

**SUBSTITUTE FOR  
HOUSE BILL NO. 5556**

A bill to amend 1937 PA 94, entitled  
"Use tax act,"  
by amending sections 2, 2b, 3a, 3b, 3c, 4d, 4i, 7, 13, 14a, and 14b  
(MCL 205.92, 205.92b, 205.93a, 205.93b, 205.93c, 205.94d, 205.94i,  
205.97, 205.103, 205.104a, and 205.104b), sections 2 and 7 as  
amended by 2007 PA 103, section 2b as amended by 2006 PA 428,  
section 3a as amended by 2007 PA 93, section 3b as added by 2002 PA  
456, sections 3c, 13, 14a, and 14b as added and section 4d as  
amended by 2004 PA 172, and section 4i as added by 1986 PA 41; and  
to repeal acts and parts of acts.

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

- 1           Sec. 2. As used in this act:
- 2           (a) "Person" means an individual, firm, partnership, joint

1 venture, association, social club, fraternal organization,  
2 municipal or private corporation whether or not organized for  
3 profit, company, limited liability company, estate, trust,  
4 receiver, trustee, syndicate, the United States, this state,  
5 county, or any other group or combination acting as a unit, and the  
6 plural as well as the singular number, unless the intention to give  
7 a more limited meaning is disclosed by the context.

8 (b) "Use" means the exercise of a right or power over tangible  
9 personal property incident to the ownership of that property  
10 including transfer of the property in a transaction where  
11 possession is given. Converting tangible personal property acquired  
12 for a use exempt from the tax levied under this act to a use not  
13 exempt from the tax levied under this act is a taxable use.

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

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

1 supervisor, or employer, the department may so consider him or her,  
2 and may consider the dealer, distributor, supervisor, or employer  
3 as the seller for the purpose of this act.

4 (e) "Purchase" means to acquire for a consideration, whether  
5 the acquisition is effected by a transfer of title, of possession,  
6 or of both, or a license to use or consume; whether the transfer is  
7 absolute or conditional, and by whatever means the transfer is  
8 effected; and whether consideration is a price or rental in money,  
9 or by way of exchange or barter. Purchase includes converting  
10 tangible personal property acquired for a use exempt from the tax  
11 levied under this act to a use not exempt from the tax levied under  
12 this act.

13 (f) "Purchase price" or "price" means the total amount of  
14 consideration paid by the consumer to the seller, including cash,  
15 credit, property, and services, for which tangible personal  
16 property or services are sold, leased, or rented, valued in money,  
17 whether received in money or otherwise, and applies to the measure  
18 subject to use tax. Purchase price includes the following  
19 subparagraphs (i) through ~~(vi)~~ **(vii)** and excludes subparagraphs ~~(vii)~~  
20 **(viii)** through ~~(viii)~~ **(x)** :

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

22 (ii) Cost of materials used, labor or service cost, interest,  
23 losses, costs of transportation to the seller, taxes imposed on the  
24 seller other than taxes imposed by this act, and any other expense  
25 of the seller.

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

1 (A) An amount received or billed by the taxpayer for  
2 remittance to the employee as a gratuity or tip, if the gratuity or  
3 tip is separately identified and itemized on the guest check or  
4 billed to the customer.

5 (B) Labor or service charges involved in maintenance and  
6 repair work on tangible personal property of others if separately  
7 itemized.

8 (iv) Delivery charges incurred or to be incurred before the  
9 completion of the transfer of ownership of tangible personal  
10 property **SUBJECT TO THE TAX LEVIED UNDER THIS ACT** from the seller  
11 to the purchaser.

12 (v) Installation charges incurred or to be incurred before the  
13 completion of the transfer of ownership of tangible personal  
14 property from the seller to the purchaser.

15 (vi) Credit for any trade-in.

16 (vii) **EXCEPT AS OTHERWISE PROVIDED IN SUBPARAGRAPH (x),**  
17 **CONSIDERATION RECEIVED BY THE SELLER FROM THIRD PARTIES IF ALL OF**  
18 **THE FOLLOWING CONDITIONS ARE MET:**

19 (A) **THE SELLER ACTUALLY RECEIVES CONSIDERATION FROM A PARTY**  
20 **OTHER THAN THE PURCHASER AND THE CONSIDERATION IS DIRECTLY RELATED**  
21 **TO A PRICE REDUCTION OR DISCOUNT ON THE SALE.**

22 (B) **THE SELLER HAS AN OBLIGATION TO PASS THE PRICE REDUCTION**  
23 **OR DISCOUNT THROUGH TO THE PURCHASER.**

24 (C) **THE AMOUNT OF THE CONSIDERATION ATTRIBUTABLE TO THE SALE**  
25 **IS FIXED AND DETERMINABLE BY THE SELLER AT THE TIME OF THE SALE OF**  
26 **THE ITEM TO THE PURCHASER.**

27 (D) **ONE OF THE FOLLOWING CRITERIA IS MET:**

1           (I) THE PURCHASER PRESENTS A COUPON, CERTIFICATE, OR OTHER  
2 DOCUMENTATION TO THE SELLER TO CLAIM A PRICE REDUCTION OR DISCOUNT  
3 WHERE THE COUPON, CERTIFICATE, OR DOCUMENTATION IS AUTHORIZED,  
4 DISTRIBUTED, OR GRANTED BY A THIRD PARTY WITH THE UNDERSTANDING  
5 THAT THE THIRD PARTY WILL REIMBURSE ANY SELLER TO WHOM THE COUPON,  
6 CERTIFICATE, OR DOCUMENTATION IS PRESENTED.

