

HOUSE BILL No. 5913

May 1, 2018, Introduced by Reps. Bizon, Maturen, Leutheuser, Vaupel, Kahle, Byrd, Yancey, Wentworth, Theis, Marino, Inman and Hughes and referred to the Committee on Tax Policy.

A bill to amend 1933 PA 167, entitled
"General sales tax act,"
by amending section 4q (MCL 205.54q), as amended by 2012 PA 573.

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
10 federal income tax under section 501(c)(3) or 501(c)(4) of the

1 internal revenue code, 26 USC 501.

2 **(C) AN ORGANIZATION NOT OPERATED FOR PROFIT AND EXEMPT FROM**
3 **FEDERAL INCOME TAX UNDER SECTION 501(C) (19) OF THE INTERNAL REVENUE**
4 **CODE, 26 USC 501.**

5 (2) The exemptions provided for in subsection (1) do not apply
6 to any of the following:

7 (a) Sales of tangible personal property and sales of vehicles
8 licensed for use on public highways that are not used primarily to
9 carry out the purposes of the organization or to raise funds or
10 obtain resources necessary to carry out the purposes of the
11 organization as stated in the bylaws or articles of incorporation
12 of the exempt entity.

13 (b) Sales of tangible personal property or vehicles used for
14 purposes of raising funds or obtaining resources where the sales
15 price exceeds \$5,000.00 **OR THE CAP ESTABLISHED IN SECTION 4o(3) FOR**
16 **AN ORGANIZATION EXEMPT UNDER SECTION 501(C) (19) OF THE INTERNAL**
17 **REVENUE CODE, 26 USC 501.**

18 (3) At the time of the transfer of the tangible personal
19 property exempt under subsection (1), the transferee shall do 1 of
20 the following:

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

25 (b) Present a signed statement, on a form approved by the
26 department, stating that the property is to be used or consumed in
27 connection with the operation of the organization, to carry out the

1 purpose or purposes of the organization, or to raise funds or
2 obtain resources necessary for the operation of the organization,
3 that the organization qualifies as an exempt organization under
4 this section, and that the sales price of any single item of
5 tangible personal property or vehicle purchased for purposes of
6 raising funds or obtaining resources does not exceed \$5,000.00 **OR**
7 **THE CAP ESTABLISHED IN SECTION 40(3) FOR AN ORGANIZATION EXEMPT**
8 **UNDER SECTION 501(C)(19) OF THE INTERNAL REVENUE CODE, 26 USC 501.**

9 The transferee shall also provide to the transferor a copy of the
10 federal exemption letter. However, a copy of the federal exemption
11 letter is not required if the organization is exempt from filing an
12 application for exempt status with the internal revenue service.

13 (4) The letter provided under subsection (3)(a) and the
14 statement with the accompanying letter provided under subsection
15 (3)(b) shall be accepted by all courts as prima facie evidence of
16 the exemption and the statement shall provide that if the claim for
17 tax exemption is disallowed, the transferee will reimburse the
18 transferor for the amount of tax involved.

19 (5) The tangible personal property under subsection (1) is
20 exempt only to the extent that the property is used to carry out
21 the purposes of the organization or to raise funds or obtain
22 resources necessary to carry out the purposes of the organization
23 as stated in the organization's bylaws or articles of
24 incorporation. The exemption for purposes of carrying out the
25 purposes of the organization as stated in its bylaws or articles of
26 incorporation is limited to the percentage of exempt use to total
27 use determined by a reasonable formula or method approved by the

1 department. The exemption for any single item of tangible personal
2 property or vehicle used to raise funds or obtain resources is
3 limited to a sales price that does not exceed \$5,000.00 **OR THE CAP**
4 **ESTABLISHED IN SECTION 4o(3) FOR AN ORGANIZATION EXEMPT UNDER**
5 **SECTION 501(C)(19) OF THE INTERNAL REVENUE CODE, 26 USC 501.**

6 Enacting section 1. This amendatory act takes effect 90 days
7 after the date it is enacted into law.