



**House
Legislative
Analysis
Section**

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**SALES TAX EXEMPTIONS:
EXEMPTION FROM
RECORDKEEPING**

House Bill 4540

Sponsor: Rep. Mike Kowall

Committee: Regulatory Reform

Complete to 4-20-01

A SUMMARY OF HOUSE BILL 4540 AS INTRODUCED 3-28-01

The General Sales Tax Act requires a taxpayer (e.g., a retail seller) to collect the sales tax on transfers of tangible property and remit the tax to the state. Many kinds of transactions are exempt from the sales tax, such as sales to nonprofit organizations, churches, schools, farmers, and industrial processors. An exemption from sales tax can also be claimed if the sale of the goods is for resale. (When goods are sold for resale, such as when a wholesaler sells to a retailer, it is the retailer's responsibility to collect and remit the sales tax when the item is sold to a consumer.) When an exemption is claimed, a seller must keep a record of the sale, including the name and address of the buyer, the sale date, the article purchased and the type of exemption made (e.g., resale), the sale amount, and the buyer's sales tax license number (if the buyer has a license).

House Bill 4540 would specify that these record-keeping requirements would not apply to a person licensed as a wholesaler by the Michigan Liquor Control Commission who sold alcohol to another person licensed by the commission. The Michigan Liquor Control Code defines a "wholesaler" as a person who sells beer, wine, or mixed spirit drink only to retailers or other licensees, and who sells sacramental wine as provided under the code.

The bill would also specifically exempt from the above record-keeping provision the commission or a person certified as an authorized distribution agent (ADA) for purposes of the sale and distribution of alcohol to a licensed person. Under the Liquor Code, an ADA is a person approved by the commission to store spirits owned by a supplier of spirits or the commission, or to deliver spirits sold by the commission to retail licensees.

MCL 205.67

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