



# HOUSE BILL No. 5915

November 10 1994, Introduced by Rep Profit and referred to the Committee on Taxation

A bill to amend section 4 of Act No 94 of the Public Acts of 1937, entitled as amended

Use tax act,  
as amended by Act No 214 of the Public Acts of 1994, being  
section 205 94 of the Michigan Compiled Laws

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT

1 Section 1 Section 4 of Act No 94 of the Public Acts of  
2 1937, as amended by Act No 214 of the Public Acts of 1994, being  
3 section 205 94 of the Michigan Compiled Laws is amended to read  
4 as follows

5 Sec 4 The tax levied does not apply to the following

6 (a) Property sold in this state on which transaction a tax  
7 is paid under the general sales tax act, Act No 167 of the  
8 Public Acts of 1933, as amended, being sections 205 51 to 205 78

1 of the Michigan Compiled Laws, if the tax was due and paid on the  
2 retail sale to a consumer

3 (b) Property, the storage use or other consumption of  
4 which, this state is prohibited from taxing under the constitu-  
5 tion or laws of the United States or under the constitution of  
6 this state

7 (c) Property purchased for resale, demonstration purposes,  
8 or lending or leasing to a public or parochial school offering a  
9 course in automobile driving except that a vehicle purchased by  
10 the school shall be certified for driving education and shall not  
11 be reassigned for personal use by the school's administrative  
12 personnel For a dealer selling a new car or truck, exemption  
13 for demonstration purposes shall be determined by the number of  
14 new cars and trucks sold during the current calendar year or the  
15 immediately preceding year without regard to specific make or  
16 style according to the following schedule of 0 to 25, 2 units 26  
17 to 100, 7 units 101 to 500, 20 units 501 or more 25 units but  
18 not to exceed 25 cars and trucks in 1 calendar year for demon-  
19 stration purposes For tax years beginning after December 31,  
20 1987, property purchased for resale includes promotional merchan-  
21 dise transferred pursuant to a redemption offer to a person  
22 located outside this state

23 (d) Property that is brought into this state by a nonresi-  
24 dent person for storage, use, or consumption while temporarily  
25 within this state, except if the property is used in this state  
26 in a nontransitory business activity for a period exceeding 15  
27 days

1 (e) Property the sale or use of which was already subjected  
2 to a sales tax or use tax equal to or in excess of, that imposed  
3 by this act under the law of any other state or a local govern-  
4 mental unit within a state if the tax was due and paid on the  
5 retail sale to the consumer and the state or local governmental  
6 unit within a state in which the tax was imposed accords like or  
7 complete exemption on property the sale or use of which was sub-  
8 jected to the sales or use tax of this state If the sale or use  
9 of property was already subjected to a tax under the law of any  
10 other state or local governmental unit within a state in an  
11 amount less than the tax imposed by this act, this act shall  
12 apply, but at a rate measured by the difference between the rate  
13 provided in this act and the rate by which the previous tax was  
14 computed

15 (f) Property sold to a person engaged in a business enter-  
16 prise and using and consuming the property in the tilling, plant-  
17 ing caring for or harvesting of the things of the soil or in  
18 the breeding raising or caring for livestock, poultry, or  
19 horticultural products including transfers of livestock, poul-  
20 try or horticultural products for further growth At the time  
21 of the transfer of that tangible personal property, the trans-  
22 feree shall sign a statement, in a form approved by the depart-  
23 ment, stating that the property is to be used or consumed in con-  
24 nection with the production of horticultural or agricultural  
25 products as a business enterprise The statement shall be  
26 accepted by the courts as prima facie evidence of the exemption  
27 This exemption includes agricultural land tile, which means fired

1 clay or perforated plastic tubing used as part of a subsurface  
 2 drainage system for land used in the production of agricultural  
 3 products as a business enterprise and includes a portable grain  
 4 bin, which means a structure that is used or is to be used to  
 5 shelter grain and that is designed to be disassembled without  
 6 significant damage to its component parts This exemption does  
 7 not include transfers of food, fuel, clothing, or similar tangi-  
 8 ble personal property for personal living or human consumption  
 9 This exemption does not include tangible personal property per-  
 10 manently affixed and becoming a structural part of real estate

11 (g) Property sold to the following

12 (1) An industrial processor for use or consumption in indus-  
 13 trial processing Property used or consumed in industrial pro-  
 14 cessing does not include tangible personal property permanently  
 15 affixed and becoming a structural part of real estate office  
 16 furniture office supplies, and administrative office equipment  
 17 or vehicles licensed and titled for use on public highways other  
 18 than a specially designed vehicle, together with parts, used to  
 19 mix and agitate materials added at a plant or jobsite in the con-  
 20 crete manufacturing process Industrial processing does not  
 21 include receipt and storage of raw materials purchased or  
 22 extracted by the user or consumer, or the preparation of food and  
 23 beverages by a retailer for retail sale As used in this subdi-  
 24 vision, 'industrial processor' means a person who transforms,  
 25 alters, or modifies tangible personal property by changing the  
 26 form, composition or character of the property for ultimate sale  
 27 at retail or sale to another industrial processor to be further

