

# SENATE BILL No. 620

November 19, 1991, Introduced by Senator N. SMITH and referred to the Committee on Finance.

A bill to amend section 4a of Act No. 167 of the Public Acts of 1933, entitled as amended

"General sales tax act,"

as amended by Act No. 87 of the Public Acts of 1991, being section 205.54a of the Michigan Compiled Laws.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Section 4a of Act No. 167 of the Public Acts of  
2 1933, as amended by Act No. 87 of the Public Acts of 1991, being  
3 section 205.54a of the Michigan Compiled Laws, is amended to read  
4 as follows:

5 Sec. 4a. A person subject to tax under this act need not  
6 include in the amount of the gross proceeds used for the computa-  
7 tion of the tax, sales of tangible personal property:

8 (a) Not for resale, and when not operated for profit, to a  
9 school, hospital, home for the care and maintenance of children

1 or aged persons, or other health, welfare, educational, cultural  
2 arts, charitable, or benevolent institution or agency, operated  
3 by an entity of government, a regularly organized church, reli-  
4 gious, or fraternal organization, a veterans' organization, or a  
5 corporation incorporated under the laws of the state, if the  
6 income or benefit from the operation does not inure, in whole or  
7 in part, to an individual or private shareholder, directly or  
8 indirectly, and if the activities of the entity or agency are  
9 carried on exclusively for the benefit of the public at large and  
10 are not limited to the advantage, interests, and benefits of its  
11 members or any restricted group. At the time of the transfer of  
12 this tangible personal property, the transferee shall sign a  
13 statement, in a form approved by the department, stating that the  
14 property is to be used or consumed in connection with the opera-  
15 tion of the institution or agency and that the institution or  
16 agency qualifies as an exempt entity under this subdivision. The  
17 statement shall be accepted by all courts as prima facie evidence  
18 of the exemption and the statement shall provide that if the  
19 claim for tax exemption is disallowed the transferee will reim-  
20 burse the transferor for the amount of tax involved. A sale of  
21 tangible personal property to a parent cooperative preschool is  
22 exempt from taxation under this act. As used in this subdivi-  
23 sion, "parent cooperative preschool" means a nonprofit, nondis-  
24 criminatory educational institution, maintained as a community  
25 service and administered by parents of children currently  
26 enrolled in the preschool, that provides an educational and  
27 developmental program for children younger than compulsory school

1 age, that provides an educational program for parents, including  
2 active participation with children in preschool activities, that  
3 is directed by qualified preschool personnel, and that is  
4 licensed by the department of social services pursuant to Act  
5 No. 116 of the Public Acts of 1973, as amended, being sections  
6 722.111 to 722.128 of the Michigan Compiled Laws.

7 (b) Not for resale to a regularly organized church or house  
8 of religious worship, except:

9 (i) Sales in activities that are mainly commercial  
10 enterprises.

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

15 (c) To bona fide enrolled students, of food by a school or  
16 other educational institution not operated for profit.

17 (d) Affixed to and made a structural part of real estate  
18 excepted from the definition of "sale at retail" under section  
19 1(1)(c).

20 (e) To persons, of a vessel designated for commercial use of  
21 registered tonnage of 500 tons or more, if produced upon special  
22 order of the purchaser, and bunker and galley fuel, provisions,  
23 supplies, maintenance, and repairs for the exclusive use of the  
24 vessel engaged in interstate commerce.

25 (f) To persons engaged in a business enterprise and using or  
26 consuming the tangible personal property in the tilling,  
27 planting, caring for, or harvesting of the things of the soil; in

1 the breeding, raising, or caring for livestock, poultry, or  
2 horticultural products, including transfers of livestock, poul-  
3 try, or horticultural products for further growth or in the  
4 direct gathering of fish, by net, line, or otherwise, only by an  
5 owner-operator of the business enterprise, not including a  
6 charter fishing business enterprise. This exemption includes  
7 agricultural land tile, which means fired clay or perforated  
8 plastic tubing used as part of a subsurface drainage system for  
9 land, and, beginning January 1, 1987, subsurface irrigation pipe,  
10 if the land tile or irrigation pipe is used in the production of  
11 agricultural products as a business enterprise. At the time of  
12 the transfer of this tangible personal property, the transferee  
13 shall sign a statement, in a form approved by the department,  
14 stating that the property is to be used or consumed in connection  
15 with the production of horticultural or agricultural products as  
16 a business enterprise, or in connection with fishing as an  
17 owner-operator business enterprise. The statement shall be  
18 accepted by all courts as prima facie evidence of the exemption.  
19 This exemption includes a portable grain bin, which means a  
20 structure that is used or is to be used to shelter grain and that  
21 is designed to be disassembled without significant damage to its  
22 component parts. This exemption does not include transfers of  
23 food, fuel, clothing, or any similar tangible personal property  
24 for personal living or human consumption. This exemption does  
25 not include tangible personal property permanently affixed and  
26 becoming a structural part of real estate.

