

# HOUSE BILL NO. 5267

August 17, 2021, Introduced by Rep. Posthumus and referred to the Committee on Tax Policy.

A bill to amend 1933 PA 167, entitled  
"General sales tax act,"  
by amending sections 4a and 25 (MCL 205.54a and 205.75), section 4a  
as amended by 2018 PA 673 and section 25 as amended by 2021 PA 38.

**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

1 care and maintenance of children or aged ~~persons~~**individuals**  
2 operated by an entity of government, a regularly organized church,  
3 religious organization, or fraternal organization, a veterans'  
4 organization, or a corporation incorporated under the laws of this  
5 state, if the income or benefit from the operation does not inure,  
6 in whole or in part, to an individual or private shareholder,  
7 directly or indirectly, and if the activities of the entity or  
8 agency are carried on exclusively for the benefit of the public at  
9 large and are not limited to the advantage, interests, and benefits  
10 of its members or any restricted group. A sale of tangible personal  
11 property to a parent cooperative preschool is exempt from taxation  
12 under this act. As used in this subdivision, "parent cooperative  
13 preschool" means a nonprofit, nondiscriminatory educational  
14 institution, maintained as a community service and administered by  
15 parents of children currently enrolled in the preschool, that  
16 provides an educational and developmental program for children  
17 younger than compulsory school age, that provides an educational  
18 program for parents, including active participation with children  
19 in preschool activities, that is directed by qualified preschool  
20 personnel, and that is licensed ~~pursuant to~~**under** 1973 PA 116, MCL  
21 722.111 to 722.128.

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

25 (i) Sales in activities that are mainly commercial enterprises.

26 (ii) Sales of vehicles licensed for use on public highways  
27 other than a passenger van or bus with a manufacturer's rated  
28 seating capacity of 10 or more that is used primarily for the  
29 transportation of ~~persons~~**individuals** for religious purposes.

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

3 (d) The sale of a vessel designated for commercial use of  
4 registered tonnage of 500 tons or more, if produced upon special  
5 order of the purchaser, and bunker and galley fuel, provisions,  
6 supplies, maintenance, and repairs for the exclusive use of the  
7 vessel engaged in interstate commerce.

8 (e) Except as otherwise provided under subsection (3), a sale  
9 of tangible personal property to a person engaged in a business  
10 enterprise that uses or consumes the tangible personal property,  
11 directly or indirectly, for either the tilling, planting, draining,  
12 caring for, maintaining, or harvesting of things of the soil or the  
13 breeding, raising, or caring for livestock, poultry, or  
14 horticultural products, including the transfers of livestock,  
15 poultry, or horticultural products for further growth.

16 (f) Except as otherwise provided under subsection (3), a sale  
17 of any of the following to a person engaged in a business  
18 enterprise that uses or consumes the following for purposes as  
19 described in subdivision (e):

20 (i) Machinery that is capable of simultaneously harvesting  
21 grain or other crops and biomass and machinery used for the purpose  
22 of harvesting biomass.

23 (ii) Agricultural land tile and subsurface irrigation pipe.

24 (iii) Portable grain bins, including tangible personal property  
25 affixed or to be affixed to portable grain bins and directly used  
26 in the operation of a portable grain bin.

27 (iv) Grain drying equipment and the fuel or energy source that  
28 powers that equipment, including tangible personal property affixed  
29 or to be affixed to that equipment and directly used in the

1 operation of grain drying equipment.

2 (v) Tangible personal property purchased and installed as a  
3 component part of a structure such as a barn or shop, including,  
4 but not limited to, a water supply system, heating and cooling  
5 system, lighting system, milking system, or any other appurtenance  
6 used for purposes described in this subdivision or subdivision (e),  
7 including the maintenance or improvement of existing structures, to  
8 the extent that it is not permanently affixed to and does not  
9 become a structural part of real estate. For purposes of this  
10 subparagraph and subsection (3), property installed as a component  
11 part of a structure as provided in this subparagraph is not  
12 permanently affixed to or a structural part of real estate if it is  
13 assembled and installed in a manner that it can be disassembled  
14 without affecting the physical structural functionality of the  
15 original structure and reassembled and reused for any of the  
16 purposes described in this subdivision or subdivision (e).

17 (vi) Greenhouses, including tangible personal property affixed  
18 to or to be affixed to greenhouses and directly used in the  
19 operation of a greenhouse. For purposes of subsection (3), a  
20 greenhouse is not permanently affixed to or a structural part of  
21 real estate if it is assembled and installed in a manner that it  
22 can be disassembled and reassembled without affecting the  
23 functionality of the greenhouse upon being reassembled.