7           (II) THE PURCHASER IDENTIFIES HIMSELF OR HERSELF TO THE SELLER  
8 AS A MEMBER OF A GROUP OR ORGANIZATION ENTITLED TO A PRICE  
9 REDUCTION OR DISCOUNT. A PREFERRED CUSTOMER CARD THAT IS AVAILABLE  
10 TO ANY PATRON DOES NOT CONSTITUTE MEMBERSHIP IN A GROUP OR  
11 ORGANIZATION.

12           (III) THE PRICE REDUCTION OR DISCOUNT IS IDENTIFIED AS A THIRD  
13 PARTY PRICE REDUCTION OR DISCOUNT ON THE INVOICE RECEIVED BY THE  
14 PURCHASER OR ON A COUPON, CERTIFICATE, OR OTHER DOCUMENTATION  
15 PRESENTED BY THE PURCHASER.

16           (viii) ~~(vii)~~—Interest, financing, or carrying charges from credit  
17 extended on the sale of personal property or services, if the  
18 amount is separately stated on the invoice, bill of sale, or  
19 similar document given to the purchaser.

20           (ix) ~~(viii)~~—Any taxes legally imposed directly on the consumer  
21 that are separately stated on the invoice, bill of sale, or similar  
22 document given to the purchaser.

23           (x) BEGINNING JANUARY 1, 2000, EMPLOYEE DISCOUNTS THAT ARE  
24 REIMBURSED BY A THIRD PARTY ON SALES OF MOTOR VEHICLES.

25           (g) "Consumer" means the person who has purchased tangible  
26 personal property or services for storage, use, or other  
27 consumption in this state and includes, but is not limited to, 1 or

1 more of the following:

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

5 (ii) A person who has converted tangible personal property or  
6 services acquired for storage, use, or consumption in this state  
7 that is exempt from the tax levied under this act to storage, use,  
8 or consumption in this state that is not exempt from the tax levied  
9 under this act.

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

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

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

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

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

27 (m) "Interstate motor carrier" means a person who operates or

1 causes to be operated a qualified commercial motor vehicle on a  
2 public road or highway in this state and at least 1 other state or  
3 Canadian province.

4 (n) "Qualified commercial motor vehicle" means that term as  
5 defined in section 1(i), (j), and (k) of the motor carrier fuel tax  
6 act, 1980 PA 119, MCL 207.211.

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

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

12 (q) "Convert" means putting a service or tangible personal  
13 property acquired for a use exempt from the tax levied under this  
14 act at the time of acquisition to a use that is not exempt from the  
15 tax levied under this act, whether the use is in whole or in part,  
16 or permanent or not permanent. A motor vehicle purchased for resale  
17 by a new vehicle dealer licensed under section 248(8)(a) of the  
18 Michigan vehicle code, 1949 PA 300, MCL 257.248, and not titled in  
19 the name of the dealer shall not be considered to be converted  
20 prior to sale or lease by that dealer.

21 Sec. 2b. As used in this act:

22 (a) "Alcoholic beverage" means a beverage suitable for human  
23 consumption that contains 1/2 of 1% or more of alcohol by volume.

24 (b) "Computer" means an electronic device that accepts  
25 information in digital or similar form and manipulates it for a  
26 result based on a sequence of instructions.

27 (c) "Computer software" means a set of coded instructions

1 designed to cause a computer or automatic data processing equipment  
2 to perform a task.

3 (d) "Delivered electronically" means delivered from the seller  
4 to the purchaser by means other than tangible storage media.

5 (e) "Delivery charges" means charges by the seller for  
6 preparation and delivery to a location designated by the purchaser  
7 of tangible personal property or services. Delivery charges  
8 include, but are not limited to, transportation, shipping, postage,  
9 handling, crating, and packing. Beginning September 1, 2004,  
10 delivery charges do not include the charges for delivery of direct  
11 mail if the charges are separately stated on an invoice or similar  
12 billing document given to the purchaser. **IF A SHIPMENT INCLUDES**  
13 **BOTH EXEMPT PROPERTY AND TAXABLE PROPERTY, THE SELLER SHALL**  
14 **ALLOCATE THE DELIVERY CHARGE USING 1 OF THE FOLLOWING METHODS:**

15 (i) **MULTIPLY THE DELIVERY PRICE BY A FRACTION, THE NUMERATOR OF**  
16 **WHICH IS THE TOTAL SALES PRICES OF THE TAXABLE PROPERTY AND THE**  
17 **DENOMINATOR OF WHICH IS THE TOTAL SALES PRICES OF ALL PROPERTY IN**  
18 **THE SHIPMENT.**

19 (ii) **MULTIPLY THE DELIVERY PRICE BY A FRACTION, THE NUMERATOR**  
20 **OF WHICH IS THE TOTAL WEIGHT OF THE TAXABLE PROPERTY AND THE**  
21 **DENOMINATOR OF WHICH IS THE TOTAL WEIGHT OF ALL PROPERTY IN THE**  
22 **SHIPMENT.**

23 (f) "Dietary supplement" means any product, other than  
24 tobacco, intended to supplement the diet that is all of the  
25 following:

26 (i) Required to be labeled as a dietary supplement identifiable  
27 by the "supplemental facts" box found on the label as required by



1 21 CFR 101.36.

2 (ii) Contains 1 or more of the following dietary ingredients:

3 (A) A vitamin.

4 (B) A mineral.

5 (C) An herb or other botanical.

6 (D) An amino acid.

7 (E) A dietary substance for use by humans to supplement the  
8 diet by increasing the total dietary intake.

9 (F) A concentrate, metabolite, constituent, extract, or  
10 combination of any ingredient listed in sub-subparagraphs (A)  
11 through (E).

12 (iii) Intended for ingestion in tablet, capsule, powder,  
13 softgel, gelcap, or liquid form, or if not intended for ingestion  
14 in 1 of those forms, is not represented as conventional food or for  
15 use as a sole item of a meal or of the diet.

