

**SUBSTITUTE FOR  
SENATE BILL NO. 906**

A bill to amend 1933 PA 167, entitled  
"General sales tax act,"  
by amending section 4a (MCL 205.54a), as amended by 2018 PA 113.

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

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

3       (a) A sale of tangible personal property not for resale to a  
4 nonprofit school, nonprofit hospital, or nonprofit home for the  
5 care and maintenance of children or aged persons operated by an  
6 entity of government, a regularly organized church, religious  
7 **ORGANIZATION**, or fraternal organization, a veterans' organization,  
8 or a corporation incorporated under the laws of this state, if the  
9 income or benefit from the operation does not inure, in whole or in  
10 part, to an individual or private shareholder, directly or  
11 indirectly, and if the activities of the entity or agency are

1 carried on exclusively for the benefit of the public at large and  
2 are not limited to the advantage, interests, and benefits of its  
3 members or any restricted group. A sale of tangible personal  
4 property to a parent cooperative preschool is exempt from taxation  
5 under this act. As used in this subdivision, "parent cooperative  
6 preschool" means a nonprofit, nondiscriminatory educational  
7 institution, maintained as a community service and administered by  
8 parents of children currently enrolled in the preschool, that  
9 provides an educational and developmental program for children  
10 younger than compulsory school age, that provides an educational  
11 program for parents, including active participation with children  
12 in preschool activities, that is directed by qualified preschool  
13 personnel, and that is licensed pursuant to 1973 PA 116, MCL  
14 722.111 to 722.128.

15 (b) A sale of tangible personal property not for resale to a  
16 regularly organized church or house of religious worship, except  
17 the following:

18 (i) Sales in activities that are mainly commercial  
19 enterprises.

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

24 (c) The sale of food to bona fide enrolled students by a  
25 school or other educational institution not operated for profit.

26 (d) The sale of a vessel designated for commercial use of  
27 registered tonnage of 500 tons or more, if produced upon special

1 order of the purchaser, and bunker and galley fuel, provisions,  
2 supplies, maintenance, and repairs for the exclusive use of the  
3 vessel engaged in interstate commerce.

4 (e) Except as otherwise provided under subsection (3), a sale  
5 of tangible personal property to a person engaged in a business  
6 enterprise that uses or consumes the tangible personal property,  
7 directly or indirectly, for either the tilling, planting, draining,  
8 caring for, maintaining, or harvesting of things of the soil or the  
9 breeding, raising, or caring for livestock, poultry, or  
10 horticultural products, including the transfers of livestock,  
11 poultry, or horticultural products for further growth.

12 (f) Except as otherwise provided under subsection (3), a sale  
13 of any of the following to a person engaged in a business  
14 enterprise that uses or consumes the following for purposes as  
15 described in subdivision (e):

16 (i) Machinery that is capable of simultaneously harvesting  
17 grain or other crops and biomass and machinery used for the purpose  
18 of harvesting biomass.

19 (ii) Agricultural land tile and subsurface irrigation pipe.

20 (iii) Portable grain bins, including tangible personal  
21 property affixed or to be affixed to portable grain bins and  
22 directly used in the operation of a portable grain bin.

23 (iv) Grain drying equipment and the fuel or energy source that  
24 powers that equipment, including tangible personal property affixed  
25 or to be affixed to that equipment and directly used in the  
26 operation of grain drying equipment.

27 (v) Tangible personal property purchased and installed as a

1 component part of a structure such as a barn or shop, including,  
2 but not limited to, a water supply system, heating and cooling  
3 system, lighting system, milking system, or any other appurtenance  
4 used for purposes described in this subdivision or subdivision (e),  
5 including the maintenance or improvement of existing structures, to  
6 the extent that it is not permanently affixed to and does not  
7 become a structural part of real estate. For purposes of this  
8 subparagraph and subsection (3), property installed as a component  
9 part of a structure as provided in this subparagraph is not  
10 permanently affixed to or a structural part of real estate if it is  
11 assembled and installed in a manner that it can be disassembled  
12 without affecting the physical structural functionality of the  
13 original structure and reassembled and reused for any of the  
14 purposes described in this subdivision or subdivision (e).

15 (vi) Greenhouses, including tangible personal property affixed  
16 to or to be affixed to greenhouses and directly used in the  
17 operation of a greenhouse. For purposes of subsection (3), a  
18 greenhouse is not permanently affixed to or a structural part of  
19 real estate if it is assembled and installed in a manner that it  
20 can be disassembled and reassembled without affecting the  
21 functionality of the greenhouse upon being reassembled.

22 (g) The sale of agricultural land tile, subsurface irrigation  
23 pipe, portable grain bins, greenhouses, and grain drying equipment  
24 to a person in the business of constructing, altering, repairing,  
25 or improving real estate for others to the extent that it is  
26 affixed to and made a structural part of real estate for others and  
27 is used for an exempt purpose described under subdivision (e) or

1 (f).