24 (g) The sale of agricultural land tile, subsurface irrigation  
25 pipe, portable grain bins, greenhouses, and grain drying equipment  
26 to a person in the business of constructing, altering, repairing,  
27 or improving real estate for others to the extent that it is  
28 affixed to and made a structural part of real estate for others and  
29 is used for an exempt purpose described under subdivision (e) or

1 (f).

2 (h) The sale of tangible personal property used in the direct  
3 gathering of fish, by net, line, or otherwise, by an owner-operator  
4 of a business enterprise, not including a charter fishing business  
5 enterprise.

6 (i) The sale of a copyrighted motion picture film or a  
7 newspaper or periodical admitted under federal postal laws and  
8 regulations effective September 1, 1985 as second-class mail matter  
9 or as a controlled circulation publication or qualified to accept  
10 legal notices for publication in this state, as defined by law, or  
11 any other newspaper or periodical of general circulation,  
12 established not less than 2 years, and published not less than once  
13 a week. Tangible personal property used or consumed in producing a  
14 copyrighted motion picture film, a newspaper published more than 14  
15 times per year, or a periodical published more than 14 times per  
16 year, and not becoming a component part of that film, newspaper, or  
17 periodical is subject to the tax. Tangible personal property used  
18 or consumed in producing a newspaper published 14 times or less per  
19 year or a periodical published 14 times or less per year and that  
20 portion or percentage of tangible personal property used or  
21 consumed in producing an advertising supplement that becomes a  
22 component part of a newspaper or periodical is exempt from the tax  
23 under this subdivision. For purposes of this subdivision, tangible  
24 personal property that becomes a component part of a newspaper or  
25 periodical and consequently not subject to tax includes an  
26 advertising supplement inserted into and circulated with a  
27 newspaper or periodical that is otherwise exempt from tax under  
28 this subdivision, if the advertising supplement is delivered  
29 directly to the newspaper or periodical by a person other than the

1 advertiser, or the advertising supplement is printed by the  
2 newspaper or periodical.

3 (j) A sale of tangible personal property to persons licensed  
4 to operate commercial radio or television stations if the property  
5 is used in the origination or integration of the various sources of  
6 program material for commercial radio or television transmission.  
7 This subdivision does not include a vehicle licensed and titled for  
8 use on public highways or property used in the transmission to or  
9 receiving from an artificial satellite.

10 (k) The sale of a prosthetic device, durable medical  
11 equipment, or mobility enhancing equipment.

12 (l) The sale of a vehicle not for resale to a Michigan  
13 nonprofit corporation organized exclusively to provide a community  
14 with ambulance or fire department services.

15 (m) Before October 1, 2012, a sale of tangible personal  
16 property to inmates in a penal or correctional institution  
17 purchased with scrip or its equivalent issued and redeemed by the  
18 institution.

19 (n) A sale of textbooks sold by a public or nonpublic school  
20 to or for the use of students enrolled in any part of a  
21 kindergarten through twelfth grade program.

22 (o) A sale of tangible personal property installed as a  
23 component part of a water pollution control facility for which a  
24 tax exemption certificate is issued ~~pursuant to~~**under** part 37 of  
25 the natural resources and environmental protection act, 1994 PA  
26 451, MCL 324.3701 to 324.3708, or an air pollution control facility  
27 for which a tax exemption certificate is issued ~~pursuant to~~**under**  
28 part 59 of the natural resources and environmental protection act,  
29 1994 PA 451, MCL 324.5901 to 324.5908.

1 (p) The sale or lease of the following to an industrial  
2 laundry:

3 (i) Textiles and disposable products including, but not limited  
4 to, soap, paper, chemicals, tissues, deodorizers and dispensers,  
5 and all related items such as packaging, supplies, hangers, name  
6 tags, and identification tags.

7 (ii) Equipment, whether owned or leased, used to repair and  
8 dispense textiles including, but not limited to, roll towel  
9 cabinets, slings, hardware, lockers, mop handles and frames, and  
10 carts.

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

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

15 (v) Production washroom equipment and mending and packaging  
16 supplies and equipment.

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

19 (vii) Wastewater pretreatment equipment and supplies and  
20 related maintenance and repair services.

21 (q) A sale of tangible personal property to a person holding a  
22 direct payment permit under section 8 of the use tax act, 1937 PA  
23 94, MCL 205.98.