16 (g) "Direct mail" means printed material delivered or  
17 distributed by United States mail or other delivery service to a  
18 mass audience or to addresses on a mailing list provided by the  
19 purchaser or at the direction of the purchaser when the cost of the  
20 items is not billed directly to the recipients, including tangible  
21 personal property supplied directly or indirectly by the purchaser  
22 to the direct mail seller for inclusion in the package containing  
23 the printed material but not including multiple items of printed  
24 material delivered to a single address.

25 (h) "Drug" means a compound, substance, or preparation, or any  
26 component of a compound, substance, or preparation, other than food  
27 or food ingredients, dietary supplements, or alcoholic beverages,

1 intended for human use that is 1 or more of the following:

2 (i) Recognized in the official United States pharmacopoeia,  
3 official homeopathic pharmacopoeia of the United States, or  
4 official national formulary, or in any of their supplements.

5 (ii) Intended for use in the diagnosis, cure, mitigation,  
6 treatment, or prevention of disease.

7 (iii) Intended to affect the structure or any function of the  
8 body.

9 (i) "Durable medical equipment" means equipment for home use,  
10 other than mobility enhancing equipment, dispensed pursuant to a  
11 prescription, including **DURABLE MEDICAL EQUIPMENT** repair or  
12 replacement parts, ~~for that equipment,~~ that does all of the  
13 following:

14 (i) Can withstand repeated use.

15 (ii) Is primarily and customarily used to serve a medical  
16 purpose.

17 (iii) Is not useful generally to a person in the absence of  
18 illness or injury.

19 (iv) Is not worn in or on the body.

20 (J) **"DURABLE MEDICAL EQUIPMENT REPAIR OR REPLACEMENT PARTS"**  
21 **INCLUDES ALL COMPONENTS OR ATTACHMENTS USED IN CONJUNCTION WITH**  
22 **DURABLE MEDICAL EQUIPMENT.**

23 (K) ~~(j)~~-"Electronic" means relating to technology having  
24 electrical, digital, magnetic, wireless, optical, electromagnetic,  
25 or similar capabilities.

26 (L) ~~(k)~~-"Lease or rental" means any transfer of possession or  
27 control of tangible personal property for a fixed or indeterminate

1 term for consideration and may include future options to purchase  
2 or extend. This definition applies only to leases and rentals  
3 entered into after September 1, 2004 and has no retroactive impact  
4 on leases and rentals that existed on that date. Lease or rental  
5 does not include the following **SUBPARAGRAPHS (i) THROUGH (iii) AND**  
6 **INCLUDES SUBPARAGRAPH (iv) :**

7 (i) A transfer of possession or control of tangible personal  
8 property under a security agreement or deferred payment plan that  
9 requires the transfer of title upon completion of the required  
10 payments.

11 (ii) A transfer of possession or control of tangible personal  
12 property under an agreement requiring transfer of title upon  
13 completion of the required payments and payment of an option price  
14 that does not exceed \$100.00 or 1% of the total required payments,  
15 whichever is greater.

16 (iii) The provision of tangible personal property along with an  
17 operator for a fixed or indeterminate period of time, where that  
18 operator is necessary for the equipment to perform as designed. To  
19 be necessary, an operator must do more than maintain, inspect, or  
20 set up the tangible personal property.

21 (iv) An agreement covering motor vehicles or trailers if the  
22 amount of consideration may be increased or decreased by reference  
23 to the amount realized upon sale or disposition of the property as  
24 defined in 26 USC 7701(h) (1).

25 **(M)** ~~(H)~~—"Mobility enhancing equipment" means equipment, other  
26 than durable medical equipment or a motor vehicle or equipment on a  
27 motor vehicle normally provided by a motor vehicle manufacturer,

1 dispensed pursuant to a prescription, including repair or  
2 replacement parts for that equipment, that is all of the following:

3 (i) Primarily and customarily used to provide or increase the  
4 ability to move from 1 place to another and is appropriate for use  
5 at home or on a motor vehicle.

6 (ii) Not generally used by a person with normal mobility.

7 **(N) ~~(m)~~**—"Prescription" means an order, formula, or recipe,  
8 issued in any form of oral, written, electronic, or other means of  
9 transmission by a licensed physician or other health professional  
10 as defined in section 3501 of the insurance code of 1956, 1956 PA  
11 218, MCL 500.3501. **FOR A HEARING AID, PRESCRIPTION INCLUDES AN**  
12 **ORDER, INSTRUCTION, OR DIRECTION OF A HEARING AID DEALER OR**  
13 **SALESPERSON LICENSED UNDER ARTICLE 13 OF THE OCCUPATIONAL CODE,**  
14 **1980 PA 299, MCL 339.1301 TO 339.1309.**

15 **(O) ~~(n)~~**—"Prewritten computer software" means computer  
16 software, including prewritten upgrades, that is delivered by any  
17 means and that is not designed and developed by the author or other  
18 creator to the specifications of a specific purchaser. Prewritten  
19 computer software includes all of the following:

20 (i) Any combination of 2 or more prewritten computer software  
21 programs or portions of prewritten computer software programs.

22 (ii) Computer software designed and developed by the author or  
23 other creator to the specifications of a specific purchaser if it  
24 is sold to a person other than that specific purchaser.

25 (iii) The modification or enhancement of prewritten computer  
26 software or portions of prewritten computer software where the  
27 modification or enhancement is designed and developed to the

1 specifications of a specific purchaser unless there is a  
 2 reasonable, separately stated charge or an invoice or other  
 3 statement of the price is given to the purchaser for the  
 4 modification or enhancement. If a person other than the original  
 5 author or creator modifies or enhances prewritten computer  
 6 software, that person is considered to be the author or creator of  
 7 only that person's modifications or enhancements.

