

HOUSE BILL No. 4028

January 12, 2017, Introduced by Rep. Kosowski 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
11 the activities of the entity or agency are carried on exclusively

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

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

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

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

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

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

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

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

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

25 (j) Before October 1, 2012, a sale of tangible personal
26 property to inmates in a penal or correctional institution
27 purchased with scrip or its equivalent issued and redeemed by the

1 institution.

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

5 (l) A sale of tangible personal property installed as a
6 component part of a water pollution control facility for which a
7 tax exemption certificate is issued pursuant to part 37 of the
8 natural resources and environmental protection act, 1994 PA 451,
9 MCL 324.3701 to 324.3708, or an air pollution control facility for
10 which a tax exemption certificate is issued pursuant to part 59 of
11 the natural resources and environmental protection act, 1994 PA
12 451, MCL 324.5901 to 324.5908.

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

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

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

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

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

27 (v) Production washroom equipment and mending and packaging

1 supplies and equipment.

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

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

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

9 (O) A SALE OF TEXTBOOKS TO A FULL- OR PART-TIME COLLEGE
10 STUDENT FOR HIS OR HER COURSES, IF, AT THE TIME OF PURCHASE, THE
11 STUDENT PRESENTS A VALID STUDENT IDENTIFICATION CARD AND THE
12 TEXTBOOK IS REQUIRED FOR A COURSE BEING TAKEN BY THAT STUDENT AT AN
13 INSTITUTION OF HIGHER EDUCATION. AS USED IN THIS SUBDIVISION:

14 (i) "INSTITUTION OF HIGHER EDUCATION" MEANS A DEGREE- OR
15 CERTIFICATE-GRANTING PUBLIC OR PRIVATE COLLEGE OR UNIVERSITY,
16 JUNIOR COLLEGE, OR COMMUNITY COLLEGE IN THIS STATE.

17 (ii) "TEXTBOOKS" MEANS ONLY THOSE BOOKS SPECIFICALLY WRITTEN,
18 DESIGNED, OR PRODUCED FOR EDUCATIONAL, INSTRUCTIONAL, OR
19 PEDAGOGICAL PURPOSES.

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