

HOUSE BILL No. 6574

November 17, 2010, Introduced by Rep. Meekhof and referred to the Committee on Tax Policy.

A bill to amend 1933 PA 167, entitled
"General sales tax act,"
by amending section 4a (MCL 205.54a), as amended by 2008 PA 415.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 4a. (1) Subject to subsection (2), the following are
2 exempt from the tax under this act:

3 (a) A sale of tangible personal property not for resale to a
4 nonprofit school, nonprofit hospital, or nonprofit home for the
5 care and maintenance of children or aged persons operated by an
6 entity of government, a regularly organized church, religious, or
7 fraternal organization, a veterans' organization, or a corporation
8 incorporated under the laws of this state, if the income or benefit
9 from the operation does not inure, in whole or in part, to an
10 individual or private shareholder, directly or indirectly, and if

1 the activities of the entity or agency are carried on exclusively
2 for the benefit of the public at large and are not limited to the
3 advantage, interests, and benefits of its members or any restricted
4 group. A sale of tangible personal property to a parent cooperative
5 preschool is exempt from taxation under this act. As used in this
6 subdivision, "parent cooperative preschool" means a nonprofit,
7 nondiscriminatory educational institution, maintained as a
8 community service and administered by parents of children currently
9 enrolled in the preschool, that provides an educational and
10 developmental program for children younger than compulsory school
11 age, that provides an educational program for parents, including
12 active participation with children in preschool activities, that is
13 directed by qualified preschool personnel, and that is licensed
14 pursuant to 1973 PA 116, MCL 722.111 to 722.128.

15 (b) A sale of tangible personal property not for resale to a
16 regularly organized church or house of religious worship, except
17 the following:

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

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

23 (c) The sale of food to bona fide enrolled students by a
24 school or other educational institution not operated for profit.

25 (d) The sale of a vessel designated for commercial use of
26 registered tonnage of 500 tons or more, if produced upon special
27 order of the purchaser, and bunker and galley fuel, provisions,

1 supplies, maintenance, and repairs for the exclusive use of the
2 vessel engaged in interstate commerce.

3 (e) A sale of tangible personal property to persons engaged in
4 a business enterprise and using or consuming the tangible personal
5 property in ~~the tilling, planting, caring for, or harvesting of the~~
6 ~~things of the soil; in the breeding, raising, or caring for~~
7 ~~livestock, poultry, or horticultural products, including transfers~~
8 ~~of livestock, poultry, or horticultural products for further~~
9 ~~growth; or in the direct gathering of fish, by net, line, or~~
10 ~~otherwise only by an owner operator of the business enterprise, not~~
11 ~~including a charter fishing business enterprise.~~ **AGRICULTURAL**

12 **PRODUCTION. THIS EXEMPTION INCLUDES A SALE OF TANGIBLE PERSONAL**
13 **PROPERTY TO A PERSON WHO IS A MEMBER OF A UNITARY BUSINESS GROUP,**
14 **AS THAT TERM IS DEFINED UNDER SECTION 117 OF THE MICHIGAN BUSINESS**
15 **TAX ACT, 2007 PA 36, MCL 208.1117, WHETHER OR NOT THAT PERSON'S**
16 **BUSINESS ENTERPRISE IS AGRICULTURAL PRODUCTION, IF THE TANGIBLE**
17 **PERSONAL PROPERTY IS USED IN AGRICULTURAL PRODUCTION.** This
18 exemption includes machinery that is capable of simultaneously
19 harvesting grain or other crops and biomass and machinery used for
20 the purpose of harvesting biomass. This exemption includes
21 agricultural land tile, which means fired clay or perforated
22 plastic tubing used as part of a subsurface drainage system for
23 land, and subsurface irrigation pipe, if the land tile or
24 irrigation pipe is used in the production of agricultural products
25 as a business enterprise. This exemption includes a portable grain
26 bin, which means a structure that is used or is to be used to
27 shelter grain and that is designed to be disassembled without

significant damage to its component parts. This exemption also includes grain drying equipment and natural or propane gas used to fuel that equipment for agricultural purposes. This exemption does not include transfers of food, fuel, clothing, or any similar tangible personal property for personal living or human consumption. This exemption does not include tangible personal property permanently affixed and becoming a structural part of real estate. As used in this subdivision: ~~,"biomass"~~