8 (P) ~~(e)~~—"Prosthetic device" means a replacement, corrective,  
 9 or supportive device, other than contact lenses and dental  
 10 prosthesis, dispensed pursuant to a prescription, including repair  
 11 or replacement parts for that device, worn on or in the body to do  
 12 1 or more of the following:

13 (i) Artificially replace a missing portion of the body.

14 (ii) Prevent or correct a physical deformity or malfunction of  
 15 the body.

16 (iii) Support a weak or deformed portion of the body.

17 (Q) ~~(p)~~—"Tobacco" means cigarettes, cigars, chewing or pipe  
 18 tobacco, or any other item that contains tobacco.

19 Sec. 3a. (1) The use or consumption of the following services  
 20 is taxed under this act in the same manner as tangible personal  
 21 property is taxed under this act:

22 (a) Except as provided in section 3b, intrastate ~~telephone,~~  
 23 ~~telegraph, leased wire, and other similar communications, including~~  
 24 ~~local telephone exchange and long distance telephone service~~  
 25 **TELECOMMUNICATIONS SERVICES** that both ~~originates and terminates~~  
 26 **ORIGINATE AND TERMINATE** in this state, and ~~telegraph, private line,~~  
 27 ~~and teletypewriter service between places in this state, but~~

1 ~~excluding telephone service by coin-operated installations,~~  
2 ~~switchboards, concentrator identifiers, interoffice circuitry and~~  
3 ~~their accessories for telephone answering service, INCLUDING, BUT~~  
4 **NOT LIMITED TO, INTRASTATE PRIVATE COMMUNICATIONS SERVICES,**  
5 **ANCILLARY SERVICES, CONFERENCE BRIDGING SERVICE, 900 SERVICE, PAY**  
6 **TELEPHONE SERVICE OTHER THAN COIN-OPERATED TELEPHONE SERVICE, AND**  
7 **VALUE-ADDED NONVOICE DATA SERVICE, BUT EXCLUDING 800 SERVICE, COIN-**  
8 **OPERATED TELEPHONE SERVICE, FIXED WIRELESS SERVICE, 1-WAY PAGING**  
9 **SERVICE, PREPAID CALLING SERVICE, TELECOMMUNICATIONS NONRECURRING**  
10 **CHARGES, and directory advertising proceeds.**

11 (b) Rooms or lodging furnished by hotelkeepers, motel  
12 operators, and other persons furnishing accommodations that are  
13 available to the public on the basis of a commercial and business  
14 enterprise, irrespective of whether or not membership is required  
15 for use of the accommodations, except rooms and lodging rented for  
16 a continuous period of more than 1 month. As used in this act,  
17 "hotel" or "motel" means a building or group of buildings in which  
18 the public may obtain accommodations for a consideration,  
19 including, without limitation, such establishments as inns, motels,  
20 tourist homes, tourist houses or courts, lodging houses, rooming  
21 houses, nudist camps, apartment hotels, resort lodges and cabins,  
22 camps operated by other than nonprofit organizations but not  
23 including those licensed under 1973 PA 116, MCL 722.111 to 722.128,  
24 and any other building or group of buildings in which  
25 accommodations are available to the public, except accommodations  
26 rented for a continuous period of more than 1 month and  
27 accommodations furnished by hospitals or nursing homes.

1 (c) Except as provided in section 3b, interstate ~~telephone~~  
2 ~~communications~~ **TELECOMMUNICATIONS SERVICES** that either originate or  
3 terminate in this state and for which the charge for the service is  
4 billed to a service address in this state or phone number by the  
5 provider either within or outside this state including, ~~calls~~  
6 ~~between this state and any place within or without the United~~  
7 ~~States of America outside of this state. This subdivision does not~~  
8 ~~apply to a wide area telecommunication service or a similar type~~  
9 ~~service, an 800 prefix service or similar type service, an~~  
10 ~~interstate private network and related usage charges, or an~~  
11 ~~international call either inbound or outbound. BUT NOT LIMITED TO,~~  
12 **ANCILLARY SERVICES, CONFERENCE BRIDGING SERVICE, 900 SERVICE, PAY**  
13 **TELEPHONE SERVICE OTHER THAN COIN-OPERATED TELEPHONE SERVICE, AND**  
14 **VALUE-ADDED NONVOICE DATA SERVICES, BUT EXCLUDING INTERSTATE**  
15 **PRIVATE COMMUNICATIONS SERVICE, 800 SERVICE, COIN-OPERATED**  
16 **TELEPHONE SERVICE, FIXED WIRELESS SERVICE, 1-WAY PAGING SERVICE,**  
17 **PREPAID CALLING SERVICE, TELECOMMUNICATIONS NONRECURRING CHARGES,**  
18 **AND INTERNATIONAL TELECOMMUNICATIONS SERVICE.**

19 (d) The laundering or cleaning of textiles under a sale,  
20 rental, or service agreement with a term of at least 5 days. This  
21 subdivision does not apply to the laundering or cleaning of  
22 textiles used by a restaurant or retail sales business. As used in  
23 this subdivision, "restaurant" means a food service establishment  
24 defined and licensed under the food law of 2000, 2000 PA 92, MCL  
25 289.1101 to 289.8111.

26 (e) The transmission and distribution of electricity, whether  
27 the electricity is purchased from the delivering utility or from

1 another provider, if the sale is made to the consumer or user of  
2 the electricity for consumption or use rather than for resale.

3 (f) For a manufacturer who affixes its product to real estate  
4 and maintains an inventory of its product that is available for  
5 sale to others **OR WHO MAKES ITS PRODUCT AVAILABLE FOR SALE TO**  
6 **OTHERS** by publication or price list, the direct production costs  
7 and indirect production costs of the product affixed to the real  
8 estate that are incident to and necessary for production or  
9 manufacturing operations or processes, as defined by the  
10 department.

