

**STATE OF MICHIGAN  
102ND LEGISLATURE  
REGULAR SESSION OF 2024**

Introduced by Senators Klinefelt, Chang, McMorrow and Geiss

**ENROLLED SENATE BILL No. 416**

AN ACT to amend 1937 PA 94, entitled “An act to provide for the levy, assessment, and collection of a specific excise tax on the storage, use, or consumption in this state of tangible personal property and certain services; to appropriate the proceeds of that tax; to prescribe penalties; and to make appropriations,” by amending sections 14a and 14b (MCL 205.104a and 205.104b), as amended by 2022 PA 4.

*The People of the State of Michigan enact:*

Sec. 14a. (1) A person in the business of selling tangible personal property and liable for any tax under this act shall keep in a paper, electronic, or digital format an accurate and complete beginning and annual inventory and purchase records of additions to inventory, complete daily sales records, receipts, invoices, bills of lading, and all pertinent documents in a form the department requires. Except as otherwise provided for a person described under subsection (6), if an exemption from use tax is claimed by a person because the sale is for resale at retail, a record must be kept of the sales tax license number if the person has a sales tax license. These records must be retained for a period of 4 years after the tax imposed under this act to which the records apply is due or as otherwise provided by law.

(2) If the department considers it necessary, the department may require a person, by notice served upon that person, to make a return, render under oath certain statements, or keep certain records the department considers sufficient to show whether or not that person is liable for the tax under this act.

(3) A person knowingly making a sale of tangible personal property for the purpose of resale at retail to another person not licensed under this act is liable for the tax imposed under this act unless the transaction is exempt under the provisions of section 4i.

(4) If a taxpayer fails to file a return or to maintain or preserve sufficient records as prescribed in this section, or the department has reason to believe that any records maintained or returns filed are inaccurate or incomplete and that additional taxes are due, the department may assess the amount of the tax due from the taxpayer based on an indirect audit procedure or any other information that is available or that may become available to the department. That assessment is considered prima facie correct for the purpose of this act and the burden of proof of refuting the assessment is upon the taxpayer. An indirect audit of a taxpayer under this subsection must be conducted in accordance with 1941 PA 122, MCL 205.1 to 205.31, and the standards published by the department under section 21 of 1941 PA 122, MCL 205.21, and must include all of the following elements:

(a) A review of the taxpayer’s books and records. The department may use an indirect method to test the accuracy of the taxpayer’s books and records.

(b) Both the credibility of the evidence and the reasonableness of the conclusion must be evaluated before any determination of tax liability is made.

(c) The department may use any method to reconstruct income, deductions, or expenses that is reasonable under the circumstances. The department may use third-party records in the reconstruction.

(d) The department shall investigate all reasonable evidence presented by the taxpayer refuting the computation.

(5) If a taxpayer has filed all the required returns and has maintained and preserved sufficient records as required under this section, the department shall not base a tax deficiency determination or assessment on any indirect audit procedure unless the department has a documented reason to believe that any records maintained or returns filed are inaccurate or incomplete and that additional taxes are due.

(6) If the information required under section 14b(1) is maintained, an exemption certificate or any other documentation or information is not required for an exemption claim obtained by any of the following:

(a) A person licensed by the Michigan liquor control commission as a wholesaler for purposes of sales of alcoholic liquor to another person licensed by the Michigan liquor control commission. As used in this subsection, “alcoholic liquor”, “authorized distribution agent”, and “wholesaler” mean those terms as defined in the Michigan liquor control code of 1998, 1998 PA 58, MCL 436.1101 to 436.2303.

(b) The Michigan liquor control commission or a person certified by the commission as an authorized distribution agent for purposes of the sale and distribution of alcoholic liquor to a person licensed by the Michigan liquor control commission.

(c) A person licensed by the Michigan liquor control commission as a micro brewer for purposes of sales of alcoholic liquor to another person licensed by the Michigan liquor control commission. As used in this subdivision, “micro brewer” means that term as defined in section 109 of the Michigan liquor control code of 1998, 1998 PA 58, MCL 436.1109.

(7) For purposes of this act, exemption certificate includes a blanket exemption certificate on a form prescribed by the department that covers all exempt transfers between the taxpayer and the buyer for a period of 4 years or for a period of less than 4 years as stated on the blanket exemption certificate if that period is agreed to by the buyer and taxpayer.

