

**SUBSTITUTE FOR  
SENATE BILL NO. 159**

A bill to amend 1937 PA 94, entitled  
"Use tax act,"  
by amending sections 2 and 21 (MCL 205.92 and 205.111), section 2  
as amended by 2018 PA 1 and section 21 as amended by 2021 PA 109.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1       Sec. 2. **(1)** As used in this act:  
2       (a) "Person" means an individual, firm, partnership, joint  
3       venture, association, social club, fraternal organization,  
4       municipal or private corporation whether or not organized for  
5       profit, company, limited liability company, estate, trust,  
6       receiver, trustee, syndicate, the United States, this state,  
7       county, or any other group or combination acting as a unit, and the  
8       plural as well as the singular number, unless the intention to give

1 a more limited meaning is disclosed by the context.

2 (b) "Use" means the exercise of a right or power over tangible  
3 personal property incident to the ownership of that property  
4 including transfer of the property in a transaction where  
5 possession is given. Converting tangible personal property acquired  
6 for a use exempt from the tax levied under this act to a use not  
7 exempt from the tax levied under this act is a taxable use.

8 (c) "Storage" means a keeping or retention of property in this  
9 state for any purpose after the property loses its interstate  
10 character.

11 (d) "Seller" means the person from whom a purchase is made and  
12 includes every person selling tangible personal property or  
13 services for storage, use, or other consumption in this state. If,  
14 in the opinion of the department, it is necessary for the efficient  
15 administration of this act to regard a salesperson, representative,  
16 peddler, or canvasser as the agent of a dealer, distributor,  
17 supervisor, or employer under whom the person operates or from whom  
18 ~~he or she~~ **the person** obtains tangible personal property or services  
19 sold by ~~him or her~~ **the person** for storage, use, or other  
20 consumption in this state, irrespective of whether or not ~~he or she~~  
21 **the person** is making the sales on ~~his or her~~ **the person's** own  
22 behalf or on behalf of the dealer, distributor, supervisor, or  
23 employer, the department may so consider ~~him or her,~~ **the person,**  
24 and may consider the dealer, distributor, supervisor, or employer  
25 as the seller for the purpose of this act.

26 (e) "Purchase" means to acquire for a consideration, whether  
27 the acquisition is effected by a transfer of title, of possession,  
28 or of both, or a license to use or consume; whether the transfer is  
29 absolute or conditional, and by whatever means the transfer is

1 effected; and whether consideration is a price or rental in money,  
 2 or by way of exchange or barter. Purchase includes converting  
 3 tangible personal property acquired for a use exempt from the tax  
 4 levied under this act to a use not exempt from the tax levied under  
 5 this act.

6 (f) "Purchase price" or "price" means the total amount of  
 7 consideration paid by the consumer to the seller, including cash,  
 8 credit, property, and services, for which tangible personal  
 9 property or services are sold, leased, or rented, valued in money,  
 10 whether received in money or otherwise, and applies to the measure  
 11 subject to use tax. Purchase price includes the following  
 12 subparagraphs (i) ~~through~~ **to** (vii) and excludes subparagraphs (viii)  
 13 ~~through (xiv) :~~ **to (xv) :**

14 (i) Seller's cost of the property sold.

15 (ii) Cost of materials used, labor or service cost, interest,  
 16 losses, costs of transportation to the seller, taxes imposed on the  
 17 seller other than taxes imposed by this act, and any other expense  
 18 of the seller.

19 (iii) Charges by the seller for any services necessary to  
 20 complete the sale, other than the following:

21 (A) An amount received or billed by the taxpayer for  
 22 remittance to the employee as a gratuity or tip, if the gratuity or  
 23 tip is separately identified and itemized on the guest check or  
 24 billed to the customer.

25 (B) Labor or service charges involved in maintenance and  
 26 repair work on tangible personal property of others if separately  
 27 itemized.

