

HOUSE BILL NO. 6069

November 12, 2024, Introduced by Reps. Hood, Dievendorf, Steckloff, Paiz, Hill, Tsernoglou, Weiss, Brabec, McKinney, O'Neal, Neeley, Brixie and Scott and referred to the Committee on Tax Policy.

A bill to amend 1937 PA 94, entitled
"Use tax act,"
by amending sections 3 and 21 (MCL 205.93 and 205.111), section 3
as amended by 2015 PA 124 and section 21 as amended by 2023 PA 175,
and by adding section 3d.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 3. (1) There is levied upon and there shall be collected
2 from every person in this state a specific tax, including both the
3 local community stabilization share and the state share, for the
4 privilege of using, storing, or consuming tangible personal
5 property in this state at a total combined rate equal to 6% of the

1 price of the property or services specified in section 3a, ~~or~~ 3b,
2 **or 3d.** The tax levied under this act applies to a person who
3 acquires tangible personal property or services that are subject to
4 the tax levied under this act for any tax-exempt use who
5 subsequently converts the tangible personal property or service to
6 a taxable use, including an interim taxable use. If tangible
7 personal property or services are converted to a taxable use, the
8 tax levied under this act shall be imposed without regard to any
9 subsequent tax-exempt use. Penalties and interest shall be added to
10 the tax if applicable as provided in this act. For the purpose of
11 the proper administration of this act and to prevent the evasion of
12 the tax, all of the following shall be presumed:

13 (a) That tangible personal property purchased is subject to
14 the tax if brought into this state within 90 days of the purchase
15 date and is considered as acquired for storage, use, or other
16 consumption in this state.

17 (b) That tangible personal property used solely for personal,
18 nonbusiness purposes that is purchased outside of this state and
19 that is not an aircraft is exempt from the tax levied under this
20 act if 1 or more of the following conditions are satisfied:

21 (i) The property is purchased by a person who is not a resident
22 of this state at the time of purchase and is brought into this
23 state more than 90 days after the date of purchase.

24 (ii) The property is purchased by a person who is a resident of
25 this state at the time of purchase and is brought into this state
26 more than 360 days after the date of purchase.

27 (2) The tax imposed by this section for the privilege of
28 using, storing, or consuming a vehicle, ORV, manufactured housing,
29 aircraft, snowmobile, or watercraft shall be collected before the

1 transfer of the vehicle, ORV, manufactured housing, aircraft,
 2 snowmobile, or watercraft, except a transfer to a licensed dealer
 3 or retailer for purposes of resale that arises by reason of a
 4 transaction made by a person who does not transfer vehicles, ORVs,
 5 manufactured housing, aircraft, snowmobiles, or watercraft in the
 6 ordinary course of his or her business done in this state. The tax
 7 on a vehicle, ORV, snowmobile, and watercraft ~~shall~~**must** be
 8 collected by the secretary of state before the transfer of the
 9 vehicle, ORV, snowmobile, or watercraft registration. The tax on
 10 manufactured housing ~~shall~~**must** be collected by the department of
 11 licensing and regulatory affairs, ~~mobile home~~**manufactured housing**
 12 commission, or its agent before the transfer of the certificate of
 13 title. The tax on an aircraft ~~shall~~**must** be collected by the
 14 department. ~~of treasury.~~ The price tax base of a new or previously
 15 owned car or truck held for resale by a dealer and that is not
 16 exempt under section 4(1)(c) is the purchase price of the car or
 17 truck multiplied by 2.5% plus \$30.00 per month beginning with the
 18 month that the dealer uses the car or truck in a nonexempt manner.

19 (3) The following transfers or purchases are not subject to
 20 use tax:

21 (a) A transaction or a portion of a transaction if the
 22 transferee or purchaser is the spouse, mother, father, brother,
 23 sister, child, stepparent, stepchild, stepbrother, stepsister,
 24 grandparent, grandchild, legal ward, or a legally appointed
 25 guardian with a certified letter of guardianship, of the
 26 transferor.

27 (b) A transaction or a portion of a transaction if the
 28 transfer is a gift to a beneficiary in the administration of an
 29 estate.

