

**SENATE SUBSTITUTE FOR
HOUSE BILL NO. 4939**

A bill to amend 1933 PA 167, entitled
"General sales tax act,"
by amending sections 1 and 25 (MCL 205.51 and 205.75), section 1 as
amended by 2018 PA 2 and section 25 as amended by 2021 PA 108.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 1. (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 organized for profit or
5 not, company, estate, trust, receiver, trustee, syndicate, the
6 United States, this state, county, or any other group or
7 combination acting as a unit, and includes the plural as well as
8 the singular number, unless the intention to give a more limited



1 meaning is disclosed by the context.

2 (b) "Sale at retail" or "retail sale" means a sale, lease, or
3 rental of tangible personal property for any purpose other than for
4 resale, sublease, or subrent.

5 (c) "Gross proceeds" means sales price.

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

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

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

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

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

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

27 (iv) Delivery charges incurred or to be incurred before the
28 completion of the transfer of ownership of tangible personal
29 property subject to the tax levied under this act from the seller



1 to the purchaser. A seller is not liable under this act for
2 delivery charges allocated to the delivery of exempt property.

3 (v) Installation charges incurred or to be incurred before the
4 completion of the transfer of ownership of tangible personal
5 property from the seller to the purchaser.

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

8 (vii) Except as otherwise provided in subparagraph (x) **or (xv)**,
9 consideration received by the seller from third parties if all of
10 the following conditions are met:

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

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

16 (C) The amount of the consideration attributable to the sale
17 is fixed and determinable by the seller at the time of the sale of
18 the item to the purchaser.

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

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

26 (II) The purchaser identifies himself or herself to the seller
27 as a member of a group or organization entitled to a price
28 reduction or discount. A preferred customer card that is available
29 to any patron does not constitute membership in a group or



1 organization.

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

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

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

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

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

22 (xii) Beginning December 15, 2013, credit for the agreed-upon
23 value of a motor vehicle or recreational vehicle used as part
24 payment of the purchase price of a new motor vehicle or used motor
25 vehicle or recreational vehicle purchased from a dealer if the
26 agreed-upon value is separately stated on the invoice, bill of
27 sale, or similar document given to the purchaser. This subparagraph
28 does not apply to leases or rentals. Except as otherwise provided
29 under subparagraph (xiv), for purposes of this subparagraph, the



1 agreed-upon value of a motor vehicle or recreational vehicle used
2 as part payment ~~shall be~~ **is** limited as follows:

3 (A) Beginning December 15, 2013, subject to sub-subparagraphs

4 (B) and (C), the lesser of the following:

5 (I) \$2,000.00.

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

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

11 (C) Beginning January 1, 2019, subject to sub-subparagraphs

12 (D) and (E), the lesser of the following:

13 (I) \$5,000.00.

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

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

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

23 (xiii) Beginning January 1, 2017, credit for the core charge
24 attributable to a recycling fee, deposit, or disposal fee for a
25 motor vehicle or recreational vehicle part or battery if the
26 recycling fee, deposit, or disposal fee is separately stated on the
27 invoice, bill of sale, or similar document given to the purchaser.

28 (xiv) Beginning January 1, 2018, credit for the agreed-upon
29 value of a recreational vehicle used as part payment of the



1 purchase price of a recreational vehicle purchased from a dealer if
2 the agreed-upon value is separately stated on the invoice, bill of
3 sale, or similar document given to the purchaser. This subparagraph
4 does not apply to leases or rentals.

5 **(xv) Beginning on January 1, 2023, manufacturer rebates on**
6 **motor vehicles.**

7 (e) "Business" includes an activity engaged in by a person or
8 caused to be engaged in by that person with the object of gain,
9 benefit, or advantage, either direct or indirect.

10 (f) "Tax year" or "taxable year" means the fiscal year of ~~the~~
11 **this** state or the taxpayer's fiscal year if permission is obtained
12 by the taxpayer from the department to use the taxpayer's fiscal
13 year as the tax period instead.

14 (g) "Department" means the department of treasury.

15 (h) "Taxpayer" means a person subject to a tax under this act.

16 (i) "Tax" includes a tax, interest, or penalty levied under
17 this act.

18 (j) "Textiles" means goods that are made of or incorporate
19 woven or nonwoven fabric, including, but not limited to, clothing,
20 shoes, hats, gloves, handkerchiefs, curtains, towels, sheets,
21 pillows, pillow cases, tablecloths, napkins, aprons, linens, floor
22 mops, floor mats, and thread. Textiles also include materials used
23 to repair or construct textiles, or other goods used in the rental,
24 sale, or cleaning of textiles.