11 (g) For a manufacturer who affixes its product to real estate  
12 but does not maintain an inventory of its product available for  
13 sale to others or make its product available for sale to others by  
14 publication or price list, the sum of the materials cost of the  
15 property and the cost of labor to manufacture, fabricate, or  
16 assemble the property, but not the cost of labor to cut, bend,  
17 assemble, or attach the property at the site for affixation to real  
18 estate.

19 (2) If charges for intrastate telecommunications services or  
20 telecommunications services between this state and another state  
21 and other billed services not subject to the tax under this act are  
22 aggregated with and not separately stated from charges for  
23 telecommunications services that are subject to the tax under this  
24 act, the nontaxable telecommunications services and other  
25 nontaxable billed services are subject to the tax under this act  
26 unless the service provider can reasonably identify charges for  
27 telecommunications services not subject to the tax under this act



1 from its books and records that are kept in the regular course of  
2 business.

3 (3) If charges for intrastate telecommunications services or  
4 telecommunications services between this state and another state  
5 and other billed services not subject to the tax under this act are  
6 aggregated with and not separately stated from telecommunications  
7 services that are subject to the tax under this act, a customer may  
8 not rely upon the nontaxability of those telecommunications  
9 services and other billed services unless the customer's service  
10 provider separately states the charges for nontaxable  
11 telecommunications services and other nontaxable billed services  
12 from taxable telecommunications services or the service provider  
13 elects, after receiving a written request from the customer in the  
14 form required by the provider, to provide verifiable data based  
15 upon the service provider's books and records that are kept in the  
16 regular course of business that reasonably identify the nontaxable  
17 services.

18 (4) ALL OF THE FOLLOWING APPLY IN THE CASE OF A BUNDLED  
19 TRANSACTION THAT INCLUDES TELECOMMUNICATIONS SERVICE, ANCILLARY  
20 SERVICE, INTERNET ACCESS, OR AUDIO OR VIDEO PROGRAMMING:

21 (A) IF THE PURCHASE PRICE IS ATTRIBUTABLE TO PRODUCTS THAT ARE  
22 TAXABLE AND PRODUCTS THAT ARE NONTAXABLE, THE PORTION OF THE  
23 PURCHASE PRICE ATTRIBUTABLE TO THE NONTAXABLE PRODUCTS MAY BE  
24 SUBJECT TO TAX UNLESS THE PROVIDER CAN IDENTIFY BY REASONABLE AND  
25 VERIFIABLE STANDARDS THAT PORTION FROM ITS BOOKS AND RECORDS THAT  
26 ARE KEPT IN THE REGULAR COURSE OF BUSINESS FOR OTHER PURPOSES,  
27 INCLUDING, BUT NOT LIMITED TO, NONTAX PURPOSES.

1 (B) THE PROVISIONS OF THIS SUBSECTION APPLY UNLESS OTHERWISE  
2 PROVIDED BY FEDERAL LAW.

3 (5) ~~(4)~~—As used in this section:

4 (A) "ANCILLARY SERVICES" MEANS SERVICES THAT ARE ASSOCIATED  
5 WITH OR INCIDENTAL TO THE PROVISION OF TELECOMMUNICATIONS SERVICES,  
6 INCLUDING, BUT NOT LIMITED TO, DETAILED TELECOMMUNICATIONS BILLING,  
7 DIRECTORY ASSISTANCE, VERTICAL SERVICE, AND VOICE MAIL SERVICES.

8 (B) "BUNDLED TRANSACTION" MEANS THE PURCHASE OF 2 OR MORE  
9 DISTINCT AND IDENTIFIABLE PRODUCTS, EXCEPT REAL PROPERTY AND  
10 SERVICES TO REAL PROPERTY, WHERE THE PRODUCTS ARE SOLD FOR A SINGLE  
11 NONITEMIZED PRICE. A BUNDLED TRANSACTION DOES NOT INCLUDE THE SALE  
12 OF ANY PRODUCTS IN WHICH THE SALES PRICE VARIES, OR IS NEGOTIABLE,  
13 BASED ON THE SELECTION BY THE PURCHASER OF THE PRODUCTS INCLUDED IN  
14 THE TRANSACTION. AS USED IN THIS SUBDIVISION:

15 (i) "DISTINCT AND IDENTIFIABLE PRODUCTS" DOES NOT INCLUDE ANY  
16 OF THE FOLLOWING:

17 (A) PACKAGING, SUCH AS CONTAINERS, BOXES, SACKS, BAGS, AND  
18 BOTTLES OR OTHER MATERIALS SUCH AS WRAPPING, LABELS, TAGS, AND  
19 INSTRUCTION GUIDES, THAT ACCOMPANY THE PURCHASE OF THE PRODUCTS AND  
20 ARE INCIDENTAL OR IMMATERIAL TO THE PURCHASE OF THE PRODUCTS,  
21 INCLUDING GROCERY SACKS, SHOEBOXES, DRY CLEANING GARMENT BAGS, AND  
22 EXPRESS DELIVERY ENVELOPES AND BOXES.

23 (B) A PRODUCT PROVIDED FREE OF CHARGE WITH THE REQUIRED  
24 PURCHASE OF ANOTHER PRODUCT. A PRODUCT IS PROVIDED FREE OF CHARGE  
25 IF THE SALES PRICE OF THE PRODUCT PURCHASED DOES NOT VARY DEPENDING  
26 ON THE INCLUSION OF THE PRODUCT PROVIDED FREE OF CHARGE.

27 (C) ITEMS INCLUDED IN PURCHASE PRICE.

1           (ii) "PURCHASE PRICE" MEANS THE PRICE PAID BY THE SELLER FOR  
2 THE PROPERTY.

3           (iii) "SALES PRICE" MEANS THAT TERM AS DEFINED IN SECTION 1 OF  
4 THE GENERAL SALES TAX ACT, 1933 PA 167, MCL 205.51.