1 (c) If a vehicle, ORV, manufactured housing, aircraft,
2 snowmobile, or watercraft that has once been subjected to the
3 Michigan sales or use tax is transferred in connection with the
4 organization, reorganization, dissolution, or partial liquidation
5 of an incorporated or unincorporated business and the beneficial
6 ownership is not changed.

7 (d) If an insurance company licensed to conduct business in
8 this state acquires ownership of a late model distressed vehicle as
9 defined in ~~section 12a of the~~ Michigan vehicle code, 1949 PA 300,
10 MCL ~~257.12a, 257.1 to 257.923~~, through payment of damages in
11 response to a claim or ~~when~~**if** the person who owned the vehicle
12 before the insurance company reacquires ownership from the company
13 as part of the settlement of a claim.

14 (4) The department may utilize the services, information, or
15 records of any other department or agency of state government or of
16 the authority in the performance of its duties under this act, and
17 other departments or agencies of state government and the authority
18 ~~are required to~~**shall** furnish those services, information, or
19 records upon the request of the department.

20 (5) Beginning on October 1, 2015, the specific tax levied
21 under subsection (1) includes both a state share tax levied by this
22 state and a local community stabilization share tax authorized by
23 2014 PA 80 and levied by the authority, which replaces the reduced
24 state share at the following rates in each of the following state
25 fiscal years:

26 (a) For fiscal year 2015-2016, the local community
27 stabilization share tax rate to be levied by the authority is that
28 rate calculated by the department ~~of treasury~~ on behalf of the
29 authority sufficient to generate \$96,400,000.00 in revenue and the

1 state share tax rate is that rate determined by subtracting the
2 local community stabilization share tax rate from 6%.

3 (b) For fiscal year 2016-2017, the local community
4 stabilization share tax rate to be levied by the authority is that
5 rate calculated by the department ~~of treasury~~ on behalf of the
6 authority sufficient to generate \$380,900,000.00 in revenue and the
7 state share tax rate is that rate determined by subtracting the
8 local community stabilization share tax rate from 6%.

9 (c) For fiscal year 2017-2018, the local community
10 stabilization share tax rate to be levied by the authority is that
11 rate calculated by the department ~~of treasury~~ on behalf of the
12 authority sufficient to generate \$410,800,000.00 in revenue and the
13 state share tax rate is that rate determined by subtracting the
14 local community stabilization share tax rate from 6%.

15 (d) For fiscal year 2018-2019, the local community
16 stabilization share tax rate to be levied by the authority is that
17 rate calculated by the department ~~of treasury~~ on behalf of the
18 authority sufficient to generate \$438,000,000.00 in revenue and the
19 state share tax rate is that rate determined by subtracting the
20 local community stabilization share tax rate from 6%.

21 (e) For fiscal year 2019-2020, the local community
22 stabilization share tax rate to be levied by the authority is that
23 rate calculated by the department ~~of treasury~~ on behalf of the
24 authority sufficient to generate \$465,900,000.00 in revenue and the
25 state share tax rate is that rate determined by subtracting the
26 local community stabilization share tax rate from 6%.

27 (f) For fiscal year 2020-2021, the local community
28 stabilization share tax rate to be levied by the authority is that
29 rate calculated by the department ~~of treasury~~ on behalf of the

1 authority sufficient to generate \$491,500,000.00 in revenue and the
2 state share tax rate is that rate determined by subtracting the
3 local community stabilization share tax rate from 6%.

4 (g) For fiscal year 2021-2022, the local community
5 stabilization share tax rate to be levied by the authority is that
6 rate calculated by the department ~~of treasury~~ on behalf of the
7 authority sufficient to generate \$521,300,000.00 in revenue and the
8 state share tax rate is that rate determined by subtracting the
9 local community stabilization share tax rate from 6%.

10 (h) For fiscal year 2022-2023, the local community
11 stabilization share tax rate to be levied by the authority is that
12 rate calculated by the department ~~of treasury~~ on behalf of the
13 authority sufficient to generate \$548,000,000.00 in revenue and the
14 state share tax rate is that rate determined by subtracting the
15 local community stabilization share tax rate from 6%.

