 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.



1 (b) "Use" means the exercise of a right or power over tangible  
2 personal property incident to the ownership of that property  
3 including transfer of the property in a transaction where  
4 possession is given. Converting tangible personal property acquired  
5 for a use exempt from the tax levied under this act to a use not  
6 exempt from the tax levied under this act is a taxable use.

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

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

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



1 tangible personal property acquired for a use exempt from the tax  
2 levied under this act to a use not exempt from the tax levied under  
3 this act.

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

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

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

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

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

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

25 (iv) Except as otherwise provided in subparagraph (xv),  
26 delivery charges. A seller is not liable under this act for  
27 delivery charges allocated to the delivery of exempt property.

28 (v) Except as otherwise provided in subparagraph (xv),  
29 installation charges.



1           (vi) Except as otherwise provided in subparagraphs (xi), (xii),  
2 and (xiv), credit for any trade-in.

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

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

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

11           (C) The amount of the consideration attributable to the sale  
12 is fixed and determinable by the seller at the time of the sale of  
13 the item to the purchaser.

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

15           (I) The purchaser presents a coupon, certificate, or other  
16 documentation to the seller to claim a price reduction or discount  
17 where the coupon, certificate, or documentation is authorized,  
18 distributed, or granted by a third party with the understanding  
19 that the third party will reimburse any seller to whom the coupon,  
20 certificate, or documentation is presented.

21           (II) The purchaser identifies himself or herself to the seller  
22 as a member of a group or organization entitled to a price  
23 reduction or discount. A preferred customer card that is available  
24 to any patron does not constitute membership in a group or  
25 organization.

26           (III) The price reduction or discount is identified as a third  
27 party price reduction or discount on the invoice received by the  
28 purchaser or on a coupon, certificate, or other documentation  
29 presented by the purchaser.



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

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

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

10           (xi) Beginning November 15, 2013, credit for the agreed-upon  
11 value of a titled watercraft used as part payment of the purchase  
12 price of a new titled watercraft or used titled watercraft  
13 purchased from a watercraft dealer if the agreed-upon value is  
14 separately stated on the invoice, bill of sale, or similar document  
15 given to the purchaser. This subparagraph does not apply to leases  
16 or rentals.

17           (xii) Beginning December 15, 2013, credit for the agreed-upon  
18 value of a motor vehicle or recreational vehicle used as part  
19 payment of the purchase price of a new motor vehicle or used motor  
20 vehicle or recreational vehicle purchased from a dealer if the  
21 agreed-upon value is separately stated on the invoice, bill of  
22 sale, or similar document given to the purchaser. This subparagraph  
23 does not apply to leases or rentals. Except as otherwise provided  
24 under subparagraph (xiv), for purposes of this subparagraph, the  
25 agreed-upon value of a motor vehicle or recreational vehicle used  
26 as part payment is limited as follows:

27           (A) Beginning December 15, 2013, subject to sub-subparagraphs

28           (B) and (C), the lesser of the following:

29           (I) \$2,000.00.



1 (II) The agreed-upon value of the motor vehicle or  
2 recreational vehicle used as part payment.

3 (B) Beginning January 1, 2015 and each January 1 thereafter  
4 through December 31, 2018, the amount under sub-subparagraph (A) (I)  
5 is increased by an additional \$500.00 each year.

6 (C) Beginning January 1, 2019, subject to sub-subparagraphs  
7 (D) and (E), the lesser of the following:

8 (I) \$5,000.00.

9 (II) The agreed-upon value of the motor vehicle used as part  
10 payment.

11 (D) Beginning January 1, 2020 and each January 1 thereafter,  
12 the amount under sub-subparagraph (C) (I) is increased by an  
13 additional \$1,000.00 each year.

14 (E) Beginning on January 1, in the year in which the amount  
15 under sub-subparagraph (C) (I) exceeds \$14,000.00 and each January 1  
16 thereafter, there is no limitation on the agreed-upon value of the  
17 motor vehicle used as part payment.

18 (xiii) Beginning January 1, 2017, credit for the core charge  
19 attributable to a recycling fee, deposit, or disposal fee for a  
20 motor vehicle or recreational vehicle part or battery if the  
21 recycling fee, deposit, or disposal fee is separately stated on the  
22 invoice, bill of sale, or similar document given to the purchaser.

23 (xiv) Beginning January 1, 2018, credit for the agreed-upon  
24 value of a recreational vehicle used as part payment of the  
25 purchase price of a recreational vehicle purchased from a dealer if  
26 the agreed-upon value is separately stated on the invoice, bill of  
27 sale, or similar document given to the purchaser. This subparagraph  
28 does not apply to leases or rentals.