2 (h) The sale of tangible personal property used in the direct  
3 gathering of fish, by net, line, or otherwise, by an owner-operator  
4 of a business enterprise, not including a charter fishing business  
5 enterprise.

6 (i) The sale of a copyrighted motion picture film or a  
7 newspaper or periodical admitted under federal postal laws and  
8 regulations effective September 1, 1985 as second-class mail matter  
9 or as a controlled circulation publication or qualified to accept  
10 legal notices for publication in this state, as defined by law, or  
11 any other newspaper or periodical of general circulation,  
12 established not less than 2 years, and published not less than once  
13 a week. Tangible personal property used or consumed in producing a  
14 copyrighted motion picture film, a newspaper published more than 14  
15 times per year, or a periodical published more than 14 times per  
16 year, and not becoming a component part of that film, newspaper, or  
17 periodical is subject to the tax. Tangible personal property used  
18 or consumed in producing a newspaper published 14 times or less per  
19 year or a periodical published 14 times or less per year and that  
20 portion or percentage of tangible personal property used or  
21 consumed in producing an advertising supplement that becomes a  
22 component part of a newspaper or periodical is exempt from the tax  
23 under this subdivision. For purposes of this subdivision, tangible  
24 personal property that becomes a component part of a newspaper or  
25 periodical and consequently not subject to tax includes an  
26 advertising supplement inserted into and circulated with a  
27 newspaper or periodical that is otherwise exempt from tax under

1 this subdivision, if the advertising supplement is delivered  
2 directly to the newspaper or periodical by a person other than the  
3 advertiser, or the advertising supplement is printed by the  
4 newspaper or periodical.

5 (j) A sale of tangible personal property to persons licensed  
6 to operate commercial radio or television stations if the property  
7 is used in the origination or integration of the various sources of  
8 program material for commercial radio or television transmission.  
9 This subdivision does not include a vehicle licensed and titled for  
10 use on public highways or property used in the transmission to or  
11 receiving from an artificial satellite.

12 (k) The sale of a prosthetic device, durable medical  
13 equipment, or mobility enhancing equipment.

14 (l) The sale of a vehicle not for resale to a Michigan  
15 nonprofit corporation organized exclusively to provide a community  
16 with ambulance or fire department services.

17 (m) Before October 1, 2012, a sale of tangible personal  
18 property to inmates in a penal or correctional institution  
19 purchased with scrip or its equivalent issued and redeemed by the  
20 institution.

21 (n) A sale of textbooks sold by a public or nonpublic school  
22 to or for the use of students enrolled in any part of a  
23 kindergarten through twelfth grade program.

24 (o) A sale of tangible personal property installed as a  
25 component part of a water pollution control facility for which a  
26 tax exemption certificate is issued pursuant to part 37 of the  
27 natural resources and environmental protection act, 1994 PA 451,

1 MCL 324.3701 to 324.3708, or an air pollution control facility for  
2 which a tax exemption certificate is issued pursuant to part 59 of  
3 the natural resources and environmental protection act, 1994 PA  
4 451, MCL 324.5901 to 324.5908.

5 (p) The sale or lease of the following to an industrial  
6 laundry: ~~after December 31, 1997:~~

7 (i) Textiles and disposable products including, but not  
8 limited to, soap, paper, chemicals, tissues, deodorizers and  
9 dispensers, and all related items such as packaging, supplies,  
10 hangers, name tags, and identification tags.

11 (ii) Equipment, whether owned or leased, used to repair and  
12 dispense textiles including, but not limited to, roll towel  
13 cabinets, slings, hardware, lockers, mop handles and frames, and  
14 carts.

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

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

19 (v) Production washroom equipment and mending and packaging  
20 supplies and equipment.

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

23 (vii) Wastewater pretreatment equipment and supplies and  
24 related maintenance and repair services.

25 (q) A sale of tangible personal property to a person holding a  
26 direct payment permit under section 8 of the use tax act, 1937 PA  
27 94, MCL 205.98.

1 (r) The sale of a dental prosthesis.

2 (s) A sale of tangible personal property that is specifically  
3 designed for, and directly used in, the harvesting of aquatic  
4 vegetation from the waters of the state, including parts and  
5 materials used for repairs of that tangible personal property, to a  
6 person engaged in a business enterprise of harvesting aquatic  
7 vegetation and ultimately used for purposes described in  
8 subdivision (e) or (f). This exemption does not include a motor  
9 vehicle licensed or required to be licensed for use on the public  
10 roads or highways of this state or tangible personal property  
11 permanently affixed to and becoming a structural part of real  
12 estate.