16 (i) For fiscal year 2023-2024, the local community
17 stabilization share tax rate to be levied by the authority is that
18 rate calculated by the department ~~of treasury~~ on behalf of the
19 authority sufficient to generate \$561,700,000.00 in revenue and the
20 state share tax rate is that rate determined by subtracting the
21 local community stabilization share tax rate from 6%.

22 (j) For fiscal year 2024-2025, the local community
23 stabilization share tax rate to be levied by the authority is that
24 rate calculated by the department ~~of treasury~~ on behalf of the
25 authority sufficient to generate \$569,800,000.00 in revenue and the
26 state share tax rate is that rate determined by subtracting the
27 local community stabilization share tax rate from 6%.

28 (k) For fiscal year 2025-2026, the local community
29 stabilization share tax rate to be levied by the authority is that

1 rate calculated by the department ~~of treasury~~ on behalf of the
2 authority sufficient to generate \$571,400,000.00 in revenue and the
3 state share tax rate is that rate determined by subtracting the
4 local community stabilization share tax rate from 6%.

5 (l) For fiscal year 2026-2027, the local community
6 stabilization share tax rate to be levied by the authority is that
7 rate calculated by the department ~~of treasury~~ on behalf of the
8 authority sufficient to generate \$572,200,000.00 in revenue and the
9 state share tax rate is that rate determined by subtracting the
10 local community stabilization share tax rate from 6%.

11 (m) For fiscal year 2027-2028, the local community
12 stabilization share tax rate to be levied by the authority is that
13 rate calculated by the department ~~of treasury~~ on behalf of the
14 authority sufficient to generate \$572,600,000.00 in revenue and the
15 state share tax rate is that rate determined by subtracting the
16 local community stabilization share tax rate from 6%.

17 (n) For fiscal year 2028-2029 and each fiscal year thereafter,
18 the local community stabilization share tax rate to be levied by
19 the authority is that rate calculated by the department ~~of treasury~~
20 on behalf of the authority sufficient to generate the amount
21 distributed under this section in the immediately preceding year
22 adjusted by the personal property growth factor and the state share
23 tax rate is that rate determined by subtracting the local community
24 stabilization share tax rate from 6%.

25 (6) The state share includes the portion of the use tax
26 imposed at the additional rate of 2% approved by the electors of
27 this state on March 15, 1994 and dedicated for aid to schools under
28 section 21(2). The local community stabilization share does not
29 include the portion of the use tax imposed at the additional rate

1 of 2% approved by the electors of this state on March 15, 1994.

2 (7) The total combined rate of the tax levied by this state
3 and the authority under this act, including both the state share,
4 as reduced by 2014 PA 80, and the local community stabilization
5 share, shall not exceed the constitutional limit of 6% under
6 section 8 of article IX of the state constitution of 1963. The
7 authority shall not increase any tax or tax rate, but is authorized
8 to and shall levy the local community stabilization share at the
9 rate provided in subsection (5).

10 **Sec. 3d. (1) Except as otherwise provided in subsection (2),**
11 **beginning January 1, 2026, the use or consumption of any service**
12 **described in subdivisions (a) to (g) that is not already taxed**
13 **under section 3a or 3b is taxed under this act in the same manner**
14 **as tangible personal property is taxed under this act:**

15 (a) Accommodation and food services, as described in NAICS
16 sector code 72.

17 (b) Administrative and support and waste management and
18 remediation services, as described in NAICS sector code 56.

19 (c) Arts, entertainment, and recreation, as described in NAICS
20 sector code 71.

21 (d) Educational services, as described in NAICS sector code
22 61.

23 (e) Leasing of real estate, as described in NAICS industry
24 group code 5311.

25 (f) Leasing of nonfinancial intangible assets (except
26 copyrighted works), as described in NAICS subsector code 533.

27 (g) Professional, scientific, and technical services, as
28 described in NAICS sector code 54.

29 (2) The following services are not subject to tax under this

1 section:

2 (a) Construction, as described in NAICS sector code 23.

3 (b) Transportation and warehousing, as described in NAICS
4 sector codes 48 and 49.

5 (c) Health care and social assistance, as described in NAICS
6 sector code 62.

7 (d) Other services (except public administration), as
8 described in NAICS sector code 81.