(i) **"AGRICULTURAL PRODUCTION" MEANS THE TILLING, PLANTING, CARING FOR, OR HARVESTING OF THE THINGS OF THE SOIL; THE BREEDING, RAISING, OR CARING FOR LIVESTOCK, POULTRY, OR HORTICULTURAL PRODUCTS, INCLUDING TRANSFERS OF LIVESTOCK, POULTRY, OR HORTICULTURAL PRODUCTS FOR FURTHER GROWTH; OR THE DIRECT GATHERING OF FISH, BY NET, LINE, OR OTHERWISE ONLY BY AN OWNER-OPERATOR OF THE BUSINESS ENTERPRISE, NOT INCLUDING A CHARTER FISHING BUSINESS ENTERPRISE.**

(ii) **"BIOMASS" means ~~crop~~ 1 OR MORE OF THE FOLLOWING:**

(A) **CROP** residue used to produce energy. ~~or agricultural~~

(B) **AGRICULTURAL** crops grown specifically for the production of energy.

(C) **ORGANIC BYPRODUCTS OR WASTE FROM AGRICULTURAL PRODUCTION.**

(f) The sale of a copyrighted motion picture film or a newspaper or periodical admitted under federal postal laws and regulations effective September 1, 1985 as second-class mail matter or as a controlled circulation publication or qualified to accept legal notices for publication in this state, as defined by law, or any other newspaper or periodical of general circulation,

1 established not less than 2 years, and published not less than once
2 a week. Tangible personal property used or consumed in producing a
3 copyrighted motion picture film, a newspaper published more than 14
4 times per year, or a periodical published more than 14 times per
5 year, and not becoming a component part of that film, newspaper, or
6 periodical is subject to the tax. Tangible personal property used
7 or consumed in producing a newspaper published 14 times or less per
8 year or a periodical published 14 times or less per year and that
9 portion or percentage of tangible personal property used or
10 consumed in producing an advertising supplement that becomes a
11 component part of a newspaper or periodical is exempt from the tax
12 under this subdivision. A claim for a refund for taxes paid before
13 January 1, 1999, under this subdivision shall be made before June
14 30, 1999. For purposes of this subdivision, tangible personal
15 property that becomes a component part of a newspaper or periodical
16 and consequently not subject to tax includes an advertising
17 supplement inserted into and circulated with a newspaper or
18 periodical that is otherwise exempt from tax under this
19 subdivision, if the advertising supplement is delivered directly to
20 the newspaper or periodical by a person other than the advertiser,
21 or the advertising supplement is printed by the newspaper or
22 periodical.

23 (g) A sale of tangible personal property to persons licensed
24 to operate commercial radio or television stations if the property
25 is used in the origination or integration of the various sources of
26 program material for commercial radio or television transmission.
27 This subdivision does not include a vehicle licensed and titled for

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

3 (h) The sale of a prosthetic device, durable medical
4 equipment, or mobility enhancing equipment.

5 (i) The sale of a vehicle not for resale to a Michigan
6 nonprofit corporation organized exclusively to provide a community
7 with ambulance or fire department services.

8 (j) A sale of tangible personal property to inmates in a penal
9 or correctional institution purchased with scrip or its equivalent
10 issued and redeemed by the institution.

11 (k) A sale of textbooks sold by a public or nonpublic school
12 to or for the use of students enrolled in any part of a
13 kindergarten through twelfth grade program.

14 (l) A sale of tangible personal property installed as a
15 component part of a water pollution control facility for which a
16 tax exemption certificate is issued pursuant to part 37 of the
17 natural resources and environmental protection act, 1994 PA 451,
18 MCL 324.3701 to 324.3708, or an air pollution control facility for
19 which a tax exemption certificate is issued pursuant to part 59 of
20 the natural resources and environmental protection act, 1994 PA
21 451, MCL 324.5901 to 324.5908.

22 (m) The sale or lease of the following to an industrial
23 laundry after December 31, 1997:

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

1 (ii) Equipment, whether owned or leased, used to repair and
2 dispense textiles including, but not limited to, roll towel
3 cabinets, 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 to,
12 conveyors, racks, and elevators and related control equipment.

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

15 (n) A sale of tangible personal property to a person holding a
16 direct payment permit under section 8 of the use tax act, 1937 PA
17 94, MCL 205.98.

18 (2) The tangible personal property under subsection (1) is
19 exempt only to the extent that that property is used for the exempt
20 purpose if one is stated in subsection (1). The exemption is
21 limited to the percentage of exempt use to total use determined by
22 a reasonable formula or method approved by the department.