5           (iv) "SINGLE NONITEMIZED PRICE" DOES NOT INCLUDE A PRICE THAT  
6 IS SEPARATELY IDENTIFIED BY PRODUCT ON BINDING SALES OR OTHER  
7 SUPPORTING SALES-RELATED DOCUMENTATION MADE AVAILABLE TO THE  
8 PURCHASER IN PAPER OR ELECTRONIC FORM, INCLUDING, BUT NOT LIMITED  
9 TO, AN INVOICE, BILL OF SALE, RECEIPT, CONTRACT, SERVICE AGREEMENT,  
10 LEASE AGREEMENT, PERIODIC NOTICE OF RATES AND SERVICES, RATE CARD,  
11 OR PRICE LIST.

12           (v) BUNDLED TRANSACTION DOES NOT INCLUDE ANY OF THE FOLLOWING:

13           (A) THE PURCHASE OF TANGIBLE PERSONAL PROPERTY AND A SERVICE  
14 IF THE TANGIBLE PERSONAL PROPERTY IS ESSENTIAL TO THE USE OF THE  
15 SERVICE AND IS PROVIDED EXCLUSIVELY IN CONNECTION WITH THE SERVICE  
16 AND THE TRUE OBJECT OF THE TRANSACTION IS THE SERVICE.

17           (B) THE PURCHASE OF SERVICES IF 1 SERVICE IS PROVIDED THAT IS  
18 ESSENTIAL TO THE USE OR RECEIPT OF A SECOND SERVICE AND THE FIRST  
19 SERVICE IS PROVIDED EXCLUSIVELY IN CONNECTION WITH THE SECOND  
20 SERVICE AND THE TRUE OBJECT OF THE TRANSACTION IS THE SECOND  
21 SERVICE.

22           (C) A TRANSACTION THAT INCLUDES TAXABLE AND NONTAXABLE  
23 PRODUCTS AND THE PURCHASE PRICE OF THE TAXABLE PRODUCTS IS DE  
24 MINIMIS. AS USED IN THIS SUB-SUBPARAGRAPH, "DE MINIMIS" MEANS THE  
25 SELLER'S PURCHASE PRICE OR SALES PRICE OF THE TAXABLE PRODUCTS IS  
26 10% OR LESS OF THE TOTAL PURCHASE PRICE OR SALES PRICE OF THE  
27 PRODUCTS. A SELLER SHALL USE THE FULL TERM OF A SERVICE CONTRACT TO

1 DETERMINE IF THE TAXABLE PRODUCTS ARE DE MINIMIS. A SELLER SHALL  
2 USE EITHER THE PURCHASE PRICE OR THE SALES PRICE OF THE PRODUCTS TO  
3 DETERMINE IF THE TAXABLE PRODUCTS ARE DE MINIMIS. A SELLER SHALL  
4 NOT USE A COMBINATION OF THE PURCHASE PRICE AND SALES PRICE OF THE  
5 PRODUCTS TO DETERMINE IF THE TAXABLE PRODUCTS ARE DE MINIMIS.

6 (D) THE RETAIL SALE OF EXEMPT TANGIBLE PERSONAL PROPERTY AND  
7 TAXABLE TANGIBLE PERSONAL PROPERTY IF ALL OF THE FOLLOWING  
8 CONDITIONS ARE SATISFIED:

9 (I) THE TRANSACTION INCLUDES FOOD AND FOOD INGREDIENTS,  
10 PRESCRIPTION OR OVER-THE-COUNTER DRUGS, DURABLE MEDICAL EQUIPMENT,  
11 MOBILITY ENHANCING EQUIPMENT, MEDICAL SUPPLIES, OR PROSTHETIC  
12 DEVICES.

13 (II) WHERE THE SELLER'S PURCHASE PRICE OR SALES PRICE OF THE  
14 TAXABLE TANGIBLE PERSONAL PROPERTY IS 50% OR LESS OF THE TOTAL  
15 PURCHASE PRICE OR SALES PRICE OF THE BUNDLED TANGIBLE PERSONAL  
16 PROPERTY. A SELLER MAY NOT USE A COMBINATION OF THE PURCHASE PRICE  
17 AND SALES PRICE OF THE TANGIBLE PERSONAL PROPERTY WHEN MAKING THE  
18 50% DETERMINATION FOR A TRANSACTION.

19 (C) "COIN-OPERATED TELEPHONE SERVICE" MEANS A  
20 TELECOMMUNICATIONS SERVICE PAID FOR BY INSERTING MONEY INTO A  
21 TELEPHONE THAT ACCEPTS DIRECT DEPOSITS OF MONEY TO OPERATE.

22 (D) "CONFERENCE BRIDGING SERVICE" MEANS AN ANCILLARY SERVICE  
23 THAT LINKS 2 OR MORE PARTICIPANTS OF AN AUDIO OR VIDEO CONFERENCE  
24 CALL AND MAY INCLUDE THE PROVISION OF A TELEPHONE NUMBER, BUT DOES  
25 NOT INCLUDE THE TELECOMMUNICATIONS SERVICES USED TO REACH THE  
26 CONFERENCE BRIDGE.

27 (E) "DETAILED TELECOMMUNICATIONS BILLING SERVICE" MEANS AN

1 ANCILLARY SERVICE OF SEPARATELY STATING INFORMATION PERTAINING TO  
2 INDIVIDUAL CALLS ON A CUSTOMER'S BILLING STATEMENT.

3 (F) "DIRECTORY ASSISTANCE" MEANS AN ANCILLARY SERVICE OF  
4 PROVIDING TELEPHONE NUMBER INFORMATION OR ADDRESS INFORMATION.

5 (G) ~~(a)~~-"Fabricate" means to modify or prepare tangible  
6 personal property for affixation or assembly.

