

SENATE SUBSTITUTE FOR
HOUSE BILL NO. 5967

A bill to amend 1933 PA 167, entitled
"General sales tax act,"
by amending section 4a (MCL 205.54a), as amended by 1998 PA 365.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 4a. A person subject to tax under this act may exclude
2 from the amount of the gross proceeds used for the computation of
3 the tax, a sale of tangible personal property:
4 (a) Not for resale to a nonprofit school, nonprofit hospi-
5 tal, or nonprofit home for the care and maintenance of children
6 or aged persons operated by an entity of government, a regularly
7 organized church, religious, or fraternal organization, a
8 veterans' organization, or a corporation incorporated under the
9 laws of the state, if the income or benefit from the operation
10 does not inure, in whole or in part, to an individual or private
11 shareholder, directly or indirectly, and if the activities of the

HB 5967, As Passed Senate, December 8, 1998

House Bill No. 5967

2

1 entity or agency are carried on exclusively for the benefit of
2 the public at large and are not limited to the advantage, inter-
3 ests, and benefits of its members or any restricted group. At
4 the time of the transfer of this tangible personal property, the
5 transferee shall sign a statement, in a form approved by the
6 department, stating that the property is to be used or consumed
7 in connection with the operation of the institution or agency and
8 that the institution or agency qualifies as an exempt entity
9 under this subdivision. The statement shall be accepted by all
10 courts as prima facie evidence of the exemption and the statement
11 shall provide that if the claim for tax exemption is disallowed
12 the transferee will reimburse the transferor for the amount of
13 tax involved. A sale of tangible personal property to a parent
14 cooperative preschool is exempt from taxation under this act. As
15 used in this subdivision, "parent cooperative preschool" means a
16 nonprofit, nondiscriminatory educational institution, maintained
17 as a community service and administered by parents of children
18 currently enrolled in the preschool, that provides an educational
19 and developmental program for children younger than compulsory
20 school age, that provides an educational program for parents,
21 including active participation with children in preschool activi-
22 ties, that is directed by qualified preschool personnel, and that
23 is licensed by the department of consumer and industry services
24 pursuant to 1973 PA 116, MCL 722.111 to 722.128.

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

HB 5967, As Passed Senate, December 8, 1998

House Bill No. 5967

3

1 (i) Sales in activities that are mainly commercial
2 enterprises.

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

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

9 (d) Affixed to and made a structural part of real estate
10 excepted from the definition of "sale at retail" under section
11 1(1)(c).

12 (e) That is a vessel designated for commercial use of regis-
13 tered tonnage of 500 tons or more, if produced upon special order
14 of the purchaser, and bunker and galley fuel, provisions, sup-
15 plies, maintenance, and repairs for the exclusive use of the
16 vessel engaged in interstate commerce.

17 (f) To persons engaged in a business enterprise and using or
18 consuming the tangible personal property in the tilling, plant-
19 ing, caring for, or harvesting of the things of the soil; in the
20 breeding, raising, or caring for livestock, poultry, or horticul-
21 tural products, including transfers of livestock, poultry, or
22 horticultural products for further growth; or in the direct gath-
23 ering of fish, by net, line, or otherwise only by an
24 owner-operator of the business enterprise, not including a
25 charter fishing business enterprise. This exemption includes
26 agricultural land tile, which means fired clay or perforated
27 plastic tubing used as part of a subsurface drainage system for

HB 5967, As Passed Senate, December 8, 1998

House Bill No. 5967

4

1 land, and subsurface irrigation pipe, if the land tile or
2 irrigation pipe is used in the production of agricultural pro-
3 ducts as a business enterprise. At the time of the transfer of
4 this tangible personal property, the transferee shall sign a
5 statement, in a form approved by the department, stating that the
6 property is to be used or consumed in connection with the produc-
7 tion of horticultural or agricultural products as a business
8 enterprise, or in connection with fishing as an owner-operator
9 business enterprise. The statement shall be accepted by all
10 courts as prima facie evidence of the exemption. This exemption
11 includes a portable grain bin, which means a structure that is
12 used or is to be used to shelter grain and that is designed to be
13 disassembled without significant damage to its component parts.
14 THIS EXEMPTION ALSO INCLUDES GRAIN DRYING EQUIPMENT AND NATURAL
15 OR PROPANE GAS USED TO FUEL THAT EQUIPMENT FOR AGRICULTURAL
16 PURPOSES. This exemption does not include transfers of food,
17 fuel, clothing, or any similar tangible personal property for
18 personal living or human consumption. This exemption does not
19 include tangible personal property permanently affixed and becom-
20 ing a structural part of real estate.

