

SENATE BILL NO. 498

August 13, 2025, Introduced by Senator IRWIN and referred to Committee on Education.

A bill to amend 1933 PA 167, entitled
"General sales tax act,"
by amending section 25 (MCL 205.75), as amended by 2023 PA 20, and
by adding sections 12a and 25a.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 12a. (1) A purchaser that purchases eligible back-to-
2 school property between 12:01 a.m. on August 8th and 11:59 p.m. on
3 August 24th of an eligible year may submit a claim for a refund to
4 the department for the sales tax related to that purchase if all of
5 the following conditions are met:

1 (a) The claim for refund is made not later than 30 days after
2 the date of purchase.

3 (b) The purchaser submits to the department an accurate record
4 of the purchase, including, but not limited to, a paper,
5 electronic, or digital receipt, invoice, or purchase order related
6 to the sale, that includes all of the following information:

7 (i) The name and location of the seller.

8 (ii) The date on which the eligible back-to-school property was
9 purchased.

10 (iii) The sales price of each item purchased.

11 (iv) The amount of sales tax collected by the seller from the
12 purchaser.

13 (c) One of the following applies:

14 (i) The receipt, invoice, or purchase order described in
15 subdivision (b) includes the name of the purchaser.

16 (ii) The purchaser provides an affidavit of purchase in the
17 form and manner prescribed by the department.

18 (d) The purchaser submits to the department a proper refund
19 claim on a form prescribed by the department.

20 (e) The purchaser submits to the department any additional
21 information that the department requires related to the purchaser's
22 claim for a refund under this section.

23 (2) All of the following provisions apply in determining
24 whether property is eligible back-to-school property:

25 (a) If the seller offers a discount on an item, the discount
26 reduces the sales price of the item, and the discounted sales price
27 determines whether the sales price of the item is within the sales
28 price threshold under subsection (5)(c). If a discount applies to
29 the total amount paid by a purchaser rather than to the sales price

1 of a particular item and the purchaser has purchased both eligible
2 back-to-school property and taxable property, the discount must be
3 allocated based on the total sales prices of the taxable property
4 compared to the total sales prices of all property sold in that
5 same transaction.

6 (b) A coupon that reduces the sales price is treated as a
7 discount under subdivision (a) if the seller is not reimbursed for
8 the coupon amount by a third party.

9 (c) Articles normally sold as a single unit must continue to
10 be sold as a single unit during the authorized time period
11 described in subsection (1). Such articles must not be priced
12 separately and sold as individual items to enable a purchaser to
13 obtain a refund under this section.

14 (d) Eligible back-to-school property is considered purchased
15 within the authorized time period described in subsection (1) if
16 either of the following applies:

17 (i) The eligible back-to-school property is both delivered to
18 and paid for by the purchaser during the authorized time period.

19 (ii) The purchaser orders and pays for the eligible back-to-
20 school property and the seller accepts the order during the
21 authorized time period for immediate shipment, even if delivery is
22 made after the authorized time period. The seller accepts an order
23 when the seller has taken action to fill the order for immediate
24 shipment. Actions to fill an order include placement of an "in-
25 date" stamp on a mail order or assignment of an "order number" to a
26 telephone order. An order is for immediate shipment if the
27 purchaser does not request delayed shipment. An order is for
28 immediate shipment notwithstanding that the shipment may be delayed
29 because of a backlog of orders or because stock is currently

1 unavailable to, or on back order by, the seller.

2 (e) If the purchaser is located in 1 time zone and a seller is
3 located in another time zone, the time zone of the seller's
4 location determines whether a sale occurred during the authorized
5 time period described in subsection (1).

6 (3) Notwithstanding this section, a seller is liable for and
7 shall remit sales tax on sales of eligible back-to-school property
8 unless such sales are exempt under another section of this act.

9 (4) If a purchaser returns an item of eligible back-to-school
10 property purchased during the authorized time period described in
11 subsection (1), the seller shall not give credit for or refund
12 sales tax unless the purchaser provides a form signed by the
13 purchaser, as prescribed by the department, that states that the
14 purchaser has not claimed, and will not claim, a refund under this
15 section with respect to that item. When the seller files its tax
16 return for a month under section 6, the seller shall provide the
17 department with copies of all forms received under this subsection
18 during that month.

