

SUBSTITUTE FOR
SENATE BILL NO. 567

A bill to amend 1933 PA 167, entitled
"General sales tax act,"
by amending section 1a (MCL 205.51a), as amended by 2008 PA 438.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 1a. As used in this act:

2 (a) "Alcoholic beverage" means a beverage suitable for human
3 consumption that contains 1/2 of 1% or more of alcohol by volume.

4 (b) "Computer" means an electronic device that accepts
5 information in digital or similar form and manipulates it for a
6 result based on a sequence of instructions.

7 (c) "Computer software" means a set of coded instructions
8 designed to cause a computer or automatic data processing equipment
9 to perform a task.

10 (d) "Delivered electronically" means delivered from the seller
11 to the purchaser by means other than tangible storage media.

12 (e) "Delivery charges" means charges by the seller for

1 preparation and delivery to a location designated by the purchaser
2 of tangible personal property or services. Delivery charges
3 include, but are not limited to, transportation, shipping, postage,
4 handling, crating, and packing. Beginning September 1, 2004,
5 delivery charges do not include the charges for delivery of direct
6 mail if the charges are separately stated on an invoice or similar
7 billing document given to the purchaser. If a shipment includes
8 both exempt property and taxable property, the seller shall
9 allocate the delivery charge using 1 of the following methods:

10 (i) Multiply the delivery price by a fraction, the numerator
11 of which is the total sales prices of the taxable property and the
12 denominator of which is the total sales prices of all property in
13 the shipment.

14 (ii) Multiply the delivery price by a fraction, the numerator
15 of which is the total weight of the taxable property and the
16 denominator of which is the total weight of all property in the
17 shipment.

18 (f) "Dietary supplement" means any product, other than
19 tobacco, intended to supplement the diet that is all of the
20 following:

21 (i) Required to be labeled as a dietary supplement
22 identifiable by the "supplemental facts" box found on the label as
23 required by 21 CFR 101.36.

24 (ii) Contains 1 or more of the following dietary ingredients:

25 (A) A vitamin.

26 (B) A mineral.

27 (C) An herb or other botanical.

1 (D) An amino acid.

2 (E) A dietary substance for use by humans to supplement the
3 diet by increasing the total dietary intake.

4 (F) A concentrate, metabolite, constituent, extract, or
5 combination of any ingredient listed in sub-subparagraphs (A)
6 through (E).

7 (iii) Intended for ingestion in tablet, capsule, powder,
8 softgel, gelcap, or liquid form, or if not intended for ingestion
9 in 1 of those forms, is not represented as conventional food or for
10 use as a sole item of a meal or of the diet.

11 (g) "Direct mail" means printed material delivered or
12 distributed by United States mail or other delivery service to a
13 mass audience or to addressees on a mailing list provided by the
14 purchaser or at the direction of the purchaser when the cost of the
15 items are not billed directly to the recipients, including tangible
16 personal property supplied directly or indirectly by the purchaser
17 to the direct mail seller for inclusion in the package containing
18 the printed material, but not including multiple items of printed
19 material delivered to a single address.

20 (h) "Drug" means a compound, substance, or preparation, or any
21 component of a compound, substance, or preparation, other than food
22 or food ingredients, dietary supplements, or alcoholic beverages,
23 intended for human use that is 1 or more of the following:

24 (i) Recognized in the official United States pharmacopoeia,
25 official homeopathic pharmacopoeia of the United States, or
26 official national formulary, or in any of their supplements.

27 (ii) Intended for use in the diagnosis, cure, mitigation,

1 treatment, or prevention of disease.

2 (iii) Intended to affect the structure or any function of the
3 body.

4 (i) "Durable medical equipment" means equipment for home use,
5 other than mobility enhancing equipment, dispensed pursuant to a
6 prescription, including durable medical equipment repair or
7 replacement parts, that does all of the following:

8 (i) Can withstand repeated use.

9 (ii) Is primarily and customarily used to serve a medical
10 purpose.

11 (iii) Is not useful generally to a person in the absence of
12 illness or injury.

13 (iv) Is not worn in or on the body.

14 (j) "Durable medical equipment repair or replacement parts"
15 includes all components or attachments used in conjunction with
16 durable medical equipment.

