

# HOUSE BILL No. 5173

October 24, 2017, Introduced by Reps. Alexander and Kahle 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 2016 PA 431.

## 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  
19 enterprises.

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

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

26 (d) The sale of a vessel designated for commercial use of  
27 registered tonnage of 500 tons or more, if produced upon special

1 order of the purchaser, and bunker and galley fuel, provisions,  
2 supplies, maintenance, and repairs for the exclusive use of the  
3 vessel engaged in interstate commerce.

4 (e) A sale of tangible personal property to persons engaged in  
5 a business enterprise and using or consuming the tangible personal  
6 property in the tilling, planting, draining, caring for, or  
7 harvesting of the things of the soil; in the breeding, raising, or  
8 caring for livestock, poultry, or horticultural products, including  
9 transfers of livestock, poultry, or horticultural products for  
10 further growth; or in the direct gathering of fish, by net, line,  
11 or otherwise only by an owner-operator of the business enterprise,  
12 not including a charter fishing business enterprise. This exemption  
13 includes machinery that is capable of simultaneously harvesting  
14 grain or other crops and biomass and machinery used for the purpose  
15 of harvesting biomass. This exemption includes agricultural land  
16 tile, which means fired clay or perforated plastic tubing used as  
17 part of a subsurface drainage system for land, and subsurface  
18 irrigation pipe, if the land tile or irrigation pipe is used in the  
19 production of agricultural products as a business enterprise. This  
20 exemption includes a portable grain bin, which means a structure  
21 that is used or is to be used to shelter grain and that is designed  
22 to be disassembled without significant damage to its component  
23 parts. This exemption also includes grain drying equipment and the  
24 fuel or energy source that powers that equipment for agricultural  
25 purposes. This exemption also includes tangible personal property  
26 affixed to or to be affixed to and directly used in the operation  
27 of either a portable grain bin or grain drying equipment. This

1 exemption includes a sale of agricultural land tile, subsurface  
2 irrigation pipe, portable grain bins, and grain drying equipment to  
3 a person in the business of constructing, altering, repairing, or  
4 improving real estate for others to the extent that it is affixed  
5 to or made a structural part of real estate and is used for a  
6 purpose exempt under this subsection. This exemption does not  
7 include transfers of food, fuel, clothing, or any similar tangible  
8 personal property for personal living or human consumption. Except  
9 for agricultural land tile, subsurface irrigation pipe, portable  
10 grain bins, and grain drying equipment, this exemption does not  
11 include tangible personal property permanently affixed and becoming  
12 a structural part of real estate. As used in this subdivision,  
13 "biomass" means crop residue used to produce energy or agricultural  
14 crops grown specifically for the production of energy.

15 (f) The sale of a copyrighted motion picture film or a  
16 newspaper or periodical admitted under federal postal laws and  
17 regulations effective September 1, 1985 as second-class mail matter  
18 or as a controlled circulation publication or qualified to accept  
19 legal notices for publication in this state, as defined by law, or  
20 any other newspaper or periodical of general circulation,  
21 established not less than 2 years, and published not less than once  
22 a week. Tangible personal property used or consumed in producing a  
23 copyrighted motion picture film, a newspaper published more than 14  
24 times per year, or a periodical published more than 14 times per  
25 year, and not becoming a component part of that film, newspaper, or  
26 periodical is subject to the tax. Tangible personal property used  
27 or consumed in producing a newspaper published 14 times or less per

1 year or a periodical published 14 times or less per year and that  
2 portion or percentage of tangible personal property used or  
3 consumed in producing an advertising supplement that becomes a  
4 component part of a newspaper or periodical is exempt from the tax  
5 under this subdivision. For purposes of this subdivision, tangible  
6 personal property that becomes a component part of a newspaper or  
7 periodical and consequently not subject to tax includes an  
8 advertising supplement inserted into and circulated with a  
9 newspaper or periodical that is otherwise exempt from tax under  
10 this subdivision, if the advertising supplement is delivered  
11 directly to the newspaper or periodical by a person other than the  
12 advertiser, or the advertising supplement is printed by the  
13 newspaper or periodical.

14 (g) A sale of tangible personal property to persons licensed  
15 to operate commercial radio or television stations if the property  
16 is used in the origination or integration of the various sources of  
17 program material for commercial radio or television transmission.  
18 This subdivision does not include a vehicle licensed and titled for  
19 use on public highways or property used in the transmission to or  
20 receiving from an artificial satellite.

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

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

26 (j) Before October 1, 2012, a sale of tangible personal  
27 property to inmates in a penal or correctional institution

1 purchased with scrip or its equivalent issued and redeemed by the  
2 institution.

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

6 (l) A sale of tangible personal property 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 for  
11 which a tax exemption certificate is issued pursuant to part 59 of  
12 the natural resources and environmental protection act, 1994 PA  
13 451, MCL 324.5901 to 324.5908.

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

16 (i) Textiles and disposable products including, but not  
17 limited to, soap, paper, chemicals, tissues, deodorizers and  
18 dispensers, and all related items such as packaging, supplies,  
19 hangers, name tags, and identification tags.

20 (ii) Equipment, whether owned or leased, used to repair and  
21 dispense textiles including, but not limited to, roll towel  
22 cabinets, slings, hardware, lockers, mop handles and frames, and  
23 carts.

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

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

1 (v) Production washroom equipment and mending and packaging  
2 supplies and equipment.

3 (vi) Material handling equipment including, but not limited  
4 to, conveyors, racks, and elevators and related control equipment.

5 (vii) Wastewater pretreatment equipment and supplies and  
6 related maintenance and repair services.

7 (n) A sale of tangible personal property to a person holding a  
8 direct payment permit under section 8 of the use tax act, 1937 PA  
9 94, MCL 205.98.

10 **(O) THE SALE OF A DENTAL PROSTHESIS.**

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

16 Enacting section 1. This amendatory act is retroactive and  
17 effective beginning July 1, 2017.