19 (5) As used in this section:

20 (a) "Clothing" means all human wearing apparel suitable for
21 general use.

22 (b) "Clothing accessories or equipment" means incidental items
23 worn on the person or in conjunction with clothing, including, but
24 not limited to, the following:

25 (i) Briefcases.

26 (ii) Cosmetics.

27 (iii) Hair notions, including, but not limited to, barrettes,
28 hair bows, and hair nets.

29 (iv) Handbags.

1 (v) Handkerchiefs.

2 (vi) Jewelry.

3 (vii) Sun glasses, nonprescription.

4 (viii) Umbrellas.

5 (ix) Wallets.

6 (x) Watches.

7 (xi) Wigs and hair pieces.

8 (c) "Eligible back-to-school property" means, except as
9 otherwise provided in subdivision (d), both of the following:

10 (i) Clothing, if the sales price of each individual item is not
11 greater than \$100.00.

12 (ii) School supplies, if the sales price of each individual
13 item is not greater than \$20.00.

14 (d) Eligible back-to-school property does not include any of
15 the following:

16 (i) Clothing accessories or equipment.

17 (ii) Sport or recreational equipment.

18 (iii) Protective equipment.

19 (iv) Any item sold for use in a trade or business. This
20 subparagraph does not apply to an item sold to a teacher for use in
21 the teacher's classroom, and a teacher who purchases eligible back-
22 to-school property for use in the teacher's classroom is eligible
23 for a refund under subsection (1).

24 (v) Furniture.

25 (e) "Eligible year" means a calendar year that begins on or
26 after January 1, 2025 and before January 1, 2031.

27 (f) "Protective equipment" means items for human wear and
28 designed as protection of the wearer against injury or disease or

1 as protections against damage or injury of other persons or
2 property but not suitable for general use. Protective equipment
3 includes, but is not limited to, the following:

4 (i) Breathing masks.

5 (ii) Clean room apparel and equipment.

6 (iii) Ear and hearing protectors.

7 (iv) Face shields.

8 (v) Hard hats.

9 (vi) Helmets.

10 (vii) Paint or dust respirators.

11 (viii) Protective gloves.

12 (ix) Safety glasses and goggles.

13 (x) Safety belts.

14 (xi) Tool belts.

15 (xii) Welder's gloves and masks.

16 (g) "School supplies" means items commonly used by a student
17 in a course of study and includes only the following items:

18 (i) Binders.

19 (ii) Book bags.

20 (iii) Calculators.

21 (iv) Cellophane tape.

22 (v) Blackboard chalk.

23 (vi) Compasses.

24 (vii) Composition books.

25 (viii) Crayons.

26 (ix) Erasers.

27 (x) Folders, including expandable, pocket, plastic, and
28 manila.

- 1 (xi) Glue, paste, and paste sticks.
- 2 (xii) Highlighters.
- 3 (xiii) Index cards.
- 4 (xiv) Index card boxes.
- 5 (xv) Legal pads.
- 6 (xvi) Lunch boxes.
- 7 (xvii) Markers.
- 8 (xviii) Notebooks.
- 9 (xix) Paper, including loose-leaf ruled notebook paper, copy
- 10 paper, graph paper, tracing paper, manila paper, colored paper,
- 11 poster board, and construction paper.
- 12 (xx) Pencil boxes and other school supply boxes.
- 13 (xxi) Pencil sharpeners.
- 14 (xxii) Pencils.
- 15 (xxiii) Pens.
- 16 (xxiv) Protractors.
- 17 (xxv) Rulers.
- 18 (xxvi) Scissors.
- 19 (xxvii) Writing tablets.
- 20 (h) "Sport or recreational equipment" means items designed for
- 21 human use and worn in conjunction with an athletic or recreational
- 22 activity that are not suitable for general use. Sport or
- 23 recreational equipment includes, but is not limited to, the
- 24 following:
- 25 (i) Ballet and tap shoes.
- 26 (ii) Cleated or spiked athletic shoes.
- 27 (iii) Gloves, including, but not limited to, baseball, bowling,
- 28 boxing, hockey, and golf.