24 (r) The sale of a dental prosthesis.

25 (s) A sale of tangible personal property that is specifically  
26 designed for, and directly used in, the harvesting of aquatic  
27 vegetation from the waters of the state, including parts and  
28 materials used for repairs of that tangible personal property, to a  
29 person engaged in a business enterprise of harvesting aquatic

1 vegetation and ultimately used for purposes described in  
2 subdivision (e) or (f). This exemption does not include a motor  
3 vehicle licensed or required to be licensed for use on the public  
4 roads or highways of this state or tangible personal property  
5 permanently affixed to and becoming a structural part of real  
6 estate.

7 (t) A sale or lease of a school bus or transportation-related  
8 services, and parts or adaptive equipment affixed or to be affixed  
9 to a school bus ~~which~~**that** are used in the repair, maintenance,  
10 accommodation, or modification of a school bus, if the school bus  
11 or services are primarily used in the performance of a contract  
12 entered into with an authorized representative of a school for the  
13 transportation of preprimary, primary, or secondary school pupils  
14 to or from a school or school-related events authorized by the  
15 administration of the school. However, if the school bus is used to  
16 provide transportation-related services other than to or from a  
17 school or school-related event authorized by the administration of  
18 the school to a nonexempt entity, then the amount paid for those  
19 services by the nonexempt entity is not exempt under this  
20 subdivision. As used in this subdivision:

21 (i) "Lease" means any transfer of possession or control for a  
22 fixed or indeterminate term for consideration and may include  
23 future options to purchase or extend.

24 (ii) "School" means a public school or public school academy as  
25 those terms are defined in section 5 of the revised school code,  
26 1976 PA 451, MCL 380.5.

27 (iii) "School bus" means that term as defined in section 7 of  
28 the pupil transportation act, 1990 PA 187, MCL 257.1807.

29 **(u) The sale of feminine hygiene products after September 30,**



1 2021. As used in this subdivision, "feminine hygiene products"  
2 means tampons, panty liners, menstrual cups, sanitary napkins, and  
3 other similar tangible personal property designed for feminine  
4 hygiene in connection with the human menstrual cycle.

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

10 (3) The exemptions under subsection (1)(e), (f), (g), and (h)  
11 do not include transfers of food, fuel, clothing, or any similar  
12 tangible personal property for personal living or human consumption  
13 or tangible personal property permanently affixed to and becoming a  
14 structural part of real estate unless it is agricultural land tile,  
15 subsurface irrigation pipe, a portable grain bin, or grain drying  
16 equipment.

17 (4) ~~Subsections~~ **Subsection** (1)(e), (f), and (g) as amended by  
18 2018 PA 113 ~~are~~ **is** intended to be retroactive and to apply to all  
19 periods open under section 27a of 1941 PA 122, MCL 205.27a, but ~~do~~  
20 **does** not apply to any refund claims filed ~~prior to~~ **before** April 9,  
21 2018.

22 (5) As used in this section:

23 (a) "Agricultural land tile" means fired clay or perforated  
24 plastic tubing used as part of a subsurface drainage system for  
25 land.

26 (b) "Algae" means any of the group of nonvascular aquatic  
27 plants ~~which~~ **that** do not have stems, flowers, leaves, and roots,  
28 and ~~which~~ **that** are single-celled, colonial, or filamentous forms.

29 (c) "Aquatic vegetation" means both algae and higher aquatic

1 plants.

2 (d) "Biomass" means crop residue used to produce energy or  
3 agricultural crops grown specifically for the production of energy.

4 (e) "Greenhouse" means a structure covered with transparent or  
5 translucent materials for the purpose of admitting natural light  
6 and controlling the atmosphere for growing horticultural products.  
7 Greenhouse does not include a structure primarily used to grow  
8 marihuana.

9 (f) "Higher aquatic plant" means any of the group of  
10 vascularized plants ~~which~~**that** have true stems, flowers, leaves,  
11 and roots, ~~which~~**that** live in water, and ~~which~~**that** belong to the  
12 class Angiospermae.

13 (g) "Portable grain bin" means a structure that is used or is  
14 to be used to shelter grain and that is designed to be disassembled  
15 without significant damage to its component parts.

16 (h) "Waters of the state" means that term as defined in  
17 section 3302 of the natural resources and environmental protection  
18 act, 1994 PA 451, MCL 324.3302.