(8) As used in this section:

(a) “Indirect audit procedure” is an audit method that involves the determination of tax liabilities through an analysis of a taxpayer’s business activities using information from a range of sources beyond the taxpayer’s declaration and formal books and records.

(b) “Sufficient records” means records that meet the department’s need to determine the tax due under this act.

Sec. 14b. (1) If an exemption from the tax under this act is claimed, the seller shall obtain identifying information of the purchaser and the reason for claiming the exemption at the time of the purchase or at a later date. The seller shall obtain the same information for a claimed exemption regardless of the medium in which the transaction occurred. If the seller is a person described in section 14a(6)(a), (b), or (c), obtaining the purchaser’s license number issued by the Michigan liquor control commission satisfies the requirements of this subsection.

(2) A seller shall use a standard format for claiming an exemption electronically as adopted by the governing board under the streamlined sales and use tax agreement.

(3) A purchaser is not required to provide a signature to claim an exemption under this act unless a paper exemption form is used.

(4) A seller shall maintain a proper record of all exempt transactions and shall provide the record if requested by the department.

(5) A seller who complies with the requirements of this section is not liable for the tax under this act if a purchaser improperly claims an exemption. A purchaser who improperly claims an exemption is liable for the tax due under this act. This subsection does not apply if a seller does any of the following:

(a) Fraudulently fails to collect the tax under this act.

(b) Solicits a purchaser to make an improper claim for exemption.

(c) Accepts an exemption form when the purchaser claims an entity-based exemption if both of the following occur:

(i) The subject of the transaction sought to be covered by the exemption form is actually received by the purchaser at a location operated by the seller.

(ii) The state in which the location operated by the seller is located provides an exemption form that clearly and affirmatively indicates that the claimed exemption is not available in that state.

(6) A seller who obtains a fully completed exemption form or captures the relevant data elements as outlined in this section within 120 days after the date of sale is not liable for the tax under this act.

(7) If the seller has not obtained an exemption form or all relevant data elements, the seller may either prove that the transaction was not subject to the tax under this act by other means or obtain a fully completed exemption form from the purchaser, by the later of the following:

(a) 120 days after a request by the department.

(b) The date an assessment becomes final.

(c) The denial of a claim for refund.

(d) In the instance of a credit audit, the issuance of an audit determination letter or informal conference decision and order of determination.

(e) The date of a final order of the court of claims or the Michigan tax tribunal, as applicable, with respect to an assessment, order, or decision of the department.

(8) The department may, in its discretion, allow a seller additional time to comply with subsection (7).

(9) A seller is not liable for the tax under this act if the seller obtains a blanket exemption form for a purchaser with which the seller has a recurring business relationship. Renewals of blanket exemption forms or updates of exemption form information or data elements are not required if there is a recurring business relationship between the seller and the purchaser. For purposes of this section, a recurring business relationship exists when a period of not more than 12 months elapses between sales transactions.

(10) A purchaser that fails to claim an exemption at the time of purchase by notifying the seller of the exemption and providing a complete and proper claim of exemption may submit a claim for a refund to the department for the tax related to that purchase if all of the following conditions are met:

(a) The claim for a refund is made within 4 years of the date of purchase.

(b) The purchaser submits to the department an accurate record of the purchase, including, but not limited to, a paper, electronic, or digital receipt, invoice, or purchase order related to the sale, that includes the date of the purchase and the amount of sales tax paid to the seller for which the purchaser is seeking a refund under this subsection.

(c) The purchaser submits to the department a form signed by the seller as prescribed by the department that contains information required by the department to substantiate the refund claim. The form must contain a statement that the seller reported and paid the tax on the sale for which the purchaser is seeking a refund under this subsection and that the seller has not claimed, and will not claim, a refund of that tax.

(d) The purchaser submits to the department a proper exemption claim on a form as prescribed by the department under this subsection.

(e) The purchaser submits to the department any additional information that the department requires related to the purchaser's claim for refund under this subsection.

Enacting section 1. This amendatory act does not take effect unless Senate Bill No. 415 of the 102nd Legislature is enacted into law.



Secretary of the Senate



Clerk of the House of Representatives

Approved \_\_\_\_\_

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Governor