17 (k) "Electronic" means relating to technology having
18 electrical, digital, magnetic, wireless, optical, electromagnetic,
19 or similar capabilities.

20 (l) "Lease or rental" means any transfer of possession or
21 control of tangible personal property for a fixed or indeterminate
22 term for consideration and may include future options to purchase
23 or extend. This definition applies only to leases and rentals
24 entered into after September 1, 2004 and has no retroactive impact
25 on leases and rentals that existed on that date. Lease or rental
26 does not include the following subparagraphs (i) through (iii) and
27 includes subparagraph (iv):

1 (i) A transfer of possession or control of tangible personal
2 property under a security agreement or deferred payment plan that
3 requires the transfer of title upon completion of the required
4 payments.

5 (ii) A transfer of possession or control of tangible personal
6 property under an agreement requiring transfer of title upon
7 completion of the required payments and payment of an option price
8 that does not exceed \$100.00 or 1% of the total required payments,
9 whichever is greater.

10 (iii) The provision of tangible personal property along with
11 an operator for a fixed or indeterminate period of time, where that
12 operator is necessary for the equipment to perform as designed. To
13 be necessary, an operator must do more than maintain, inspect, or
14 set up the tangible personal property.

15 (iv) An agreement covering motor vehicles or trailers if the
16 amount of consideration may be increased or decreased by reference
17 to the amount realized upon sale or disposition of the property as
18 defined in section 7701(h)(1) of the internal revenue code, 26 USC
19 7701.

20 (m) "Mobility enhancing equipment" means equipment, other than
21 durable medical equipment or a motor vehicle or equipment on a
22 motor vehicle normally provided by a motor vehicle manufacturer,
23 dispensed pursuant to a prescription, including repair or
24 replacement parts for that equipment, that is all of the following:

25 (i) Primarily and customarily used to provide or increase the
26 ability to move from 1 place to another and is appropriate for use
27 at home or on a motor vehicle.

1 (ii) Not generally used by a person with normal mobility.

2 (n) "Prescription" means an order, formula, or recipe, issued
3 in any form of oral, written, electronic, or other means of
4 transmission by a licensed physician or other health professional
5 as defined in section 3501 of the insurance code of 1956, 1956 PA
6 218, MCL 500.3501. For a hearing aid, prescription includes an
7 order, instruction, or direction of a hearing aid dealer or
8 salesperson licensed under article 13 of the occupational code,
9 1980 PA 299, MCL 339.1301 to 339.1309.

10 (o) "Prewritten computer software" means computer software,
11 including prewritten upgrades, that is delivered by any means and
12 that is not designed and developed by the author or other creator
13 to the specifications of a specific purchaser. Prewritten computer
14 software includes the following:

15 (i) Any combination of 2 or more prewritten computer software
16 programs or portions of prewritten computer software programs.

17 (ii) Computer software designed and developed by the author or
18 other creator to the specifications of a specific purchaser if it
19 is sold to a person other than that specific purchaser.

20 (iii) The modification or enhancement of prewritten computer
21 software or portions of prewritten computer software where the
22 modification or enhancement is designed and developed to the
23 specifications of a specific purchaser unless there is a
24 reasonable, separately stated charge or an invoice or other
25 statement of the price is given to the purchaser for the
26 modification or enhancement. If a person other than the original
27 author or creator modifies or enhances prewritten computer

1 software, that person is considered to be the author or creator of
2 only that person's modifications or enhancements.

3 (p) "Prosthetic device" means a replacement, corrective, or
4 supportive device, other than contact lenses, ~~and dental~~
5 ~~prosthesis,~~ dispensed pursuant to a prescription, including repair
6 or replacement parts for that device, worn on or in the body to do
7 1 or more of the following:

8 (i) Artificially replace a missing portion of the body.

9 (ii) Prevent or correct a physical deformity or malfunction of
10 the body.

11 (iii) Support a weak or deformed portion of the body.

12 (q) "Tangible personal property" means personal property that
13 can be seen, weighed, measured, felt, or touched or that is in any
14 other manner perceptible to the senses and includes electricity,
15 water, gas, steam, and prewritten computer software.

16 (r) "Tobacco" means cigarettes, cigars, chewing or pipe
17 tobacco, or any other item that contains tobacco.

18 Enacting section 1. This amendatory act is retroactive and is
19 effective beginning July 1, 2017.