28 (iv) ~~Delivery~~ **Except as otherwise provided in subparagraph**  
 29 **(xv), delivery** charges. ~~incurred or to be incurred before the~~

1 ~~completion of the transfer of ownership of tangible personal~~  
2 ~~property subject to the tax levied under this act from the seller~~  
3 ~~to the purchaser.~~ **A seller is not liable under this act for delivery**  
4 **charges allocated to the delivery of exempt property.**

5 (v) ~~Installation~~ **Except as otherwise provided in subparagraph**  
6 **(xv), installation** charges. ~~incurred or to be incurred before the~~  
7 ~~completion of the transfer of ownership of tangible personal~~  
8 ~~property from the seller to the purchaser.~~

9 (vi) Except as otherwise provided in subparagraphs (xi), (xii),  
10 and (xiv), credit for any trade-in.

11 (vii) Except as otherwise provided in subparagraph (x),  
12 consideration received by the seller from third parties if all of  
13 the following conditions are met:

14 (A) The seller actually receives consideration from a party  
15 other than the purchaser and the consideration is directly related  
16 to a price reduction or discount on the sale.

17 (B) The seller has an obligation to pass the price reduction  
18 or discount through to the purchaser.

19 (C) The amount of the consideration attributable to the sale  
20 is fixed and determinable by the seller at the time of the sale of  
21 the item to the purchaser.

22 (D) One of the following criteria is met:

23 (I) The purchaser presents a coupon, certificate, or other  
24 documentation to the seller to claim a price reduction or discount  
25 where the coupon, certificate, or documentation is authorized,  
26 distributed, or granted by a third party with the understanding  
27 that the third party will reimburse any seller to whom the coupon,  
28 certificate, or documentation is presented.

29 (II) The purchaser identifies himself or herself to the seller

1 as a member of a group or organization entitled to a price  
2 reduction or discount. A preferred customer card that is available  
3 to any patron does not constitute membership in a group or  
4 organization.

5 (III) The price reduction or discount is identified as a third  
6 party price reduction or discount on the invoice received by the  
7 purchaser or on a coupon, certificate, or other documentation  
8 presented by the purchaser.

9 (viii) Interest, financing, or carrying charges from credit  
10 extended on the sale of personal property or services, if the  
11 amount is separately stated on the invoice, bill of sale, or  
12 similar document given to the purchaser.

13 (ix) Any taxes legally imposed directly on the consumer that  
14 are separately stated on the invoice, bill of sale, or similar  
15 document given to the purchaser.

16 (x) Beginning January 1, 2000, employee discounts that are  
17 reimbursed by a third party on sales of motor vehicles.

18 (xi) Beginning November 15, 2013, credit for the agreed-upon  
19 value of a titled watercraft used as part payment of the purchase  
20 price of a new titled watercraft or used titled watercraft  
21 purchased from a watercraft dealer if the agreed-upon value is  
22 separately stated on the invoice, bill of sale, or similar document  
23 given to the purchaser. This subparagraph does not apply to leases  
24 or rentals.

25 (xii) Beginning December 15, 2013, credit for the agreed-upon  
26 value of a motor vehicle or recreational vehicle used as part  
27 payment of the purchase price of a new motor vehicle or used motor  
28 vehicle or recreational vehicle purchased from a dealer if the  
29 agreed-upon value is separately stated on the invoice, bill of

1 sale, or similar document given to the purchaser. This subparagraph  
2 does not apply to leases or rentals. Except as otherwise provided  
3 under subparagraph (xiv), for purposes of this subparagraph, the  
4 agreed-upon value of a motor vehicle or recreational vehicle used  
5 as part payment ~~shall be~~ **is** limited as follows:

6 (A) Beginning December 15, 2013, subject to sub-subparagraphs  
7 (B) and (C), the lesser of the following:

8 (I) \$2,000.00.

9 (II) The agreed-upon value of the motor vehicle or  
10 recreational vehicle used as part payment.