- 1 (iv) Goggles.
- 2 (v) Hand and elbow guards.
- 3 (vi) Life preservers and vests.
- 4 (vii) Mouth guards.
- 5 (viii) Roller and ice skates.
- 6 (ix) Shin guards.
- 7 (x) Shoulder pads.
- 8 (xi) Ski boots.
- 9 (xii) Waders.
- 10 (xiii) Wetsuits and fins.

11 (i) "Teacher" means that term as defined in section 1249 of
12 the revised school code, 1976 PA 451, MCL 380.1249.

13 Sec. 25. (1) All money received and collected under this act
14 must be deposited by the department in the state treasury to the
15 credit of the general fund, except as otherwise provided in this
16 section.

17 (2) Fifteen percent of the collections of the tax imposed at a
18 rate of 4% must be distributed to cities, villages, and townships
19 pursuant to the Glenn Steil state revenue sharing act of 1971, 1971
20 PA 140, MCL 141.901 to 141.921.

21 (3) Sixty percent of the collections of the tax imposed at a
22 rate of 4% must be deposited in the state school aid fund and
23 distributed as provided by law. In addition, all of the collections
24 of the tax imposed at the additional rate of 2% approved by the
25 electors on March 15, 1994 must be deposited in the state school
26 aid fund.

27 (4) Except as otherwise provided in this subsection, not less
28 than 27.9% of 25% of the collections of the general sales tax
29 imposed at a rate of 4% directly or indirectly on fuels sold to

1 propel motor vehicles upon highways, on the sale of motor vehicles,
2 and on the sale of the parts and accessories of motor vehicles by
3 new and used car businesses, used car businesses, accessory dealer
4 businesses, and gasoline station businesses as classified by the
5 department must be deposited each year into the comprehensive
6 transportation fund. For the fiscal year ending September 30, 2021
7 only, the amount deposited into the comprehensive transportation
8 fund under this subsection must be reduced by \$18,000,000.00 and
9 that \$18,000,000.00 must be deposited into the transportation
10 administration collection fund.

11 (5) Beginning October 1, 2016 and the first day of each
12 calendar quarter thereafter, an amount equal to the collections for
13 the calendar quarter that is 2 calendar quarters immediately
14 preceding the current calendar quarter of the tax imposed under
15 this act at the additional rate of 2% approved by the electors on
16 March 15, 1994 from the sale at retail of aviation fuel must be
17 distributed as follows:

18 (a) An amount equal to 35% of the collections of the tax
19 imposed at a rate of 2% on the sale at retail of aviation fuel must
20 be deposited in the state aeronautics fund and must be expended, on
21 appropriation, only for those purposes authorized in the
22 aeronautics code of the state of Michigan, 1945 PA 327, MCL 259.1
23 to 259.208.

24 (b) An amount equal to 65% of the collections of the tax
25 imposed at a rate of 2% on the sale at retail of aviation fuel must
26 be deposited in the qualified airport fund and must be expended, on
27 appropriation, only for those purposes authorized under section 35
28 of the aeronautics code of the state of Michigan, 1945 PA 327, MCL
29 259.35.

1 (6) The department shall, on an annual basis, reconcile the
2 amounts distributed under subsection (5) during each fiscal year
3 with the amounts actually collected for a particular fiscal year
4 and shall make any necessary adjustments, positive or negative, to
5 the amounts to be distributed for the next successive calendar
6 quarter that begins January 1. The state treasurer or the state
7 treasurer's designee shall annually provide to the operator of each
8 qualified airport a report of the reconciliation performed under
9 this subsection. The reconciliation report is subject to the
10 confidentiality restrictions and penalties provided in section
11 28(1)(f) of 1941 PA 122, MCL 205.28.

12 (7) An amount equal to the collections of the tax imposed at a
13 rate of 4% under this act from the sale at retail of computer
14 software must be deposited in the Michigan health initiative fund
15 created in section 5911 of the public health code, 1978 PA 368, MCL
16 333.5911, and must be considered in addition to, and is not
17 intended as a replacement for any other money appropriated to the
18 department of health and human services. The funds deposited in the
19 Michigan health initiative fund on an annual basis must not be less
20 than \$9,000,000.00 or more than \$12,000,000.00.