1 processed for ultimate sale at retail, AND ALSO MEANS A PERSON  
2 WHO PERFORMS FOR AN INDUSTRIAL PROCESSOR A SERVICE THAT IS ESSEN-  
3 TIAL TO THE INDUSTRIAL PROCESS WHETHER OR NOT THAT SERVICE  
4 TRANSFORMS, ALTERS, OR MODIFIES TANGIBLE PERSONAL PROPERTY BY  
5 CHANGING THE FORM, COMPOSITION, OR CHARACTER OF THE PROPERTY FOR  
6 ULTIMATE SALE AT RETAIL OR FOR SALE TO ANOTHER INDUSTRIAL PROCES-  
7 SOR TO BE FURTHER PROCESSED FOR ULTIMATE SALE AT RETAIL Sales  
8 to a person performing a service who does not act as an indus-  
9 trial processor while performing the service may not be excluded  
10 under this subdivision, except as provided in subparagraph (11)

11 (11) A person, whether or not the person is an industrial  
12 processor, when the property is a computer used in operating  
13 industrial processing equipment equipment used in a computer  
14 assisted manufacturing system equipment used in a computer  
15 assisted design or engineering system integral to an industrial  
16 process or a subunit or electronic assembly comprising a compo-  
17 nent in a computer integrated industrial processing system

18 (h) Property or services sold to the United States an unin-  
19 corporated agency or instrumentality of the United States, an  
20 incorporated agency or instrumentality of the United States  
21 wholly owned by the United States or by a corporation wholly  
22 owned by the United States, the American red cross and its chap-  
23 ters or branches, this state a department or institution of this  
24 state, or a political subdivision of this state

25 (1) Property or services sold to a school, hospital home  
26 for the care and maintenance of children or aged persons, or  
27 other health welfare educational cultural arts charitable or

1 benevolent institution or agency, operated by an entity of  
2 government, a regularly organized church, religious, or fraternal  
3 organization, a veterans organization, or a corporation incorpo-  
4 rated under the laws of this state, if not operated for profit,  
5 and if the income or benefit from the operation does not inure,  
6 in whole or in part, to an individual or private shareholder,  
7 directly or indirectly, and if the activities of the entity or  
8 agency are carried on exclusively for the benefit of the public  
9 at large and are not limited to the advantage interests and  
10 benefits of its members or a restricted group The tax levied  
11 shall not apply to property or services sold to a parent coopera-  
12 tive preschool As used in this subdivision, "parent cooperative  
13 preschool means a nonprofit, nondiscriminatory educational  
14 institution, maintained as a community service and administered  
15 by parents of children currently enrolled in the preschool that  
16 provides an educational and developmental program for children  
17 younger than compulsory school age, that provides an educational  
18 program for parents including active participation with children  
19 in preschool activities, that is directed by qualified preschool  
20 personnel, and that is licensed by the department of social serv-  
21 ices pursuant to Act No 116 of the Public Acts of 1973 as  
22 amended, being sections 722 111 to 722 128 of the Michigan  
23 Compiled Laws

24 (j) Property or services sold to a regularly organized  
25 church or house of religious worship except

26 (1) Sales in which the property is used in activities that  
27 are mainly commercial enterprises

1       (11) Sales of vehicles licensed for use on the public  
2 highways other than a passenger van or bus with a manufacturer s  
3 rated seating capacity of 10 or more that is used primarily for  
4 the transportation of persons for religious purposes

5       (k) A vessel designed for commercial use of registered ton-  
6 nage of 500 tons or more, if produced upon special order of the  
7 purchaser, and bunker and galley fuel, provisions, supplies,  
8 maintenance, and repairs for the exclusive use of a vessel of 500  
9 tons or more engaged in interstate commerce

10       (l) Property purchased by a person engaged in the business  
11 of constructing altering repairing, or improving real estate  
12 for others to the extent the property is affixed to and made a  
13 structural part of the real estate of a nonprofit hospital or a  
14 nonprofit housing entity qualified as exempt pursuant to section  
15 15a of the state housing development authority act of 1966, Act  
16 No 346 of the Public Acts of 1966, as amended, being section  
17 125 1415a of the Michigan Compiled Laws A nonprofit hospital or  
18 nonprofit housing includes only the property of a nonprofit hos-  
19 pital or the homes or dwelling places constructed by a nonprofit  
20 housing entity, the income or property of which does not directly  
21 or indirectly inure to the benefit of an individual, private  
22 stockholder, or other private person