11 (B) Beginning January 1, 2015 and each January 1 thereafter  
12 through December 31, 2018, the amount under sub-subparagraph (A) (I)  
13 ~~shall be~~ **is** increased by an additional \$500.00 each year.

14 (C) Beginning January 1, 2019, subject to sub-subparagraphs  
15 (D) and (E), the lesser of the following:

16 (I) \$5,000.00.

17 (II) The agreed-upon value of the motor vehicle used as part  
18 payment.

19 (D) Beginning January 1, 2020 and each January 1 thereafter,  
20 the amount under sub-subparagraph (C) (I) ~~shall be~~ **is** increased by  
21 an additional \$1,000.00 each year.

22 (E) Beginning on January 1, in the year in which the amount  
23 under sub-subparagraph (C) (I) exceeds \$14,000.00 and each January 1  
24 thereafter, there ~~shall be~~ **is** no limitation on the agreed-upon  
25 value of the motor vehicle used as part payment.

26 (xiii) Beginning January 1, 2017, credit for the core charge  
27 attributable to a recycling fee, deposit, or disposal fee for a  
28 motor vehicle or recreational vehicle part or battery if the  
29 recycling fee, deposit, or disposal fee is separately stated on the

1 invoice, bill of sale, or similar document given to the purchaser.

2 (xiv) Beginning January 1, 2018, credit for the agreed-upon  
3 value of a recreational vehicle used as part payment of the  
4 purchase price of a recreational vehicle purchased from a dealer if  
5 the agreed-upon value is separately stated on the invoice, bill of  
6 sale, or similar document given to the purchaser. This subparagraph  
7 does not apply to leases or rentals.

8 (xv) **Delivery or installation charges if such charges are**  
9 **separately stated on the invoice, bill of sale, or similar document**  
10 **provided to the purchaser, and the taxpayer maintains its books and**  
11 **records to show separately the transactions used to determine the**  
12 **tax levied by this act. This subdivision does not apply to delivery**  
13 **or installation charges involving or relating to the sale of**  
14 **electricity, natural gas, or artificial gas by a utility.**

15 (g) "Consumer" means the person who has purchased tangible  
16 personal property or services for storage, use, or other  
17 consumption in this state and includes, but is not limited to, 1 or  
18 more of the following:

19 (i) A person acquiring tangible personal property if engaged in  
20 the business of constructing, altering, repairing, or improving the  
21 real estate of others.

22 (ii) A person who has converted tangible personal property or  
23 services acquired for storage, use, or consumption in this state  
24 that is exempt from the tax levied under this act to storage, use,  
25 or consumption in this state that is not exempt from the tax levied  
26 under this act.

27 (h) "Business" means all activities engaged in by a person or  
28 caused to be engaged in by a person with the object of gain,  
29 benefit, or advantage, either direct or indirect.

1 (i) "Department" means the department of treasury.

2 (j) "Tax" includes all taxes, interest, or penalties levied  
3 under this act.

4 (k) "Tangible personal property" means personal property that  
5 can be seen, weighed, measured, felt, or touched or that is in any  
6 other manner perceptible to the senses and includes electricity,  
7 water, gas, steam, and prewritten computer software.

8 (l) "Textiles" means goods that are made of or incorporate  
9 woven or nonwoven fabric, including, but not limited to, clothing,  
10 shoes, hats, gloves, handkerchiefs, curtains, towels, sheets,  
11 pillows, pillowcases, tablecloths, napkins, aprons, linens, floor  
12 mops, floor mats, and thread. Textiles also include materials used  
13 to repair or construct textiles, or other goods used in the rental,  
14 sale, or cleaning of textiles.

15 (m) "Interstate motor carrier" means a person who operates or  
16 causes to be operated a qualified commercial motor vehicle on a  
17 public road or highway in this state and at least 1 other state or  
18 Canadian province.