9 (3) Subsection (2) does not exempt the use, storage, or
10 consumption of tangible personal property from otherwise being
11 taxed under this act, regardless of whether the tangible personal
12 property is used, stored, or consumed in connection with services
13 described in subsection (2).

14 (4) A service is subject to tax under this section based on
15 the description of that service in the applicable NAICS code and
16 not the classification of the establishment providing that service.

17 (5) For the fiscal year ending September 30, 2025, there is
18 appropriated to the department the sum of \$100,000.00 to begin
19 implementing the requirements of the amendatory act that added this
20 section. Any portion of this amount that is not expended in the
21 fiscal year ending September 30, 2025 must not lapse to the general
22 fund but must be carried forward in a work project account that
23 complies with section 451a of the management and budget act, 1984
24 PA 431, MCL 18.1451a.

25 (6) The services set forth in subsection (1) must be sourced
26 as products as provided in section 20.

27 (7) As used in this section, "NAICS" means North American
28 Industry Classification System, 2022, as produced by the United
29 States Office of Management and Budget.

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

6 (2) The collections from the use tax imposed at the additional
7 rate of 2% approved by the electors on March 15, 1994 must be
8 deposited in the state school aid fund.

9 (3) In addition to the money deposited in the state school aid
10 fund under subsection (2), from the money received and collected
11 under this act for the state share, an amount equal to the sum of
12 the following, as determined by the department, must be deposited
13 in the state school aid fund:

14 (a) All revenue lost under the state education tax act, 1993
15 PA 331, MCL 211.901 to 211.906, as a result of the exemption of
16 personal property under sections 9m, 9n, and 9o of the general
17 property tax act, 1893 PA 206, MCL 211.9m, 211.9n, and 211.9o.

18 (b) All revenue lost from basic school operating mills as a
19 result of the exemption of personal property under sections 9m, 9n,
20 and 9o of the general property tax act, 1893 PA 206, MCL 211.9m,
21 211.9n, and 211.9o.

22 (c) All revenue lost to the state school aid fund as a result
23 of the exemption under section 4(1)(gg).

24 (d) All revenue lost to the state school aid fund as a result
25 of the exemption under section 4cc. A person that claims an
26 exemption under section 4cc shall report the purchase price of the
27 data center equipment as defined in section 4cc and any other
28 information necessary to determine the amount of revenue lost to
29 the state school aid fund as a result of the exemption under

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

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

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

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

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

1 authorized in the aeronautics code of the state of Michigan, 1945
2 PA 327, MCL 259.1 to 259.208.

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

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

20 (7) Beginning with the fiscal year ending September 30, 2024
21 and each fiscal year thereafter, from the money received and
22 collected under this act for the state share, \$75,000,000.00 must
23 be deposited into the local government reimbursement fund created
24 in section 3a of the Michigan trust fund act, 2000 PA 489, MCL
25 12.253a.

26 **(8) Beginning January 1, 2026, from the money received and**
27 **collected under this act for the state share, an amount equal to**
28 **the collections of the tax imposed at a rate of 4% on services**
29 **under section 3d must be expended, on appropriation, only for**

1 **purposes of water infrastructure and transportation infrastructure.**
2 **Not less than 30% of the amount expended must be for water**
3 **infrastructure.**

4 (9) ~~(8)~~—As used in this section:

5 (a) "Aviation fuel" means fuel as that term is defined in
6 section 4 of the aeronautics code of the state of Michigan, 1945 PA
7 327, MCL 259.4.

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

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

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

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

20 (f) "Water infrastructure" means public infrastructure
21 projects that enhance water safety, access to clean and safe water,
22 affordability of drinking water, and flood resilience, including,
23 but not limited to, projects to do any of the following:

24 (i) Provide clean, safe, and affordable water and sanitation.

25 (ii) Ensure clean and adequate groundwater and surface water
26 sources for drinking water.

27 (iii) Address public health risks from environmental
28 contamination.

29 (iv) Repair or improve public water treatment and supply

1 systems.

2 (v) Replace lead pipes or other unsafe water lines associated
3 with a public drinking water system.

4 (vi) Repair or improve stormwater systems, sewers, septic
5 systems, or other wastewater treatment systems.

6 (vii) Improve efficiency, conservation, and sustainability.