25 (k) "New motor vehicle" means that term as defined in section
26 33a of the Michigan vehicle code, 1949 PA 300, MCL 257.33a.

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

29 (m) "Dealer" means that term as defined in section 11 of the



1 Michigan vehicle code, 1949 PA 300, MCL 257.11.

2 (n) "Watercraft dealer" means a dealer as that term is defined
3 in section 80102 of the natural resources and environmental
4 protection act, 1994 PA 451, MCL 324.80102.

5 (2) If the department determines that it is necessary for the
6 efficient administration of this act to regard an unlicensed
7 person, including a salesperson, representative, peddler, or
8 canvasser as the agent of the dealer, distributor, supervisor, or
9 employer under whom the unlicensed person operates or from whom the
10 unlicensed person obtains the tangible personal property sold by
11 the unlicensed person, irrespective of whether the unlicensed
12 person is making sales on the unlicensed person's own behalf or on
13 behalf of the dealer, distributor, supervisor, or employer, the
14 department may so regard the unlicensed person and may regard the
15 dealer, distributor, supervisor, or employer as making sales at
16 retail at the retail price for the purposes of this act.

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

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

25 (3) Sixty percent of the collections of the tax imposed at a
26 rate of 4% must be deposited in the state school aid fund
27 ~~established in section 11 of article IX of the state constitution~~
28 ~~of 1963~~ and distributed as provided by law. In addition, all of the
29 collections of the tax imposed at the additional rate of 2%



1 approved by the electors on March 15, 1994 must be deposited in the
2 state school aid fund.

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

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

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

29 (b) An amount equal to 65% of the collections of the tax



1 imposed at a rate of 2% on the sale at retail of aviation fuel must
2 be deposited in the qualified airport fund and must be expended, on
3 appropriation, only for those purposes authorized under section 35
4 of the aeronautics code of the state of Michigan, 1945 PA 327, MCL
5 259.35.

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

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

26 (8) ~~An~~ **In addition to the money deposited in the state school**
27 **aid fund under subsection (3), an** amount equal to ~~all revenue lost~~
28 ~~to the state school aid fund as a result of the exemptions under~~
29 ~~sections 4a(1)(u) and 4ee,~~ **the sum of the following**, as determined



1 by the department, must be deposited into the state school aid
 2 fund: ~~established in section 11 of article IX of the state~~
 3 ~~constitution of 1963. Money deposited into the state school aid~~
 4 ~~fund under this subsection must not include and must be considered~~
 5 ~~in addition to money deposited in the state school aid fund under~~
 6 ~~subsection (3).~~

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

9 **(b) All revenue lost to the state school aid fund as a result**
 10 **of the exemption under section 4ee.** A person that claims an
 11 exemption under section 4ee shall report the sales price of the
 12 data center equipment as defined in section 4ee and any other
 13 information necessary to determine the amount of revenue lost to
 14 the state school aid fund as a result of the exemption under
 15 section 4ee annually on a form at the time and in a manner
 16 prescribed by the department. ~~The~~

17 **(c) All revenue lost to the state school aid fund as a result**
 18 **of the exclusion under section 1(1)(d)(xv).** A person that excludes a
 19 manufacturer rebate from the sales price of a motor vehicle under
 20 section 1(1)(d)(xv) for purposes of calculating the tax due under
 21 this act shall report the amount of the manufacturer rebate on an
 22 existing or amended form provided by the secretary of state. The
 23 secretary of state shall make the rebate information available to
 24 the department.

25 **(9) A** report required under ~~this~~ subsection **(8)** must not
 26 include any remittance for tax, and does not constitute a return or
 27 otherwise alleviate any obligations under section 6.

28 **(10)** ~~(9)~~ The balance in the state general fund shall be
 29 disbursed only on an appropriation or appropriations by the



1 legislature.

2 **(11)** ~~(10)~~—As used in this section:

3 (a) "Aviation fuel" means fuel as that term is defined in
4 section 4 of the aeronautics code of the state of Michigan, 1945 PA
5 327, MCL 259.4.

6 (b) "Comprehensive transportation fund" means the
7 comprehensive transportation fund created in section 10b of 1951 PA
8 51, MCL 247.660b.

9 (c) "Qualified airport" means that term as defined in section
10 109 of the aeronautics code of the state of Michigan, 1945 PA 327,
11 MCL 259.109.

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

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

18 **(f)** "State school aid fund" means the state school aid fund
19 established in section 11 of article IX of the state constitution
20 of 1963.

21 **(g)** ~~(f)~~—"Transportation administration collection fund" means
22 the transportation administration collection fund created in
23 section 810b of the Michigan vehicle code, 1949 PA 300, MCL
24 257.810b.