7 (H) "FIXED WIRELESS SERVICE" MEANS A TELECOMMUNICATIONS  
8 SERVICE THAT PROVIDES RADIO COMMUNICATION BETWEEN FIXED POINTS.

9 (I) "INTERNATIONAL" MEANS A TELECOMMUNICATIONS SERVICE THAT  
10 ORIGINATES OR TERMINATES IN THE UNITED STATES AND TERMINATES OR  
11 ORIGINATES OUTSIDE THE UNITED STATES, RESPECTIVELY. UNITED STATES  
12 INCLUDES THE DISTRICT OF COLUMBIA AND ANY POSSESSION OR TERRITORY  
13 OF THE UNITED STATES.

14 (J) "INTERSTATE" MEANS A TELECOMMUNICATIONS SERVICE THAT  
15 ORIGINATES IN 1 UNITED STATES STATE, TERRITORY, OR POSSESSION AND  
16 TERMINATES IN A DIFFERENT UNITED STATES STATE, TERRITORY, OR  
17 POSSESSION.

18 (K) "INTRASTATE" MEANS A TELECOMMUNICATIONS SERVICE THAT  
19 ORIGINATES IN A UNITED STATES STATE, TERRITORY, OR POSSESSION AND  
20 TERMINATES IN THE SAME UNITES STATES STATE, TERRITORY, OR  
21 POSSESSION.

22 (L) ~~(b)~~-"Manufacture" means to convert or condition tangible  
23 personal property by changing the form, composition, quality,  
24 combination, or character of the property.

25 (M) ~~(e)~~-"Manufacturer" means a person who manufactures,  
26 fabricates, or assembles tangible personal property.

27 (N) "PAGING SERVICE" MEANS A TELECOMMUNICATIONS SERVICE THAT

1 PROVIDES TRANSMISSION OF CODED RADIO SIGNALS FOR THE PURPOSE OF  
2 ACTIVATING SPECIFIC PAGERS, WHICH MAY INCLUDE MESSAGES OR SOUNDS.

3 (O) "PAY TELEPHONE SERVICE" MEANS A TELECOMMUNICATIONS SERVICE  
4 PROVIDED THROUGH ANY PAY TELEPHONE.

5 (P) "PREPAID CALLING SERVICE" MEANS THE RIGHT TO ACCESS  
6 EXCLUSIVELY TELECOMMUNICATIONS SERVICES THAT MUST BE PAID FOR IN  
7 ADVANCE AND THAT ENABLES THE ORIGINATION OF CALLS USING AN ACCESS  
8 NUMBER OR AUTHORIZATION CODE, WHETHER MANUALLY OR ELECTRONICALLY  
9 DIALED, AND THAT IS SOLD IN PREDETERMINED UNITS OR DOLLARS THAT  
10 DECLINE WITH USE IN A KNOWN AMOUNT.

11 (Q) "PRIVATE COMMUNICATIONS SERVICE" MEANS A  
12 TELECOMMUNICATIONS SERVICE THAT ENTITLES THE CUSTOMER TO EXCLUSIVE  
13 OR PRIORITY USE OF A COMMUNICATIONS CHANNEL OR GROUP OF CHANNELS  
14 BETWEEN OR AMONG TERMINATION POINTS, REGARDLESS OF THE MANNER IN  
15 WHICH THAT CHANNEL OR GROUP OF CHANNELS ARE CONNECTED, AND INCLUDES  
16 SWITCHING CAPACITY, EXTENSION LINES, STATIONS, AND ANY OTHER  
17 ASSOCIATED SERVICES THAT ARE PROVIDED IN CONNECTION WITH THE USE OF  
18 THAT CHANNEL OR GROUP OF CHANNELS.

19 (R) "TELECOMMUNICATIONS NONRECURRING CHARGES" MEANS AN AMOUNT  
20 BILLED FOR THE INSTALLATION, CONNECTION, CHANGE, OR INITIATION OF  
21 TELECOMMUNICATIONS SERVICE RECEIVED BY THE CUSTOMER.

22 (S) "TELECOMMUNICATIONS SERVICE" MEANS THE ELECTRONIC  
23 TRANSMISSION, CONVEYANCE, OR ROUTING OF VOICE, DATA, AUDIO, VIDEO,  
24 OR ANY OTHER INFORMATION OR SIGNALS TO A POINT, OR BETWEEN OR AMONG  
25 POINTS, INCLUDING A TRANSMISSION, CONVEYANCE, OR ROUTING IN WHICH  
26 COMPUTER PROCESSING APPLICATIONS ARE USED TO ACT ON THE FORM, CODE,  
27 OR PROTOCOL OF THE CONTENT FOR PURPOSES OF TRANSMISSION,

1 CONVEYANCE, OR ROUTING WITHOUT REGARD TO WHETHER THAT SERVICE IS  
2 REFERRED TO AS VOICE OVER INTERNET PROTOCOL SERVICES OR IS  
3 CLASSIFIED BY THE FEDERAL COMMUNICATIONS COMMISSION AS ENHANCED OR  
4 VALUE ADDED. TELECOMMUNICATIONS SERVICE DOES NOT INCLUDE ANY OF THE  
5 FOLLOWING:

6 (i) DATA PROCESSING AND INFORMATION SERVICES THAT ALLOW DATA TO  
7 BE GENERATED, ACQUIRED, STORED, PROCESSED, OR RETRIEVED AND  
8 DELIVERED BY AN ELECTRONIC TRANSMISSION TO A PURCHASER WHERE THE  
9 PURCHASER'S PRIMARY PURPOSE FOR THE UNDERLYING TRANSACTION IS THE  
10 PROCESSED DATA OR INFORMATION.

11 (ii) INSTALLATION OR MAINTENANCE OF WIRING OR EQUIPMENT ON A  
12 CUSTOMER'S PREMISES.

13 (iii) TANGIBLE PERSONAL PROPERTY.