21 (8) In addition to the money deposited in the state school aid
22 fund under subsection (3), an amount equal to the sum of the
23 following, as determined by the department, must be deposited into
24 the state school aid fund:

25 (a) All revenue lost to the state school aid fund as a result
26 of the exemption under section 4a(1)(u).

27 (b) All revenue lost to the state school aid fund as a result
28 of the exemption under section 4ee. A person that claims an
29 exemption under section 4ee shall report the sales price of the

1 data center equipment as defined in section 4ee and any other
2 information necessary to determine the amount of revenue lost to
3 the state school aid fund as a result of the exemption under
4 section 4ee annually on a form at the time and in a manner
5 prescribed by the department. The report required under this
6 subdivision must not include any remittance for tax, and does not
7 constitute a return or otherwise alleviate any obligations under
8 section 6.

9 (c) All revenue lost to the state school aid fund as a result
10 of the exclusion under section 1(1)(d)(xv).

11 **(9) Until September 30, 2030, an amount equal to the**
12 **collections of the tax imposed at a rate of 6% under this act from**
13 **the sale at retail of eligible back-to-school property, as that**
14 **term is defined in section 12a, during the authorized time period**
15 **described in section 12a(1) must be deposited in the back-to-school**
16 **rebate fund.**

17 **(10)** ~~(9)~~ The balance in the state general fund shall be
18 disbursed only on an appropriation or appropriations by the
19 legislature.

20 **(11)** ~~(10)~~ As used in this section:

21 (a) "Aviation fuel" means fuel as that term is defined in
22 section 4 of the aeronautics code of the state of Michigan, 1945 PA
23 327, MCL 259.4.

24 (b) "Comprehensive transportation fund" means the
25 comprehensive transportation fund created in section 10b of 1951 PA
26 51, MCL 247.660b.

27 (c) "Qualified airport" means that term as defined in section
28 109 of the aeronautics code of the state of Michigan, 1945 PA 327,
29 MCL 259.109.

1 (d) "Qualified airport fund" means the qualified airport fund
2 created in section 34(2) of the aeronautics code of the state of
3 Michigan, 1945 PA 327, MCL 259.34.

4 (e) "State aeronautics fund" means the state aeronautics fund
5 created in section 34(1) of the aeronautics code of the state of
6 Michigan, 1945 PA 327, MCL 259.34.

7 (f) "State school aid fund" means the state school aid fund
8 established in section 11 of article IX of the state constitution
9 of 1963.

10 (g) "Transportation administration collection fund" means the
11 transportation administration collection fund created in section
12 810b of the Michigan vehicle code, 1949 PA 300, MCL 257.810b.

13 **Sec. 25a. (1) The back-to-school rebate fund is created in the**
14 **state treasury.**

15 **(2) The state treasurer shall deposit money and other assets**
16 **received under section 25(9) or section 21(8) of the use tax act,**
17 **1937 PA 94, MCL 205.111, or from any other source in the fund. The**
18 **state treasurer shall direct the investment of money in the fund**
19 **and credit interest and earnings from the investments to the fund.**

20 **(3) The department is the administrator of the fund for audits**
21 **of the fund.**

22 **(4) The department shall expend money from the fund, on**
23 **appropriation, only for 1 or more of the following purposes:**

24 **(a) To provide refunds under section 12a and section 14c of**
25 **the use tax act, 1937 PA 94, MCL 205.104c.**

26 **(b) To pay the department's administrative and enforcement**
27 **costs incurred in connection with claims for a refund under section**
28 **12a and section 14c of the use tax act, 1937 PA 94, MCL 205.104c.**

29 **(5) As used in this section, "fund" means the back-to-school**

1 **rebate fund created in subsection (1).**

2 Enacting section 1. This amendatory act does not take effect
3 unless Senate Bill No. ____ (request no. S04184'25) or House Bill
4 No. ____ (request no. H04184'25) of the 103rd Legislature is
5 enacted into law.