23       (m) Property purchased for use in this state where actual  
24 personal possession is obtained outside this state, the purchase  
25 price or actual value of which does not exceed \$10 00 during 1  
26 calendar month

1 (n) A newspaper or periodical classified under federal  
2 postal laws and regulations effective September 1 1985 as second  
3 class mail matter or as a controlled circulation publication or  
4 qualified to accept legal notices for publication in this state,  
5 as defined by law, or any other newspaper or periodical of gen-  
6 eral circulation, established at least 2 years and published at  
7 least once a week, and a copyrighted motion picture film  
8 Tangible personal property used or consumed, and not becoming a  
9 component part of a copyrighted motion picture film, newspaper or  
10 periodical, except that portion or percentage of tangible per-  
11 sonal property used or consumed in producing an advertising sup-  
12 plement that becomes a component part of a newspaper or periodi-  
13 cal is subject to tax For purposes of this subdivision, tangi-  
14 ble personal property that becomes a component part of a newspa-  
15 per or periodical and consequently not subject to tax includes  
16 an advertising supplement inserted into and circulated with a  
17 newspaper or periodical that is otherwise exempt from tax under  
18 this subdivision, if the advertising supplement is delivered  
19 directly to the newspaper or periodical by a person other than  
20 the advertiser, or the advertising supplement is printed by the  
21 newspaper or periodical

22 (o) Property purchased by persons licensed to operate a com-  
23 mercial radio or television station if the property is used in  
24 the origination or integration of the various sources of program  
25 material for commercial radio or television transmission This  
26 subdivision does not include a vehicle licensed and titled for



1 use on public highways or property used in the transmitting to or  
2 receiving from an artificial satellite

3 (p) A person who is a resident of this state who purchases  
4 an automobile in another state while in the military service of  
5 the United States and who pays a sales tax in the state where the  
6 automobile is purchased

7 (q) A vehicle for which a special registration is secured  
8 ~~in accordance with~~ UNDER section 226(12) of the Michigan vehi-  
9 cle code, Act No 300 of the Public Acts of 1949, as amended,  
10 being section 257 226 of the Michigan Compiled Laws

11 (r) A hearing aid, contact lenses if prescribed for a spe-  
12 cific disease which precludes the use of eyeglasses, or any other  
13 apparatus, device, or equipment used to replace or substitute for  
14 any part of the human body, or used to assist the disabled person  
15 to lead a reasonably normal life when the tangible personal prop-  
16 erty is purchased on a written prescription or order issued by a  
17 health professional as defined by section 4 of former Act No 264  
18 of the Public Acts of 1974, or section 21005 of the public health  
19 code, Act No 368 of the Public Acts of 1978 being section  
20 333 21005 of the Michigan Compiled Laws or eyeglasses prescribed  
21 or dispensed to correct the person's vision by an ophthalmolo-  
22 gist, optometrist, or optician

23 (s) Water when delivered through water mains or in bulk  
24 tanks in quantities of not less than 500 gallons

25 (t) The purchase of machinery and equipment for use or con-  
26 sumption in the rendition of a service, the use or consumption of  
27 which is taxable under section 3a(a) except that this exception

1 is limited to the tangible personal property located on the  
2 premises of the subscriber and the necessary exchange equipment

3 (u) A vehicle not for resale used by a nonprofit corporation  
4 organized exclusively to provide a community with ambulance or  
5 fire department services

6 (v) Tangible personal property purchased and installed as a  
7 component part of a water pollution control facility for which a  
8 tax exemption certificate is issued pursuant to Act No 222 of  
9 the Public Acts of 1966 as amended, being sections 323 351 to  
10 323 358 of the Michigan Compiled Laws or an air pollution con-  
11 trol facility for which a tax exemption certificate is issued  
12 pursuant to Act No 250 of the Public Acts of 1965, as amended,  
13 being sections 336 1 to 336 8 of the Michigan Compiled Laws

14 (w) Tangible real or personal property donated by a manufac-  
15 turer, wholesaler, or retailer to an organization or entity  
16 exempt pursuant to subdivision (i) or (j) or section 4a(a) or (b)  
17 of the general sales tax act, Act No 167 of the Public Acts of  
18 1933 as amended, being section 205 54a of the Michigan Compiled  
19 Laws

20 (x) The storage use or consumption of any aircraft owned  
21 or used by a domestic air carrier operating under a certificate  
22 issued by the United States department of transportation pursuant  
23 to section 401 of title IV of the federal aviation act of 1958,  
24 Public Law 85-726 49 U S C Appx 1371 to 1376 and 1377 to 1389,  
25 if the aircraft is used solely in the transport of air cargo or  
26 in the commercial transport of passengers