

**HOUSE SUBSTITUTE FOR  
SENATE BILL NO. 630**

A bill to amend 1937 PA 94, entitled  
"Use tax act,"  
by amending sections 4 and 4k (MCL 205.94 and 205.94k), section 4  
as amended by 1999 PA 117 and section 4k as amended by 1999 PA  
70.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1       Sec. 4. (1) The tax levied under this act does not apply to  
2 the following, subject to subsection (2):

3       (a) Property sold in this state on which transaction a tax  
4 is paid under the general sales tax act, 1933 PA 167, MCL 205.51  
5 to 205.78, if the tax was due and paid on the retail sale to a  
6 consumer.

7       (b) Property, the storage, use, or other consumption of  
8 which this state is prohibited from taxing under the constitution

1 or laws of the United States, or under the constitution of this  
2 state.

3       (c) Property purchased for resale, demonstration purposes,  
4 or lending or leasing to a public or parochial school offering a  
5 course in automobile driving except that a vehicle purchased by  
6 the school shall be certified for driving education and shall not  
7 be reassigned for personal use by the school's administrative  
8 personnel. For a dealer selling a new car or truck, exemption  
9 for demonstration purposes shall be determined by the number of  
10 new cars and trucks sold during the current calendar year or the  
11 immediately preceding year without regard to specific make or  
12 style according to the following schedule of 0 to 25, 2 units; 26  
13 to 100, 7 units; 101 to 500, 20 units; 501 or more, 25 units; but  
14 not to exceed 25 cars and trucks in 1 calendar year for demon-  
15 stration purposes. Property purchased for resale includes promo-  
16 tional merchandise transferred pursuant to a redemption offer to  
17 a person located outside this state or any packaging material,  
18 other than promotional merchandise, acquired for use in fulfill-  
19 ing a redemption offer or rebate to a person located outside this  
20 state.

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

26       (e) Property the sale or use of which was already subjected  
27 to a sales tax or use tax equal to, or in excess of, that imposed

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

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

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

9       (g) Property or services sold to the United States, an unin-  
10 corporated agency or instrumentality of the United States, an  
11 incorporated agency or instrumentality of the United States  
12 wholly owned by the United States or by a corporation wholly  
13 owned by the United States, the American red cross and its chap-  
14 ters or branches, this state, a department or institution of this  
15 state, or a political subdivision of this state.

16       (h) Property or services sold to a school, hospital, or home  
17 for the care and maintenance of children or aged persons, oper-  
18 ated by an entity of government, a regularly organized church,  
19 religious, or fraternal organization, a veterans' organization,  
20 or a corporation incorporated under the laws of this state, if  
21 not operated for profit, and if the income or benefit from the  
22 operation does not inure, in whole or in part, to an individual  
23 or private shareholder, directly or indirectly, and if the activ-  
24 ities of the entity or agency are carried on exclusively for the  
25 benefit of the public at large and are not limited to the advan-  
26 tage, interests, and benefits of its members or a restricted  
27 group. The tax levied does not apply to property or services

1 sold to a parent cooperative preschool. As used in this  
2 subdivision, "parent cooperative preschool" means a nonprofit,  
3 nondiscriminatory educational institution, maintained as a commu-  
4 nity service and administered by parents of children currently  
5 enrolled in the preschool that provides an educational and devel-  
6 opmental program for children younger than compulsory school age,  
7 that provides an educational program for parents, including  
8 active participation with children in preschool activities, that  
9 is directed by qualified preschool personnel, and that is  
10 licensed by the department of consumer and industry services pur-  
11 suant to 1973 PA 116, MCL 722.111 to 722.128.

12 (i) Property or services sold to a regularly organized  
13 church or house of religious worship except the following:

14 (i) Sales in which the property is used in activities that  
15 are mainly commercial enterprises.

16 (ii) Sales of vehicles licensed for use on the public high-  
17 ways other than a passenger van or bus with a manufacturer's  
18 rated seating capacity of 10 or more that is used primarily for  
19 the transportation of persons for religious purposes.