19 (n) "Qualified commercial motor vehicle" means that term as  
20 defined in section 1(l), (m), and (n) of the motor carrier fuel tax  
21 act, 1980 PA 119, MCL 207.211.

22 (o) "Diesel fuel" means that term as defined in section 2(q)  
23 of the motor fuel tax act, 2000 PA 403, MCL 207.1002.

24 (p) "Sale" means a transaction by which tangible personal  
25 property or services are purchased or rented for storage, use, or  
26 other consumption in this state.

27 (q) "Convert" means putting a service or tangible personal  
28 property acquired for a use exempt from the tax levied under this  
29 act at the time of acquisition to a use that is not exempt from the



1 tax levied under this act, whether the use is in whole or in part,  
2 or permanent or not permanent. A motor vehicle purchased for resale  
3 by a new vehicle dealer licensed under section 248(8) (a) of the  
4 Michigan vehicle code, 1949 PA 300, MCL 257.248, and not titled in  
5 the name of the dealer ~~shall-is~~ not ~~be-~~considered to be converted  
6 ~~prior to-before~~ sale or lease by that dealer.

7 (r) "New motor vehicle" means that term as defined in section  
8 33a of the Michigan vehicle code, 1949 PA 300, MCL 257.33a.

9 (s) "Recreational vehicle" means that term as defined in  
10 section 49a of the Michigan vehicle code, 1949 PA 300, MCL 257.49a.

11 (t) "Dealer" means that term as defined in section 11 of the  
12 Michigan vehicle code, 1949 PA 300, MCL 257.11.

13 (u) "Watercraft dealer" means a dealer as that term is defined  
14 in section 80102 of the natural resources and environmental  
15 protection act, 1994 PA 451, MCL 324.80102.

16 (v) "Utility" means either of the following:

17 (i) A person regulated by the Michigan public service  
18 commission as a utility.

19 (ii) A person that operates equipment or facilities for  
20 producing, generating, transmitting, delivering, or furnishing  
21 electricity within this state for the public for compensation,  
22 regardless of the person's owner, ownership structure, or  
23 regulation by the Michigan public service commission.

24 (2) Notwithstanding anything to the contrary in this act, the  
25 following applies only to delivery and installation charges  
26 described in subsection (1) (f) (iv) or (v), except that this  
27 subsection does not apply to delivery and installation charges  
28 involving or relating to the sale of electricity, natural gas, or  
29 artificial gas by a utility:

1 (a) Not later than 90 days after the effective date of the  
 2 amendatory act that added this subsection, the department shall  
 3 cancel all outstanding balances related to such delivery and  
 4 installation charges on notices of intent to assess that were  
 5 issued under section 21 of 1941 PA 122, MCL 205.21, for the tax  
 6 levied under this act and that were issued before the effective  
 7 date of the amendatory act that added this subsection.

8 (b) Not later than 90 days after the effective date of the  
 9 amendatory act that added this subsection, the department shall  
 10 cancel all outstanding balances related to such delivery and  
 11 installation charges on final assessments that were issued under  
 12 section 22 of 1941 PA 122, MCL 205.22, for the tax levied under  
 13 this act, and that were issued before the effective date of the  
 14 amendatory act that added this subsection.

15 (c) After the effective date of the amendatory act that added  
 16 this subsection, the department shall not issue any new assessments  
 17 for the tax levied under this act on such delivery and installation  
 18 charges for any tax period before the effective date of the  
 19 amendatory act that added this subsection that is open under the  
 20 statute of limitations provided in section 27a of 1941 PA 122, MCL  
 21 205.27a.

22 Sec. 21. (1) Except as **otherwise** provided in ~~subsections (2),~~  
 23 ~~(3), (4), and (5),~~ **this section**, all money received and collected  
 24 under this act must be deposited by the department of treasury in  
 25 the state treasury to the credit of the general fund, to be  
 26 disbursed only by appropriations by the legislature.

