

# HOUSE BILL NO. 5595

March 14, 2024, Introduced by Reps. BeGole, Bezotte, Kunse, Beson, Bierlein, Johnsen, Neyer, Arbit, Jaime Greene, Schmaltz, Roth, Phil Green, Aragona, St. Germaine, Harris and DeBoyer 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 2018 PA 530.

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

1           Sec. 4q. (1) ~~A~~ **Subject to subsection (5)**, a sale of tangible  
2 personal property not for resale to the following ~~, subject to~~  
3 ~~subsection (5)~~, is exempt from 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

1 issued an exemption ruling letter to purchase items exempt from tax  
2 before July 17, 1998 signed by the administrator of the sales, use,  
3 and withholding taxes division of the department.

4 (b) An organization not operated for profit and exempt from  
5 federal income tax under section 501(c)(3) or ~~501(e)(4)~~ **(4)** of the  
6 internal revenue code **of 1986**, 26 USC 501.

7 (c) An organization not operated for profit and exempt from  
8 federal income tax under section 501(c)(19) of the internal revenue  
9 code **of 1986**, 26 USC 501.

10 (2) ~~The~~ **Except as otherwise provided in subsection (6), the**  
11 exemptions provided for in subsection (1) do not apply to any of  
12 the following:

13 (a) Sales of tangible personal property and sales of vehicles  
14 licensed for use on public highways that are not used primarily to  
15 carry out the purposes of the organization or to raise funds or  
16 obtain resources necessary to carry out the purposes of the  
17 organization as stated in the bylaws or articles of incorporation  
18 of the exempt entity.

19 (b) Sales of tangible personal property or vehicles used for  
20 purposes of raising funds or obtaining resources if the sales price  
21 exceeds the following:

22 (i) For an organization exempt under subsection (1)(a) or (b),  
23 \$5,000.00.

24 (ii) For an organization exempt under subsection (1)(c),  
25 \$25,000.00.

26 (3) At the time of the transfer of the tangible personal  
27 property exempt under subsection (1), the transferee shall do 1 of  
28 the following:

29 (a) Present the exemption ruling letter signed by the

1 administrator of the sales, use, and withholding taxes division of  
2 the department certifying that the property is to be used or  
3 consumed in connection with the operation of the organization.

4 (b) **Do both of the following:**

5 (i) Present a signed statement, on a form approved by the  
6 department, stating **1 of the following:**

7 (A) **If subsection (6) does not apply,** that the property is to  
8 be used or consumed in connection with the operation of the  
9 organization, to carry out the purpose or purposes of the  
10 organization, or to raise funds or obtain resources necessary for  
11 the operation of the organization, that the organization qualifies  
12 as an exempt organization under this section, and that the sales  
13 price of any single item of tangible personal property or vehicle  
14 purchased for purposes of raising funds or obtaining resources does  
15 not exceed the applicable cap amount established in subsection  
16 (2) (b). ~~The transferee shall also provide~~

17 (B) **If subsection (6) applies, that the property is prepared**  
18 **food to be used or consumed in connection with a fundraiser or**  
19 **other organized event held by the organization and that the**  
20 **organization qualifies as an exempt organization under this**  
21 **section.**

22 (ii) **Provide** to the transferor a copy of the federal exemption  
23 letter. However, a copy of the federal exemption letter is not  
24 required if the organization is exempt from filing an application  
25 for exempt status with the ~~internal revenue service.~~**Internal**  
26 **Revenue Service.**

27 (4) The letter provided under subsection (3) (a) and the  
28 statement with the accompanying letter provided under subsection  
29 (3) (b) shall be accepted by all courts as prima facie evidence of

1 the exemption and the statement shall provide that if the claim for  
2 tax exemption is disallowed, the transferee will reimburse the  
3 transferor for the amount of tax involved.

4 **(5) Except as otherwise provided in subsection (6), all of the**  
5 **following limitations apply to an exemption under subsection (1):**

6 **(a)** The tangible personal property under subsection (1) is  
7 exempt only to the extent that the property is used to carry out  
8 the purposes of the organization or to raise funds or obtain  
9 resources necessary to carry out the purposes of the organization  
10 as stated in the organization's bylaws or articles of  
11 incorporation.

12 **(b)** The exemption for purposes of carrying out the purposes of  
13 the organization as stated in its bylaws or articles of  
14 incorporation is limited to the percentage of exempt use to total  
15 use determined by a reasonable formula or method approved by the  
16 department.

17 **(c)** The exemption for any single item of tangible personal  
18 property or vehicle used to raise funds or obtain resources is  
19 limited to a sales price that does not exceed \$5,000.00 for an  
20 organization exempt under subsection (1) (a) or (b) and \$25,000.00  
21 for an organization exempt under subsection (1) (c).

22 **(6) A sale of prepared food to an organization described in**  
23 **subsection (1) to be used or consumed in connection with a**  
24 **fundraiser or other organized event held by the organization is**  
25 **exempt from the tax under this act under subsection (1) without**  
26 **regard to the limitations described in subsections (2) and (5).**

27 **(7) As used in this section, "prepared food" means that term**  
28 **as defined in section 4g.**