

**SUBSTITUTE FOR
SENATE BILL NO. 1337**

A bill to amend 1933 PA 167, entitled
"General sales tax act,"
by amending section 4q (MCL 205.54q), as amended by 2004 PA 173.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 4q. (1) A sale of tangible personal property not for
2 resale to the following, subject to subsection (5), is exempt from
3 the tax under this act:

4 (a) A health, welfare, educational, cultural arts, charitable,
5 or benevolent organization not operated for profit that has been
6 issued an exemption ruling letter to purchase items exempt from tax
7 before July 17, 1998 signed by the administrator of the sales, use,
8 and withholding taxes division of the department.

9 (b) An organization not operated for profit and exempt from

1 federal income tax under section 501(c)(3) or 501(c)(4) of the
2 internal revenue code, 26 USC 501.

3 (2) The exemptions provided for in subsection (1) do not apply
4 to sales—**ANY OF THE FOLLOWING:**

5 (A) **SALES** of tangible personal property and sales of vehicles
6 licensed for use on public highways —that are not used primarily
7 to carry out the purposes of the organization **OR TO RAISE FUNDS OR**
8 **OBTAIN RESOURCES NECESSARY TO CARRY OUT THE PURPOSES OF THE**
9 **ORGANIZATION** as stated in the bylaws or articles of incorporation
10 of the exempt entity.

11 (B) **SALES OF TANGIBLE PERSONAL PROPERTY OR VEHICLES USED FOR**
12 **PURPOSES OF RAISING FUNDS OR OBTAINING RESOURCES WHERE THE SALES**
13 **PRICE EXCEEDS \$5,000.00.**

14 (3) At the time of the transfer of the tangible personal
15 property exempt under subsection (1), the transferee shall do 1 of
16 the following:

17 (a) Present the exemption ruling letter signed by the
18 administrator of the sales, use, and withholding taxes division of
19 the department certifying that the property is to be used or
20 consumed in connection with the operation of the organization.

21 (b) Present a signed statement, on a form approved by the
22 department, stating that the property is to be used or consumed in
23 connection with the operation of the organization, ~~and~~ **TO CARRY OUT**
24 **THE PURPOSE OR PURPOSES OF THE ORGANIZATION, OR TO RAISE FUNDS OR**
25 **OBTAIN RESOURCES NECESSARY FOR THE OPERATION OF THE ORGANIZATION,**
26 that the organization qualifies as an exempt organization under
27 this section, **AND THAT THE SALES PRICE OF ANY SINGLE ITEM OF**

1 TANGIBLE PERSONAL PROPERTY OR VEHICLE PURCHASED FOR PURPOSES OF
2 RAISING FUNDS OR OBTAINING RESOURCES DOES NOT EXCEED \$5,000.00. The
3 transferee shall also provide to the transferor a copy of the
4 federal exemption letter. **HOWEVER, A COPY OF THE FEDERAL EXEMPTION**
5 **LETTER IS NOT REQUIRED IF THE ORGANIZATION IS EXEMPT FROM FILING AN**
6 **APPLICATION FOR EXEMPT STATUS WITH THE INTERNAL REVENUE SERVICE.**

7 (4) The letter provided under subsection (3)(a) and the
8 statement with the accompanying letter provided under subsection
9 (3)(b) shall be accepted by all courts as prima facie evidence of
10 the exemption and the statement shall provide that if the claim for
11 tax exemption is disallowed, the transferee will reimburse the
12 transferor for the amount of tax involved.

13 (5) The tangible personal property under subsection (1) is
14 exempt only to the extent that the property is used to carry out
15 the purposes of the organization **OR TO RAISE FUNDS OR OBTAIN**
16 **RESOURCES NECESSARY TO CARRY OUT THE PURPOSES OF THE ORGANIZATION**
17 as stated in the organization's bylaws or articles of
18 incorporation. The exemption **FOR PURPOSES OF CARRYING OUT THE**
19 **PURPOSES OF THE ORGANIZATION AS STATED IN ITS BYLAWS OR ARTICLES OF**
20 **INCORPORATION** is limited to the percentage of exempt use to total
21 use determined by a reasonable formula or method approved by the
22 department. **THE EXEMPTION FOR ANY SINGLE ITEM OF TANGIBLE PERSONAL**
23 **PROPERTY OR VEHICLE USED TO RAISE FUNDS OR OBTAIN RESOURCES IS**
24 **LIMITED TO A SALES PRICE THAT DOES NOT EXCEED \$5,000.00.**