20 (j) A vessel designed for commercial use of registered ton-  
21 nage of 500 tons or more, if produced upon special order of the  
22 purchaser, and bunker and galley fuel, provisions, supplies,  
23 maintenance, and repairs for the exclusive use of a vessel of 500  
24 tons or more engaged in interstate commerce.

25 (k) Property purchased for use in this state where actual  
26 personal possession is obtained outside this state, the purchase

1 price or actual value of which does not exceed \$10.00 during 1  
2 calendar month.

3       (1) A newspaper or periodical classified under federal  
4 postal laws and regulations effective September 1, 1985 as  
5 second-class mail matter or as a controlled circulation publica-  
6 tion or qualified to accept legal notices for publication in this  
7 state, as defined by law, or any other newspaper or periodical of  
8 general circulation, established at least 2 years, and published  
9 at least once a week, and a copyrighted motion picture film.  
10 Tangible personal property used or consumed in producing a copy-  
11 righted 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,  
14 or periodical is subject to the tax. After December 31, 1993,  
15 tangible personal property used or consumed in producing a news-  
16 paper published 14 times or less per year or a periodical pub-  
17 lished 14 times or less per year and that portion or percentage  
18 of tangible personal property used or consumed in producing an  
19 advertising supplement that becomes a component part of a newspa-  
20 per or periodical is exempt from the tax under this subdivision.  
21 A claim for a refund for taxes paid before January 1, 1999 under  
22 this subdivision shall be made before June 30, 1999. For pur-  
23 poses of this subdivision, tangible personal property that  
24 becomes a component part of a newspaper or periodical and conse-  
25 quently not subject to tax, includes an advertising supplement  
26 inserted into and circulated with a newspaper or periodical that  
27 is otherwise exempt from tax under this subdivision, if the

1 advertising supplement is delivered directly to the newspaper or  
2 periodical by a person other than the advertiser, or the adver-  
3 tising supplement is printed by the newspaper or periodical.

4 (m) Property purchased by persons licensed to operate a com-  
5 mercial radio or television station if the property is used in  
6 the origination or integration of the various sources of program  
7 material for commercial radio or television transmission. This  
8 subdivision does not include a vehicle licensed and titled for  
9 use on public highways or property used in the transmitting to or  
10 receiving from an artificial satellite.

11 (n) A person who is a resident of this state who purchases  
12 an automobile in another state while in the military service of  
13 the United States and who pays a sales tax in the state where the  
14 automobile is purchased.

15 (o) A vehicle for which a special registration is secured in  
16 accordance with section 226(12) of the Michigan vehicle code,  
17 1949 PA 300, MCL 257.226.

18 (p) A hearing aid, contact lenses if prescribed for a spe-  
19 cific disease that precludes the use of eyeglasses, or any other  
20 apparatus, device, or equipment used to replace or substitute for  
21 any part of the human body, or used to assist the disabled person  
22 to lead a reasonably normal life when the tangible personal prop-  
23 erty is purchased on a written prescription or order issued by a  
24 health professional as defined by section 4 of former 1974 PA  
25 264, or section 21005 of the public health code, 1978 PA 368, MCL  
26 333.21005, or eyeglasses prescribed or dispensed to correct the  
27 person's vision by an ophthalmologist, optometrist, or optician.

1 (q) Water when delivered through water mains or in bulk  
2 tanks in quantities of not less than 500 gallons.

3 (r) 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 (s) 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 part 37 of the  
9 natural resources and environmental protection act, 1994 PA 451,  
10 MCL 324.3701 to 324.3708, or an air pollution control facility  
11 for which a tax exemption certificate is issued pursuant to part  
12 59 of the natural resources and environmental protection act,  
13 1994 PA 451, MCL 324.5901 to 324.5908.

14 (t) Tangible real or personal property donated by a manufac-  
15 turer, wholesaler, or retailer to an organization or entity  
16 exempt pursuant to subdivision (h) or (i) or section 4a(a) or (b)  
17 of the general sales tax act, 1933 PA 167, MCL 205.54a.