21 (g) To the following:

22 (i) An industrial processor for use or consumption in indus-
23 trial processing. Property used or consumed in industrial pro-
24 cessing does not include tangible personal property permanently
25 affixed and becoming a structural part of real estate; office
26 furniture, office supplies, and administrative office equipment;
27 or vehicles licensed and titled for use on public highways, other

HB 5967, As Passed Senate, December 8, 1998

House Bill No. 5967

5

1 than a specially designed vehicle, together with parts, used to
2 mix and agitate materials added at a plant or jobsite in the con-
3 crete manufacturing process. Industrial processing does not
4 include receiving and storage of raw materials purchased or
5 extracted by the user or consumer; or the preparation of food and
6 beverages by a retailer for retail sale. As used in this subdi-
7 vision, "industrial processor" means a person who transforms,
8 alters, or modifies tangible personal property by changing the
9 form, composition, or character of the property for ultimate sale
10 at retail or sale to another industrial processor to be further
11 processed for ultimate sale at retail. Sales to a person per-
12 forming a service who does not act as an industrial processor
13 while performing this service shall not be excluded under this
14 subdivision except as provided in subparagraph (ii).

15 (ii) A person, whether or not the person is an industrial
16 processor, if the tangible personal property is a computer used
17 in operating industrial processing equipment; equipment used in a
18 computer assisted manufacturing system; equipment used in a com-
19 puter assisted design or engineering system integral to an indus-
20 trial process; ~~or~~ a subunit or electronic assembly comprising a
21 component in a computer integrated industrial processing system;
22 OR COMPUTER EQUIPMENT USED IN CONNECTION WITH THE COMPUTER
23 ASSISTED PRODUCTION, STORAGE, AND TRANSMISSION OF DATA IF THE
24 EQUIPMENT WOULD HAVE BEEN EXEMPT HAD THE DATA TRANSFER BEEN MADE
25 USING TAPES, DISKS, CD-ROMS, OR SIMILAR MEDIA BY A COMPANY WHOSE
26 BUSINESS INCLUDES PUBLISHING DOCTORAL DISSERTATIONS AND
27 INFORMATION ARCHIVING, AND THAT SELLS THE MAJORITY OF THE

HB 5967, As Passed Senate, December 8, 1998

House Bill No. 5967 as amended December 2, 1998
and as amended December 8, 1998

6

1 COMPANY'S PRODUCTS TO NONPROFIT ORGANIZATIONS EXEMPT UNDER
2 SECTION 4Q.

3 (h) That is a copyrighted motion picture film or a newspaper
4 or periodical admitted under federal postal laws and regulations
5 effective September 1, 1985 as second-class mail matter or as a
6 controlled circulation publication or qualified to accept legal
7 notices for publication in this state, as defined by law, or any
8 other newspaper or periodical of general circulation, established
9 not less than 2 years, and published not less than once a week.

10 TANGIBLE PERSONAL PROPERTY USED OR CONSUMED IN PRODUCING A
11 COPYRIGHTED MOTION PICTURE FILM, A NEWSPAPER PUBLISHED MORE THAN 14
12 TIMES PER YEAR, OR A PERIODICAL PUBLISHED MORE THAN 14 TIMES PER
13 YEAR, AND NOT BECOMING A COMPONENT PART OF THAT FILM, NEWSPAPER, OR
14 PERIODICAL IS SUBJECT TO THE TAX. AFTER DECEMBER 31, 1993, TANGIBLE
15 PERSONAL PROPERTY USED OR CONSUMED IN PRODUCING A NEWSPAPER
16 PUBLISHED 14 TIMES OR LESS PER YEAR OR A PERIODICAL PUBLISHED 14
17 TIMES OR LESS PER YEAR AND THAT PORTION OR PERCENTAGE OF TANGIBLE
18 PERSONAL PROPERTY USED OR CONSUMED IN PRODUCING AND ADVERTISING
19 SUPPLEMENT THAT BECOMES A COMPONENT PART OF A NEWSPAPER OR
20 PERIODICAL IS EXEMPT FROM THE TAX UNDER THIS SUBDIVISION. A CLAIM
21 FOR A REFUND FOR TAXES PAID BEFORE JANUARY 1, 1999, UNDER THIS
22 SUBDIVISION SHALL BE MADE BEFORE JUNE 30, 1999. For purposes of
23 this subdivision, tangi-
24 ble personal property that becomes a component part of a newspa-
25 per or periodical and consequently not subject to tax includes an
26 advertising supplement inserted into and circulated with a news-
27 paper or periodical that is otherwise exempt from tax under this
subdivision, if the advertising supplement is delivered directly
to the newspaper or periodical by a person other than the adver-
tiser, or the advertising 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

