

**HOUSE SUBSTITUTE FOR  
SENATE BILL NO. 576**

A bill to amend 1937 PA 94, entitled  
"Use tax act,"  
by amending section 4 (MCL 205.94), as amended by 2002 PA 456.

**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  
9 or laws of the United States, or under the constitution of this  
10 state.

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

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

24           (e) Property the sale or use of which was already subjected  
25   to a sales tax or use tax equal to, or in excess of, that imposed  
26   by this act under the law of any other state or a local  
27   governmental unit within a state if the tax was due and paid on

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

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

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1 grain and that is designed to be disassembled without significant  
2 damage to its component parts. This exemption does not include  
3 transfers of food, fuel, clothing, or similar tangible personal  
4 property for personal living or human consumption. This exemp-  
5 tion does not include tangible personal property permanently  
6 affixed and becoming a structural part of real estate.

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

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

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1 nondiscriminatory educational institution, maintained as a  
2 community service and administered by parents of children cur-  
3 rently enrolled in the preschool that provides an educational and  
4 developmental program for children younger than compulsory school  
5 age, that provides an educational program for parents, including  
6 active participation with children in preschool activities, that  
7 is directed by qualified preschool personnel, and that is  
8 licensed by the department of consumer and industry services pur-  
9 suant to 1973 PA 116, MCL 722.111 to 722.128.

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

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

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

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

23 (k) 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.

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

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1 advertising supplement is printed by the newspaper or  
2 periodical.

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

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

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

17 (p) A hearing aid, contact lenses if prescribed for a spe-  
18 cific disease that precludes the use of eyeglasses, or any other  
19 apparatus, device, or equipment used to replace or substitute for  
20 any part of the human body, or used to assist the disabled person  
21 to lead a reasonably normal life when the tangible personal prop-  
22 erty is purchased on a written prescription or order issued by a  
23 health professional as defined by section 4 of former 1974  
24 PA 264, or section 3501 of the insurance code of 1956, 1956  
25 PA 218, MCL 500.3501, or eyeglasses prescribed or dispensed to  
26 correct the person's vision by an ophthalmologist, optometrist,  
27 or optician.

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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)~~  
17 4A(1)(A) or (b) of the general sales tax act, 1933 PA 167,  
18 MCL 205.54a.

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



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1 (v) The storage, use, or consumption by a domestic air  
2 carrier of an aircraft purchased after June 30, 1994 but before  
3 October 1, 1996 that is used solely in the regularly scheduled  
4 transport of passengers. For purposes of this subdivision, the  
5 term "domestic air carrier" is limited to entities engaged in the  
6 commercial transport for hire of cargo or entities engaged in the  
7 commercial transport of passengers as a business activity.

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

19 (x) The storage, use, or consumption of an aircraft by a  
20 domestic air carrier after September 30, 1996 OR BY A PERSON THAT  
21 BEGINNING JANUARY 1, 1996 LEASES THE AIRCRAFT TO A DOMESTIC AIR  
22 CARRIER OPERATING UNDER A CERTIFICATE FOR ON DEMAND CHARTER  
23 ISSUED BY THE FEDERAL AVIATION ADMINISTRATION UNDER 14 C.F.R. 135  
24 for use solely in the transport of air cargo, passengers, or a  
25 combination of air cargo and passengers, that has a maximum cer-  
26 tificated takeoff weight of at least 6,000 pounds. For purposes  
27 of this subdivision, the term "domestic air carrier" is limited

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1 to a person engaged primarily in the commercial transport for  
2 hire of air cargo, passengers, or a combination of air cargo and  
3 passengers as a business activity. The state treasurer shall  
4 estimate on January 1 each year the revenue lost ~~by this act~~  
5 DUE TO THE EXEMPTION IN THIS SUBDIVISION from the school aid fund  
6 and deposit that amount into the school aid fund from the general  
7 fund.

8 (y) The storage, use, or consumption of an aircraft by a  
9 person who purchases the aircraft for subsequent lease to a  
10 domestic air carrier operating under a certificate issued by the  
11 federal aviation administration under 14 C.F.R. part 121, for use  
12 solely in the regularly scheduled transport of passengers.

13 (z) Property or services sold to an organization not oper-  
14 ated for profit and exempt from federal income tax under section  
15 501(c)(3) or 501(c)(4) of the internal revenue code of 1986, 26  
16 U.S.C. 501; or to a health, welfare, educational, cultural arts,  
17 charitable, or benevolent organization not operated for profit  
18 that has been issued before June 13, 1994 an exemption ruling  
19 letter to purchase items exempt from tax signed by the adminis-  
20 trator of the sales, use, and withholding taxes division of the  
21 department. The department shall reissue an exemption letter  
22 after June 13, 1994 to each of those organizations that had an  
23 exemption letter that shall remain in effect unless the organiza-  
24 tion fails to meet the requirements that originally entitled it  
25 to this exemption. The exemption does not apply to sales of tan-  
26 gible personal property and sales of vehicles licensed for use on  
27 public highways, that are not used primarily to carry out the

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1 purposes of the organization as stated in the bylaws or articles  
2 of incorporation of the exempt organization.

3 (aa) The use or consumption of services described in  
4 section 3a(a) or (c) or 3b by means of a prepaid telephone call-  
5 ing card, a prepaid authorization number for telephone use, or a  
6 charge for internet access.

7 (bb) The purchase, lease, use, or consumption of the follow-  
8 ing by an industrial laundry after December 31, 1997:

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

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

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

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

21 (v) Production washroom equipment and mending and packaging  
22 supplies and equipment.

23 (vi) Material handling equipment including, but not limited  
24 to, conveyors, racks, and elevators and related control  
25 equipment.

26 (vii) Wastewater pretreatment equipment and supplies and  
27 related maintenance and repair services.

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