18 (u) The storage, use, or consumption by a domestic air car-  
19 rier of an aircraft purchased after December 31, 1992 BUT BEFORE  
20 OCTOBER 1, 1996 for use solely in the transport of air cargo that  
21 has a maximum certificated takeoff weight of at least 12,500  
22 pounds. For purposes of this subdivision, the term "domestic air  
23 carrier" is limited to entities engaged in the commercial trans-  
24 port for hire of cargo or entities engaged in the commercial  
25 transport of passengers as a business activity.

26 (v) The storage, use, or consumption by a domestic air  
27 carrier of an aircraft purchased after June 30, 1994 BUT BEFORE



1 OCTOBER 1, 1996 that is used solely in the regularly scheduled  
2 transport of passengers. For purposes of this subdivision, the  
3 term "domestic air carrier" is limited to entities engaged in the  
4 commercial transport for hire of cargo or entities engaged in the  
5 commercial transport of passengers as a business activity.

6 (w) The storage, use, or consumption by a domestic air car-  
7 rier of an aircraft, other than an aircraft described under  
8 subdivision (v), purchased after December 31, 1994 BUT BEFORE  
9 OCTOBER 1, 1996, that has a maximum certificated takeoff weight  
10 of at least 12,500 pounds and that is designed to have a maximum  
11 passenger seating configuration of more than 30 seats and used  
12 solely in the transport of passengers. For purposes of this sub-  
13 division, the term "domestic air carrier" is limited to entities  
14 engaged in the commercial transport for hire of cargo or entities  
15 engaged in the commercial transport of passengers as a business  
16 activity.

17 (X) THE STORAGE, USE, OR CONSUMPTION OF AN AIRCRAFT [  
18 ] BY [ ] A DOMESTIC AIR CARRIER AFTER  
19 SEPTEMBER 30, 1996 FOR USE SOLELY IN THE TRANSPORT OF AIR CARGO,  
20 PASSENGERS, OR A COMBINATION OF AIR CARGO AND PASSENGERS, THAT  
21 HAS A MAXIMUM CERTIFICATED TAKEOFF WEIGHT OF AT LEAST 6,000  
22 POUNDS. FOR PURPOSES OF THIS SUBDIVISION, THE TERM "DOMESTIC AIR  
23 CARRIER" IS LIMITED TO A PERSON ENGAGED PRIMARILY IN THE COMMER-  
24 CIAL TRANSPORT FOR HIRE OF AIR CARGO, PASSENGERS, OR A COMBINA-  
25 TION OF AIR CARGO AND PASSENGERS AS A BUSINESS ACTIVITY. [THE STATE  
TREASURER SHALL ESTIMATE ON JANUARY 1 EACH YEAR THE REVENUE LOST BY  
THIS ACT FROM THE SCHOOL AID FUND AND DEPOSIT THAT AMOUNT INTO THE  
SCHOOL AID FUND FROM THE GENERAL FUND.]

26 (Y) ~~(x)~~ Property or services sold to an organization not  
27 operated for profit and exempt from federal income tax under

1 section 501(c)(3) or 501(c)(4) of the internal revenue code of  
2 1986, 26 U.S.C. 501; or to a health, welfare, educational, cul-  
3 tural arts, charitable, or benevolent organization not operated  
4 for profit that has been issued before June 13, 1994 an exemption  
5 ruling letter to purchase items exempt from tax signed by the  
6 administrator of the sales, use, and withholding taxes division  
7 of the department. The department shall reissue an exemption  
8 letter after June 13, 1994 to each of those organizations that  
9 had an exemption letter that shall remain in effect unless the  
10 organization fails to meet the requirements that originally enti-  
11 tled it to this exemption. The exemption does not apply to sales  
12 of tangible personal property and sales of vehicles licensed for  
13 use on public highways, that are not used primarily to carry out  
14 the purposes of the organization as stated in the bylaws or arti-  
15 cles of incorporation of the exempt organization.

16 (Z) ~~-(y)-~~ The use or consumption of services described in  
17 section 3a(a) or (c) by means of a prepaid telephone calling  
18 card, a prepaid authorization number for telephone use, or a  
19 charge for internet access.