29 (xv) Delivery or installation charges if such charges are



1 separately stated on the invoice, bill of sale, or similar document  
2 provided to the purchaser, and the taxpayer maintains its books and  
3 records to show separately the transactions used to determine the  
4 tax levied by this act. This subdivision does not apply to delivery  
5 or installation charges involving or relating to the sale of  
6 electricity, natural gas, or artificial gas by a utility.

7 (g) "Consumer" means the person who has purchased tangible  
8 personal property or services for storage, use, or other  
9 consumption in this state and includes, but is not limited to, 1 or  
10 more of the following:

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

14 (ii) A person who has converted tangible personal property or  
15 services acquired for storage, use, or consumption in this state  
16 that is exempt from the tax levied under this act to storage, use,  
17 or consumption in this state that is not exempt from the tax levied  
18 under this act.

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

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

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

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

29 (l) "Textiles" means goods that are made of or incorporate



1 woven or nonwoven fabric, including, but not limited to, clothing,  
2 shoes, hats, gloves, handkerchiefs, curtains, towels, sheets,  
3 pillows, pillowcases, tablecloths, napkins, aprons, linens, floor  
4 mops, floor mats, and thread. Textiles also include materials used  
5 to repair or construct textiles, or other goods used in the rental,  
6 sale, or cleaning of textiles.

7 (m) "Interstate motor carrier" means a person who operates or  
8 causes to be operated a qualified commercial motor vehicle on a  
9 public road or highway in this state and at least 1 other state or  
10 Canadian province.

11 (n) "Qualified commercial motor vehicle" means that term as  
12 defined in section 1(l), (m), and (n) of the motor carrier fuel tax  
13 act, 1980 PA 119, MCL 207.211.

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

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

19 (q) "Convert" means putting a service or tangible personal  
20 property acquired for a use exempt from the tax levied under this  
21 act at the time of acquisition to a use that is not exempt from the  
22 tax levied under this act, whether the use is in whole or in part,  
23 or permanent or not permanent. A motor vehicle purchased for resale  
24 by a new vehicle dealer licensed under section 248(8)(a) of the  
25 Michigan vehicle code, 1949 PA 300, MCL 257.248, and not ~~titled~~  
26 **registered** in the name of the dealer is not considered to be  
27 converted before sale or lease by that dealer.

28 (r) "New motor vehicle" means that term as defined in section  
29 33a of the Michigan vehicle code, 1949 PA 300, MCL 257.33a.





1 (s) "Recreational vehicle" means that term as defined in  
2 section 49a of the Michigan vehicle code, 1949 PA 300, MCL 257.49a.

3 (t) "Dealer" means that term as defined in section 11 of the  
4 Michigan vehicle code, 1949 PA 300, MCL 257.11.

5 (u) "Watercraft dealer" means a dealer as that term is defined  
6 in section 80102 of the natural resources and environmental  
7 protection act, 1994 PA 451, MCL 324.80102.

8 (v) "Utility" means either of the following:

9 (i) A person regulated by the Michigan public service  
10 commission as a utility.

11 (ii) A person that operates equipment or facilities for  
12 producing, generating, transmitting, delivering, or furnishing  
13 electricity within this state for the public for compensation,  
14 regardless of the person's owner, ownership structure, or  
15 regulation by the Michigan public service commission.

16 (2) Notwithstanding anything to the contrary in this act, the  
17 following applies only to delivery and installation charges  
18 described in subsection (1)(f) (iv) or (v), except that this  
19 subsection does not apply to delivery and installation charges  
20 involving or relating to the sale of electricity, natural gas, or  
21 artificial gas by a utility:

22 (a) ~~Not later than 90 days after the effective date of the~~  
23 ~~amendatory act that added this subsection, **July 25, 2023**, the~~  
24 department shall cancel all outstanding balances related to such  
25 delivery and installation charges on notices of intent to assess  
26 that were issued under section 21 of 1941 PA 122, MCL 205.21, for  
27 the tax levied under this act and that were issued before ~~the~~  
28 ~~effective date of the amendatory act that added this subsection.~~  
29 **April 26, 2023.**



1           (b) Not later than ~~90 days after the effective date of the~~  
2 ~~amendatory act that added this subsection,~~ **July 25, 2023**, the  
3 department shall cancel all outstanding balances related to such  
4 delivery and installation charges on final assessments that were  
5 issued under section 22 of 1941 PA 122, MCL 205.22, for the tax  
6 levied under this act, and that were issued before ~~the effective~~  
7 ~~date of the amendatory act that added this subsection.~~ **April 26,**  
8 **2023.**

9           (c) ~~After the effective date of the amendatory act that added~~  
10 ~~this subsection,~~ **Beginning April 26, 2023**, the department shall not  
11 issue any new assessments for the tax levied under this act on such  
12 delivery and installation charges for any tax period before ~~the~~  
13 ~~effective date of the amendatory act that added this subsection~~  
14 **April 26, 2023**, that is open under the statute of limitations  
15 provided in section 27a of 1941 PA 122, MCL 205.27a.