13 (T) A SALE OR LEASE OF A SCHOOL BUS OR TRANSPORTATION-RELATED  
14 SERVICES, AND PARTS OR ADAPTIVE EQUIPMENT AFFIXED OR TO BE AFFIXED  
15 TO A SCHOOL BUS WHICH ARE USED IN THE REPAIR, MAINTENANCE,  
16 ACCOMMODATION, OR MODIFICATION OF A SCHOOL BUS, IF THE SCHOOL BUS  
17 OR SERVICES ARE PRIMARILY USED IN THE PERFORMANCE OF A CONTRACT  
18 ENTERED INTO WITH AN AUTHORIZED REPRESENTATIVE OF A SCHOOL FOR THE  
19 TRANSPORTATION OF PREPRIMARY, PRIMARY, OR SECONDARY SCHOOL PUPILS  
20 TO OR FROM A SCHOOL OR SCHOOL-RELATED EVENTS AUTHORIZED BY THE  
21 ADMINISTRATION OF THE SCHOOL. HOWEVER, IF THE SCHOOL BUS IS USED TO  
22 PROVIDE TRANSPORTATION-RELATED SERVICES OTHER THAN TO OR FROM A  
23 SCHOOL OR SCHOOL-RELATED EVENT AUTHORIZED BY THE ADMINISTRATION OF  
24 THE SCHOOL TO A NONEXEMPT ENTITY, THEN THE AMOUNT PAID FOR THOSE  
25 SERVICES BY THE NONEXEMPT ENTITY IS NOT EXEMPT UNDER THIS  
26 SUBDIVISION. AS USED IN THIS SUBDIVISION:

27 (i) "LEASE" MEANS ANY TRANSFER OF POSSESSION OR CONTROL FOR A



1   FIXED OR INDETERMINATE TERM FOR CONSIDERATION AND MAY INCLUDE  
2   FUTURE OPTIONS TO PURCHASE OR EXTEND.

3       (ii) "SCHOOL" MEANS A PUBLIC SCHOOL OR PUBLIC SCHOOL ACADEMY  
4   AS THOSE TERMS ARE DEFINED IN SECTION 5 OF THE REVISED SCHOOL CODE,  
5   1976 PA 451, MCL 380.5.

6       (iii) "SCHOOL BUS" MEANS THAT TERM AS DEFINED IN SECTION 7 OF  
7   THE PUPIL TRANSPORTATION ACT, 1990 PA 187, MCL 257.1807.

8       (2) The tangible personal property under subsection (1) is  
9   exempt only to the extent that that property is used for the exempt  
10   purpose if one is stated in subsection (1). The exemption is  
11   limited to the percentage of exempt use to total use determined by  
12   a reasonable formula or method approved by the department.

13       (3) The exemptions under subsection (1)(e), (f), (g), and (h)  
14   do not include transfers of food, fuel, clothing, or any similar  
15   tangible personal property for personal living or human consumption  
16   or tangible personal property permanently affixed to and becoming a  
17   structural part of real estate unless it is agricultural land tile,  
18   subsurface irrigation pipe, a portable grain bin, or grain drying  
19   equipment.

20       (4) Subsections (1)(e), (f), and (g) as amended by ~~the~~  
21   ~~amendatory act that added this subsection~~ **2018 PA 113** are intended  
22   to be retroactive and to apply to all periods open under section  
23   27a of 1941 PA 122, MCL 205.27a, but do not apply to any refund  
24   claims filed prior to April 9, 2018.

25       (5) As used in this section:

26       (a) "Agricultural land tile" means fired clay or perforated  
27   plastic tubing used as part of a subsurface drainage system for

1 land.

2 (b) "Algae" means any of the group of nonvascular aquatic  
3 plants which do not have stems, flowers, leaves, and roots, and  
4 which are single-celled, colonial, or filamentous forms.

5 (c) "Aquatic vegetation" means both algae and higher aquatic  
6 plants.

7 (d) "Biomass" means crop residue used to produce energy or  
8 agricultural crops grown specifically for the production of energy.

9 (e) "Greenhouse" means a structure covered with transparent or  
10 translucent materials for the purpose of admitting natural light  
11 and controlling the atmosphere for growing horticultural products.  
12 Greenhouse does not include a structure primarily used to grow  
13 marihuana.

14 (f) "Higher aquatic plant" means any of the group of  
15 vascularized plants which have true stems, flowers, leaves, and  
16 roots, which live in water, and which belong to the class  
17 Angiospermae.

18 (g) "Portable grain bin" means a structure that is used or is  
19 to be used to shelter grain and that is designed to be disassembled  
20 without significant damage to its component parts.

21 (h) "Waters of the state" means that term as defined in  
22 section 3302 of the natural resources and environmental protection  
23 act, 1994 PA 451, MCL 324.3302.