



HOUSE BILL No. 4835

May 16, 1995, Introduced by Reps. Whyman, Bush, Perricone, Jamian, Jaye, DeMars, Middaugh, Voorhees, Galloway and Ryan and referred to the Committee on Tax Policy.

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. 156 of the Public Acts of 1994, 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. 156 of the Public Acts of 1994, 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 may exclude
6 from the amount of the gross proceeds used for the computation of
7 the tax, ~~sales~~ A SALE of tangible personal property:

8 (a) Not for resale ~~—, and when not operated for profit,~~ to
9 a NONPROFIT school, NONPROFIT hospital, or NONPROFIT home for the

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

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

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

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

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

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

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

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

24 (f) To persons engaged in a business enterprise and using or
25 consuming the tangible personal property in the tilling, plant-
26 ing, caring for, or harvesting of the things of the soil; in the
27 breeding, raising, or caring for livestock, poultry, or

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

26 (g) To the following:

1 (i) An industrial processor for use or consumption in
2 industrial processing. Property used or consumed in industrial
3 processing does not include tangible personal property per-
4 manently affixed and becoming a structural part of real estate;
5 office furniture, office supplies, and administrative office
6 equipment; or vehicles licensed and titled for use on public
7 highways, other than a specially designed vehicle, together with
8 parts, used to mix and agitate materials added at a plant or job-
9 site in the concrete manufacturing process. Industrial process-
10 ing does not include receiving and storage of raw materials pur-
11 chased or extracted by the user or consumer; or the preparation
12 of food and beverages by a retailer for retail sale. As used in
13 this subdivision, "industrial processor" means a person who
14 transforms, alters, or modifies tangible personal property by
15 changing the form, composition, or character of the property for
16 ultimate sale at retail or sale to another industrial processor
17 to be further processed for ultimate sale at retail. Sales to a
18 person performing a service who does not act as an industrial
19 processor while performing this service shall not be excluded
20 under this subdivision except as provided in subparagraph (ii).

21 (ii) A person, whether or not the person is an industrial
22 processor, if the tangible personal property is a computer used
23 in operating industrial processing equipment; equipment used in a
24 computer assisted manufacturing system; equipment used in a com-
25 puter assisted design or engineering system integral to an indus-
26 trial process; or a subunit or electronic assembly comprising a
27 component in a computer integrated industrial processing system.

1 (h) ~~To persons, of~~ THAT IS a copyrighted motion picture
2 film or a newspaper or periodical admitted under federal postal
3 laws and regulations effective September 1, 1985 as second-class
4 mail matter or as a controlled circulation publication or quali-
5 fied to accept legal notices for publication in this state, as
6 defined by law, or any other newspaper or periodical of general
7 circulation, established not less than 2 years, and published not
8 less than once a week. Tangible personal property used or con-
9 sumed, and not becoming a component part of a copyrighted moticn
10 picture film, newspaper, or periodical, except that portion or
11 percentage of tangible personal property used or consumed in
12 producing an advertising supplement that becomes a component part
13 of a newspaper or periodical is subject to tax. For purposes of
14 this subdivision, tangible personal property that becomes a con-
15 ponent part of a newspaper or periodical and consequently not
16 subject to tax includes an advertising supplement inserted into
17 and circulated with a newspaper or periodical that is otherwise
18 exempt from tax under this subdivision, if the advertising sup-
19 plement is delivered directly to the newspaper or periodical by a
20 person other than the advertiser, or the advertising supplement
21 is printed by the newspaper or periodical.

22 (i) To persons licensed to operate commercial radio or tele-
23 vision stations if the property is used in the origination or
24 integration of the various sources of program material for com-
25 mercial radio or television transmission. This subdivision does
26 not include a vehicle licensed and titled for use on public

1 highways or property used in the transmission to or receiving
2 from an artificial satellite.

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

14 (k) To persons for use or consumption in the rendition of ~~a~~
15 ~~service, the use or consumption of which is taxable under section~~
16 ~~3a(a) of the use tax act, Act No. 94 of the Public Acts of 1937,~~
17 ~~as amended, being section 205.93a of the Michigan Compiled Laws,~~
18 AN INTRASTATE, INTERSTATE, OR INTERNATIONAL TELECOMMUNICATIONS
19 SERVICE, except that this exemption is limited to the tangible
20 personal property located on the premises of the subscriber, ~~and~~
21 ~~the necessary exchange equipment~~ TO EQUIPMENT DIRECTLY USED OR
22 CONSUMED IN TRANSMITTING, RECEIVING, SWITCHING, BILLING, OR
23 RECORDING AN INTERACTIVE 2-WAY ELECTROMAGNETIC COMMUNICATION,
24 INCLUDING VOICE, IMAGE, DATA, VIDEO, AND INFORMATION, THROUGH THE
25 USE OF ANY MEDIUM, INCLUDING BUT NOT LIMITED TO POLES, WIRES,
26 CABLES, SWITCHING EQUIPMENT, COMPUTERS, AND RECORD STORAGE

1 DEVICES AND MEDIA, AND TO NEW AND REPLACEMENT COMPONENT PARTS OF
2 THAT TANGIBLE PERSONAL PROPERTY.

3 (l) ~~Not for resale of~~ THAT IS a vehicle NOT FOR RESALE to
4 a Michigan nonprofit corporation organized exclusively to provide
5 a community with ambulance or fire department services.

6 (m) To inmates in a penal or correctional institution pur-
7 chased with scrip issued and redeemed by the institution.

8 (n) To or for the use of students enrolled in any part of a
9 kindergarten through twelfth grade program, of textbooks sold by
10 a public or nonpublic school.

11 (o) Installed as a component part of a water pollution con-
12 trol facility for which a tax exemption certificate is issued
13 pursuant to Act No. 222 of the Public Acts of 1966, ~~as amended,~~
14 being sections 323.351 to 323.358 of the Michigan Compiled Laws,
15 or an air pollution control facility for which a tax exemption
16 certificate is issued pursuant to Act No. 250 of the Public Acts
17 of 1965, ~~as amended,~~ being sections 336.1 to 336.8 of the
18 Michigan Compiled Laws.

19 (p) To a purchaser of a new motor vehicle purchased before
20 January 1, 1993 if the purchaser qualifies for a special regis-
21 tration under section 226(12) of the Michigan vehicle code, Act
22 No. 300 of the Public Acts of 1949, being section 257.226 of the
23 Michigan Compiled Laws, and the vehicle is purchased through a
24 country determined by the department to be providing a like or
25 complete exemption for the purchase of a new motor vehicle to be
26 removed from that country.