20 (AA) ~~-(z)-~~ The purchase, lease, use, or consumption of the  
21 following by an industrial laundry after December 31, 1997:

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

26 (ii) Equipment, whether owned or leased, used to repair and  
27 dispense textiles including, but not limited to, roll towel

1 cabinets, slings, hardware, lockers, mop handles and frames, and  
2 carts.

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

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

7       (v) Production washroom equipment and mending and packaging  
8 supplies and equipment.

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

12       (vii) Wastewater pretreatment equipment and supplies and  
13 related maintenance and repair services.

14       (2) The property or services under subsection (1) are exempt  
15 only to the extent that the property or services are used for the  
16 exempt purposes if one is stated in subsection (1). The exemp-  
17 tion is limited to the percentage of exempt use to total use  
18 determined by a reasonable formula or method approved by the  
19 department.

20       Sec. 4k. (1) The tax levied under this act does not apply  
21 to parts and materials, excluding shop equipment or fuel, affixed  
22 to or to be affixed ~~in this state~~ to an aircraft owned or used  
23 by a domestic air carrier that is any of the following:

24       (a) An aircraft for use solely in the transport of air cargo  
25 OR A COMBINATION OF AIR CARGO AND PASSENGERS that has a maximum  
26 certificated takeoff weight of at least 12,500 pounds for taxes

1 levied before January 1, 1997 and at least 6,000 pounds for taxes  
2 levied after December 31, 1996.

3 (b) An aircraft that is used solely in the regularly sched-  
4 uled transport of passengers.

5 (c) An aircraft other than an aircraft described in subdivi-  
6 sion (b), that has a maximum certificated takeoff weight of at  
7 least 12,500 pounds for taxes levied before January 1, 1997 and  
8 at least 6,000 pounds for taxes levied after December 31, 1996,  
9 and that is designed to have a maximum passenger seating configu-  
10 ration of more than 30 seats and is used solely in the transport  
11 of passengers.

12 (2) For taxes levied after December 31, 1992, the tax levied  
13 under this act does not apply to the storage, use, or consumption  
14 of rolling stock used in interstate commerce and purchased,  
15 rented, or leased by an interstate motor carrier. A refund for  
16 taxes paid before January 1, 1997 shall not be paid under this  
17 subsection if the refund claim is made after June 30, 1997.

18 (3) For taxes levied after December 31, 1996 and before  
19 May 1, 1999, the tax levied under this act does not apply to the  
20 product of the out-of-state usage percentage and the price other-  
21 wise taxable under this act of a qualified truck or a trailer  
22 designed to be drawn behind a qualified truck, purchased, rented,  
23 or leased in this state by an interstate motor carrier and used  
24 in interstate commerce.

25 (4) As used in this section:

26 (a) "Domestic air carrier" means a person engaged PRIMARILY  
27 in the commercial transport for hire of AIR cargo, ~~or engaged in~~

1 ~~the commercial transport of~~ passengers, OR A COMBINATION OF AIR  
2 CARGO AND PASSENGERS as a business activity.

3 (b) "Interstate motor carrier" means a person engaged in the  
4 business of carrying persons or property, other than themselves,  
5 their employees, or their own property, for hire across state  
6 lines, whose fleet mileage was driven at least 10% outside of  
7 this state in the immediately preceding tax year.

8 (c) "Out-of-state usage percentage" is a fraction, the  
9 numerator of which is the number of miles driven outside of this  
10 state in the immediately preceding tax year by qualified trucks  
11 used by the taxpayer and the denominator of which is the total  
12 miles driven in the immediately preceding tax year by qualified  
13 trucks used by the taxpayer. Miles driven by qualified trucks  
14 used solely in intrastate commerce shall not be included in cal-  
15 culating the out-of-state usage percentage.

16 (d) "Qualified truck" means a commercial motor vehicle power  
17 unit that has 2 axles and a gross vehicle weight rating in excess  
18 of 10,000 pounds or a commercial motor vehicle power unit that  
19 has 3 or more axles.

20 (e) "Rolling stock" means a qualified truck, a trailer  
21 designed to be drawn behind a qualified truck, and parts affixed  
22 to either a qualified truck or a trailer designed to be drawn  
23 behind a qualified truck.