(g) To the following:

(i) An industrial processor for use or consumption in industrial processing. Property used or consumed in industrial processing does not include tangible personal property permanently affixed and becoming a structural part of real estate; office furniture, office supplies, and administrative office equipment; or vehicles licensed and titled for use on public highways. Industrial processing does not include receiving and storage of raw materials purchased or extracted by the user or consumer; or the preparation of food and beverages by a retailer for retail sale. As used in this subdivision, "industrial processor" means a person who transforms, alters, or modifies tangible personal property by changing the form, composition, or character of the property for ultimate sale at retail or sale to another industrial processor to be further processed for ultimate sale at retail. Sales to a person performing a service who does not act as an industrial processor while performing this service shall not be excluded under this subdivision except as provided in subparagraph (ii).

(ii) After December 31, 1984, a person, whether or not the person is an industrial processor, if the tangible personal property is a computer used in operating industrial processing equipment; equipment used in a computer assisted manufacturing system; equipment used in a computer assisted design or engineering system integral to an industrial process; or a subunit or electronic assembly comprising a component in a computer integrated industrial processing system.

1       (iii) A PERSON WHO IS AN ENGINEERING COMPANY THAT PRODUCES  
2 PROTOTYPE PARTS FOR OTHER MANUFACTURERS.

3       (h) To persons, of a newspaper or periodical admitted under  
4 federal postal laws and regulations effective September 1, 1985  
5 as second-class mail matter or as a controlled circulation publi-  
6 cation or qualified to accept legal notices for publication in  
7 this state, as defined by law; ~~—, or~~ any other newspaper or  
8 periodical of general circulation, established not less than 2  
9 years, and published not less than once a week; ~~—, and~~ OR copy-  
10 righted motion picture films. Tangible personal property used or  
11 consumed, and not becoming a component part of a newspaper or  
12 periodical, except that portion or percentage of tangible per-  
13 sonal property used or consumed in producing an advertising sup-  
14 plement that becomes a component part of a newspaper or periodi-  
15 cal, ~~—and copyrighted motion picture films—~~ are subject to tax.  
16 For purposes of this subdivision, tangible personal property that  
17 becomes a component part of a newspaper or periodical, and  
18 thereby not subject to tax, shall include an advertising supple-  
19 ment inserted into and circulated with a newspaper or periodical  
20 that is otherwise exempt from tax under this subdivision, if the  
21 advertising supplement is delivered directly to the newspaper or  
22 periodical by a person other than the advertiser, or the adver-  
23 tising supplement is printed by the newspaper or periodical.  
24       (i) To persons licensed to operate commercial radio or tele-  
25 vision stations if the property is used in the origination or  
26 integration of the various sources of program material for  
27 commercial radio or television transmission. This subdivision

1 does not include a vehicle licensed and titled for use on public  
2 highways or property used in the transmission to or receiving  
3 from an artificial satellite.

4       (k) A hearing aid, contact lenses if prescribed for a spe-  
5 cific disease that precludes the use of eyeglasses, or any other  
6 apparatus, device, or equipment used to replace or substitute for  
7 a part of the human body, or used to assist the disabled person  
8 to lead a reasonably normal life if the tangible personal prop-  
9 erty is purchased on a written prescription or order issued by a  
10 licensed health professional as defined by section 21005 of the  
11 public health code, Act No. 368 of the Public Acts of 1978, being  
12 section 333.21005 of the Michigan Compiled Laws, or eyeglasses  
13 prescribed or dispensed to correct the person's vision by an oph-  
14 thalmologist, optometrist, or optician.

15       (l) To persons for use or consumption in the rendition of a  
16 service, the use or consumption of which is taxable under section  
17 3a(a) of the use tax act, Act No. 94 of the Public Acts of 1937,  
18 as amended, being section 205.93a of the Michigan Compiled Laws,  
19 except that this exemption shall be limited to the tangible per-  
20 sonal property located on the premises of the subscriber and the  
21 necessary exchange equipment.

22       (m) Not for resale of a vehicle to a Michigan nonprofit cor-  
23 poration organized exclusively to provide a community with ambu-  
24 lance or fire department services.

25       (n) To inmates in a penal or correction institution pur-  
26 chased with scrip issued and redeemed by the institution.

1 (o) To or for the use of students enrolled in any part of a  
2 kindergarten through twelfth grade program, of textbooks sold by  
3 a public or nonpublic school.

4 (p) Installed as a component part of a water pollution con-  
5 trol facility for which a tax exemption certificate is issued  
6 pursuant to Act No. 222 of the Public Acts of 1966, as amended,  
7 being sections 323.351 to 323.358 of the Michigan Compiled Laws,  
8 or an air pollution control facility for which a tax exemption  
9 certificate is issued pursuant to Act No. 250 of the Public Acts  
10 of 1965, as amended, being sections 336.1 to 336.8 of the  
11 Michigan Compiled Laws.

12 (q) To a purchaser of a new motor vehicle purchased before  
13 January 1, 1993 if the purchaser qualifies for a special regis-  
14 tration under section 226(12) of the Michigan vehicle code, Act  
15 No. 300 of the Public Acts of 1949, being section 257.226 of the  
16 Michigan Compiled Laws, and the vehicle is purchased through a  
17 country determined by the department to be providing a like or  
18 complete exemption for the purchase of a new motor vehicle to be  
19 removed from that country.