27 (2) The collections from the use tax imposed at the additional  
 28 rate of 2% approved by the electors on March 15, 1994 must be  
 29 deposited in the state school aid fund. ~~established in section 11~~

1 ~~of article IX of the state constitution of 1963.~~

2       (3) ~~From~~ **In addition to the money deposited in the state**  
 3 **school aid fund under subsection (2), from** the money received and  
 4 collected under this act for the state share, an amount equal to  
 5 ~~all the sum of the following, as determined by the department, must~~  
 6 **be deposited in the state school aid fund:**

7       **(a) All** revenue lost under the state education tax act, 1993  
 8 PA 331, MCL 211.901 to 211.906, ~~and all as a result of the~~  
 9 **exemption of personal property under sections 9m, 9n, and 9o of the**  
 10 **general property tax act, 1893 PA 206, MCL 211.9m, 211.9n, and**  
 11 **211.9o.**

12       **(b) All** revenue lost from basic school operating mills ~~as a~~  
 13 result of the exemption of personal property under sections 9m, 9n,  
 14 and 9o of the general property tax act, 1893 PA 206, MCL 211.9m,  
 15 211.9n, and 211.9o. ~~and all~~

16       **(c) All** revenue lost to the **state** school aid fund as a result  
 17 of the ~~exemptions~~ **exemption** under ~~sections~~ **section** 4(1)(gg). ~~and~~

18       **(d) All revenue lost to the state school aid fund as a result**  
 19 **of the exemption under section 4cc.** ~~as determined by the~~  
 20 ~~department, must be deposited into the state school aid fund~~  
 21 ~~established by section 11 of article IX of the state constitution~~  
 22 ~~of 1963. Funds deposited into the state school aid fund under this~~  
 23 ~~subsection must not include the portion of the state share of the~~  
 24 ~~use tax imposed at the additional rate of 2% approved by the~~  
 25 ~~electors of this state on March 15, 1994 and dedicated for aid to~~  
 26 ~~schools under subsection (2). A person that claims an exemption~~  
 27 under section 4cc shall report the purchase price of the data  
 28 center equipment as defined in section 4cc and any other  
 29 information necessary to determine the amount of revenue lost to

1 the **state** school aid fund as a result of the exemption under  
 2 section 4cc annually on a form at the time and in a manner  
 3 prescribed by the department. The report required under this  
 4 ~~subsection~~**subdivision** must not include any remittance for tax and  
 5 does not constitute a return or otherwise alleviate the person's  
 6 obligations under section 6.

7 **(e) All revenue lost to the state school aid fund as a result**  
 8 **of the exclusion under section 2(1)(f)(xv).**

9 (4) Money received and collected under this act for the local  
 10 community stabilization share is not state funds, must not be  
 11 credited to the state treasury, and must be transmitted to the  
 12 authority for deposit in the treasury of the authority, to be  
 13 disbursed by the authority only as authorized under the local  
 14 community stabilization authority act, 2014 PA 86, MCL 123.1341 to  
 15 123.1362. The local community stabilization share is a local tax,  
 16 not a state tax, and money received and collected for the local  
 17 community stabilization share is money of the authority and not  
 18 money of this state.

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

27 (a) An amount equal to 35% of the collections of the tax  
 28 imposed at a rate of 2% on the use, storage, or consumption of  
 29 aviation fuel must be deposited in the state aeronautics fund and

1 must be expended, on appropriation, only for those purposes  
2 authorized in the aeronautics code of the state of Michigan, 1945  
3 PA 327, MCL 259.1 to 259.208.

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

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

21 (7) As used in this section:

22 (a) "Aviation fuel" means fuel as that term is defined in  
23 section 4 of the aeronautics code of the state of Michigan, 1945 PA  
24 327, MCL 259.4.

25 (b) "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 (c) "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 (d) "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 (e) "State school aid fund" means the state school aid fund  
6 established in section 11 of article IX of the state constitution  
7 of 1963.