



HOUSE BILL No. 4977

July 23, 1993, Introduced by Rep. Bullard and referred to the Committee on Taxation.

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~~ MAY EXCLUDE FROM the amount of the gross proceeds
7 used for the computation of the tax, sales of tangible personal
8 property:

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

1 enrolled in the preschool, that provides an educational and
2 developmental program for children younger than compulsory school
3 age, that provides an educational program for parents, including
4 active participation with children in preschool activities, that
5 is directed by qualified preschool personnel, and that is
6 licensed by the department of social services pursuant to Act
7 No. 116 of the Public Acts of 1973, as amended, being sections
8 722.111 to 722.128 of the Michigan Compiled Laws.

9 (b) Not for resale to a regularly organized church or house
10 of religious worship, except THE FOLLOWING:

11 (i) Sales in activities that are mainly commercial
12 enterprises.

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

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

19 (d) Affixed to and made a structural part of real estate
20 excepted from the definition of "sale at retail" under section
21 1(1)(c).

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

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

1 exemption does not include tangible personal property permanently
2 affixed and becoming a structural part of real estate.

3 ~~(g) To the following.~~

4 ~~(i) An industrial processor for use or consumption in indus-~~
5 ~~trial processing. Property used or consumed in industrial pro-~~
6 ~~cessing does not include tangible personal property permanently~~
7 ~~affixed and becoming a structural part of real estate, office~~
8 ~~furniture, office supplies, and administrative office equipment,~~
9 ~~or vehicles licensed and titled for use on public highways.~~
10 ~~Industrial processing does not include receiving and storage of~~
11 ~~raw materials purchased or extracted by the user or consumer, or~~
12 ~~the preparation of food and beverages by a retailer for retail~~
13 ~~sale. As used in this subdivision, "industrial processor" means~~
14 ~~a person who transforms, alters, or modifies tangible personal~~
15 ~~property by changing the form, composition, or character of the~~
16 ~~property for ultimate sale at retail or sale to another indus-~~
17 ~~trial processor to be further processed for ultimate sale at~~
18 ~~retail. Sales to a person performing a service who does not act~~
19 ~~as an industrial processor while performing this service shall~~
20 ~~not be excluded under this subdivision except as provided in sub-~~
21 ~~paragraph (ii).~~

22 ~~(ii) After December 31, 1984, a person, whether or not the~~
23 ~~person is an industrial processor, if the tangible personal prop-~~
24 ~~erty is a computer used in operating industrial processing equip-~~
25 ~~ment, equipment used in a computer assisted manufacturing system,~~
26 ~~equipment used in a computer assisted design or engineering~~
27 ~~system integral to an industrial process, or a subunit or~~

1 ~~electronic assembly comprising a component in a computer~~
 2 ~~integrated industrial processing system.~~

3 (G) ~~(h)~~ To persons, of a COPYRIGHTED MOTION PICTURE FILM
 4 OR A newspaper or periodical admitted under federal postal laws
 5 and regulations effective September 1, 1985 as second-class mail
 6 matter or as a controlled circulation publication or qualified to
 7 accept legal notices for publication in this state, as defined by
 8 law, or any other newspaper or periodical of general circulation,
 9 established not less than 2 years, and published not less than
 10 once a week. ~~, and copyrighted motion picture films.~~ Tangible
 11 personal property used or consumed ~~, and not becoming a compo-~~
 12 nent part of a COPYRIGHTED MOTION PICTURE FILM, newspaper, or
 13 periodical, except that portion or percentage of tangible per-
 14 sonal property used or consumed in producing an advertising sup-
 15 plement that becomes a component part of a newspaper or periodi-
 16 cal ~~, and copyrighted motion picture films are~~ IS subject to
 17 tax. For purposes of this subdivision, tangible personal prop-
 18 erty that becomes a component part of a newspaper or periodical
 19 ~~, and thereby~~ CONSEQUENTLY IS not subject to tax ~~, shall~~
 20 include an advertising supplement inserted into and circulated
 21 with a newspaper or periodical that is otherwise exempt from tax
 22 under this subdivision, if the advertising supplement is deliv-
 23 ered directly to the newspaper or periodical by a person other
 24 than the advertiser, or the advertising supplement is printed by
 25 the newspaper or periodical.

26 (H) ~~(i)~~ To persons licensed to operate commercial radio or
 27 television stations if the property is used in the origination or

1 integration of the various sources of program material for
2 commercial radio or television transmission. This subdivision
3 does not include a vehicle licensed and titled for use on public
4 highways or property used in the transmission to or receiving
5 from an artificial satellite.

6 (I) ~~(*)~~ A hearing aid, contact lenses if prescribed for a
7 specific disease that precludes the use of eyeglasses, or any
8 other apparatus, device, or equipment used to replace or substi-
9 tute for a part of the human body, or used to assist the disabled
10 person to lead a reasonably normal life if the tangible personal
11 property is purchased on a written prescription or order issued
12 by a licensed health professional as defined by section 21005 of
13 the public health code, Act No. 368 of the Public Acts of 1978,
14 being section 333.21005 of the Michigan Compiled Laws, or eye-
15 glasses prescribed or dispensed to correct the person's vision by
16 an ophthalmologist, optometrist, or optician.

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

24 (K) ~~(m)~~ Not for resale of a vehicle to a Michigan non-
25 profit corporation organized exclusively to provide a community
26 with ambulance or fire department services.

1 (L) ~~(n)~~ To inmates in a penal or correction institution
2 purchased with scrip issued and redeemed by the institution.

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

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

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