HB 5967, As Passed Senate, December 8, 1998

House Bill No. 5967

7

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 (j) That is a hearing aid, contact lenses if prescribed for
5 a specific disease that precludes the use of eyeglasses, or any
6 other apparatus, device, or equipment used to replace or substi-
7 tute for a part of the human body, or used to assist the disabled
8 person to lead a reasonably normal life if the tangible personal
9 property is purchased on a written prescription or order issued
10 by a health professional as defined by section 21005 of the
11 public health code, 1978 PA 368, MCL 333.21005; a hearing aid
12 battery; or eyeglasses prescribed or dispensed to correct the
13 person's vision by an ophthalmologist, optometrist, or optician.

14 (k) To persons for use or consumption in the rendition of
15 any combination of services, the use or consumption of which is
16 taxable under section 3a(a) or (c) of the use tax act, 1937 PA
17 94, MCL 205.93a, except that this exemption is limited to the
18 tangible personal property located on the premises of the sub-
19 scriber and to central office equipment or wireless equipment,
20 directly used or consumed in transmitting, receiving, or switch-
21 ing or the monitoring of switching of a 2-way interactive
22 communication. As used in this subdivision, central office
23 equipment or wireless equipment does not include distribution
24 equipment including cable or wire facilities.

25 (l) That is a vehicle not for resale to a Michigan nonprofit
26 corporation organized exclusively to provide a community with
27 ambulance or fire department services.

HB 5967, As Passed Senate, December 8, 1998

House Bill No. 5967

8

1 (m) To inmates in a penal or correctional institution
2 purchased with scrip issued and redeemed by the institution.

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

6 (o) Installed as a component part of a water pollution con-
7 trol facility for which a tax exemption certificate is issued
8 pursuant to part 37 ~~-(water pollution control facilities; tax~~
9 ~~exemption)~~ of the natural resources and environmental protection
10 act, 1994 PA 451, MCL 324.3701 to 324.3708, or an air pollution
11 control facility for which a tax exemption certificate is issued
12 pursuant to part 59 ~~-(air pollution control facility; tax~~
13 ~~exemption)~~ of the natural resources and environmental protection
14 act, 1994 PA 451, MCL 324.5901 to 324.5908.

15 (p) To a purchaser of a new motor vehicle purchased before
16 January 1, 1993 if the purchaser qualifies for a special regis-
17 tration under section 226(12) of the Michigan vehicle code, 1949
18 PA 300, MCL 257.226, and the vehicle is purchased through a coun-
19 try determined by the department to be providing a like or com-
20 plete exemption for the purchase of a new motor vehicle to be
21 removed from that country.

22 (q) That is the following sold or leased to an industrial
23 laundry after December 31, 1997:

24 (i) Textiles and disposable products including, but not
25 limited to, soap, paper, chemicals, tissues, deodorizers and dis-
26 pensers, and all related items such as packaging, supplies,
27 hangers, name tags, and identification tags.

HB 5967, As Passed Senate, December 8, 1998

House Bill No. 5967

9

1 (ii) Equipment, whether owned or leased, used to repair and
2 dispense textiles including, but not limited to, roll towel cabi-
3 nets, slings, hardware, lockers, mop handles and frames, and
4 carts.

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

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

9 (v) Production washroom equipment and mending and packaging
10 supplies and equipment.

11 (vi) Material handling equipment including, but not limited
12 to, conveyors, racks, and elevators and related control
13 equipment.

14 (vii) Wastewater pretreatment equipment and supplies and
15 related maintenance and repair services.