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

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

27 (3) Sixty percent of the collections of the tax imposed at a  
28 rate of 4% must be deposited in the state school aid fund  
29 established in section 11 of article IX of the state constitution

1 of 1963 and distributed as provided by law. In addition, all of the  
2 collections of the tax imposed at the additional rate of 2%  
3 approved by the electors on March 15, 1994 must be deposited in the  
4 state school aid fund.

5 (4) Except as otherwise provided in this subsection, not less  
6 than 27.9% of 25% of the collections of the general sales tax  
7 imposed at a rate of 4% directly or indirectly on fuels sold to  
8 propel motor vehicles upon highways, on the sale of motor vehicles,  
9 and on the sale of the parts and accessories of motor vehicles by  
10 new and used car businesses, used car businesses, accessory dealer  
11 businesses, and gasoline station businesses as classified by the  
12 department must be deposited each year into the comprehensive  
13 transportation fund. For the fiscal year ending September 30, 2021  
14 only, the amount deposited into the comprehensive transportation  
15 fund under this subsection must be reduced by \$18,000,000.00 and  
16 that \$18,000,000.00 must be deposited into the transportation  
17 administration collection fund.

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

25 (a) An amount equal to 35% of the collections of the tax  
26 imposed at a rate of 2% on the sale at retail of aviation fuel must  
27 be deposited in the state aeronautics fund and must be expended, on  
28 appropriation, only for those purposes authorized in the  
29 aeronautics code of the state of Michigan, 1945 PA 327, MCL 259.1

1 to 259.208.

2 (b) An amount equal to 65% of the collections of the tax  
3 imposed at a rate of 2% on the sale at retail of aviation fuel must  
4 be deposited in the qualified airport fund and must be expended, on  
5 appropriation, only for those purposes authorized under section 35  
6 of the aeronautics code of the state of Michigan, 1945 PA 327, MCL  
7 259.35.

8 (6) The department shall, on an annual basis, reconcile the  
9 amounts distributed under subsection (5) during each fiscal year  
10 with the amounts actually collected for a particular fiscal year  
11 and shall make any necessary adjustments, positive or negative, to  
12 the amounts to be distributed for the next successive calendar  
13 quarter that begins January 1. The state treasurer or his or her  
14 designee shall annually provide to the operator of each qualified  
15 airport a report of the reconciliation performed under this  
16 subsection. The reconciliation report is subject to the  
17 confidentiality restrictions and penalties provided in section  
18 28(1)(f) of 1941 PA 122, MCL 205.28.

19 (7) An amount equal to the collections of the tax imposed at a  
20 rate of 4% under this act from the sale at retail of computer  
21 software must be deposited in the Michigan health initiative fund  
22 created in section 5911 of the public health code, 1978 PA 368, MCL  
23 333.5911, and must be considered in addition to, and is not  
24 intended as a replacement for any other money appropriated to the  
25 department of health and human services. The funds deposited in the  
26 Michigan health initiative fund on an annual basis must not be less  
27 than \$9,000,000.00 or more than \$12,000,000.00.

28 (8) An amount equal to all revenue lost to the state school  
29 aid fund as a result of the ~~exemption~~ **exemptions** under ~~section~~

1 **sections 4a(1)(u) and 4ee**, as determined by the department, must be  
2 deposited into the state school aid fund established in section 11  
3 of article IX of the state constitution of 1963. Money deposited  
4 into the state school aid fund under this subsection must not  
5 include and must be considered in addition to money deposited in  
6 the state school aid fund under subsection (3). A person that  
7 claims an exemption under section 4ee shall report the sales price  
8 of the data center equipment as defined in section 4ee and any  
9 other information necessary to determine the amount of revenue lost  
10 to the **state** school aid fund as a result of the exemption under  
11 section 4ee annually on a form at the time and in a manner  
12 prescribed by the department. The report required under this  
13 subsection must not include any remittance for tax, and does not  
14 constitute a return or otherwise alleviate any obligations under  
15 section 6.

16 (9) The balance in the state general fund shall be disbursed  
17 only on an appropriation or appropriations by the legislature.

18 (10) As used in this section:

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

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

25 (c) "Qualified airport" means that term as defined in section  
26 109 of the aeronautics code of the state of Michigan, 1945 PA 327,  
27 MCL 259.109.

28 (d) "Qualified airport fund" means the qualified airport fund  
29 created in section 34(2) of the aeronautics code of the state of

1 Michigan, 1945 PA 327, MCL 259.34.

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

5 (f) "Transportation administration collection fund" means the  
6 transportation administration collection fund created in section  
7 810b of the Michigan vehicle code, 1949 PA 300, MCL 257.810b.