14 (iv) ADVERTISING, INCLUDING, BUT NOT LIMITED TO, DIRECTORY  
15 ADVERTISING.

16 (v) BILLING AND COLLECTION SERVICES PROVIDED TO THIRD PARTIES.

17 (vi) INTERNET ACCESS SERVICE.

18 (vii) RADIO AND TELEVISION AUDIO AND VIDEO PROGRAMMING  
19 SERVICES, INCLUDING, BUT NOT LIMITED TO, CABLE SERVICE AS DEFINED  
20 IN 47 USC 522(6) AND AUDIO AND VIDEO PROGRAMMING SERVICES DELIVERED  
21 BY COMMERCIAL MOBILE RADIO SERVICE PROVIDERS AS DEFINED IN 47 CFR  
22 20.3, REGARDLESS OF THE MEDIUM, INCLUDING THE FURNISHING OF  
23 TRANSMISSION, CONVEYANCE, AND ROUTING OF THOSE SERVICES BY THE  
24 PROGRAMMING SERVICE PROVIDER.

25 (viii) ANCILLARY SERVICES.

26 (ix) ANSWERING SERVICES, IF THE PRIMARY PURPOSE OF THE  
27 TRANSACTION IS THE ANSWERING SERVICE RATHER THAN MESSAGE

1 TRANSMISSION.

2 (x) DIGITAL PRODUCTS DELIVERED ELECTRONICALLY, INCLUDING, BUT  
3 NOT LIMITED TO, SOFTWARE, MUSIC, VIDEO, READING MATERIALS, OR RING  
4 TONES.

5 (T) "VALUE-ADDED NONVOICE DATA SERVICE" MEANS A  
6 TELECOMMUNICATIONS SERVICE IN WHICH COMPUTER PROCESSING  
7 APPLICATIONS ARE USED TO ACT ON THE FORM, CONTENT, CODE, OR  
8 PROTOCOL OF THE INFORMATION OR DATA PRIMARILY FOR A PURPOSE OTHER  
9 THAN TRANSMISSION, CONVEYANCE, OR ROUTING.

10 (U) "VERTICAL SERVICE" MEANS AN ANCILLARY SERVICE THAT IS  
11 OFFERED IN CONNECTION WITH 1 OR MORE TELECOMMUNICATIONS SERVICES  
12 THAT OFFERS ADVANCED CALLING FEATURES THAT ALLOW CUSTOMERS TO  
13 IDENTIFY CALLERS AND TO MANAGE MULTIPLE CALLS AND CALL CONNECTIONS,  
14 INCLUDING CONFERENCE BRIDGING SERVICES.

15 (V) "VOICE MAIL SERVICE" MEANS AN ANCILLARY SERVICE THAT  
16 ENABLES THE CUSTOMER TO STORE, SEND, OR RECEIVE RECORDED MESSAGES,  
17 BUT DOES NOT INCLUDE ANY VERTICAL SERVICES THAT THE CUSTOMER MAY BE  
18 REQUIRED TO HAVE IN ORDER TO UTILIZE THE VOICE MAIL SERVICE.

19 (W) "800 SERVICE" MEANS A TELECOMMUNICATIONS SERVICE THAT  
20 ALLOWS A CALLER TO DIAL A TOLL-FREE NUMBER WITHOUT INCURRING A  
21 CHARGE FOR THE CALL, TYPICALLY MARKETED UNDER THE DESIGNATION  
22 "800", "855", "866", "877", OR "888" TOLL-FREE CALLING, OR ANY  
23 SUBSEQUENT NUMBER DESIGNATED BY THE FEDERAL COMMUNICATIONS  
24 COMMISSION.

25 (X) "900 SERVICE" MEANS AN INBOUND TOLL TELECOMMUNICATIONS  
26 SERVICE PURCHASED BY A SUBSCRIBER THAT ALLOWS THE SUBSCRIBER'S  
27 CUSTOMERS TO CALL IN TO THE SUBSCRIBER'S PRERECORDED ANNOUNCEMENT



1 OR LIVE SERVICE, TYPICALLY MARKETED UNDER THE DESIGNATION "900"  
2 SERVICE, AND ANY SUBSEQUENT NUMBER DESIGNATED BY THE FEDERAL  
3 COMMUNICATIONS COMMISSION, BUT DOES NOT INCLUDE A CHARGE FOR  
4 COLLECTION SERVICES PROVIDED BY THE SELLER OF THE  
5 TELECOMMUNICATIONS SERVICES TO THE SUBSCRIBER, OR THE SERVICE OR  
6 PRODUCT SOLD BY THE SUBSCRIBER TO THE SUBSCRIBER'S CUSTOMER.

7 Sec. 3b. (1) The use or consumption of mobile  
8 ~~telecommunications~~ **WIRELESS** services is subject to the tax levied  
9 under this act in the same manner as tangible personal property  
10 regardless of where the mobile ~~telecommunications~~ **WIRELESS** services  
11 originate, terminate, or pass through, subject to all of the  
12 following:

13 (a) Mobile ~~telecommunications~~ **WIRELESS** services provided to a  
14 customer, the charges for which are billed by or for the customer's  
15 home service provider, are considered to be provided by the  
16 customer's home service provider if the customer's place of primary  
17 use for the mobile ~~telecommunications~~ **WIRELESS** services is in this  
18 state. If the customer's place of primary use for mobile  
19 ~~telecommunications~~ **WIRELESS** services is outside of this state, the  
20 mobile ~~telecommunications~~ **WIRELESS** services are not subject to the  
21 tax levied under this act.

22 (b) A home service provider is responsible for obtaining and  
23 maintaining a record of the customer's place of primary use.  
24 Subject to subsection (2), in obtaining and maintaining a record of  
25 the customer's place of primary use, a home service provider may do  
26 all of the following:

27 (i) Rely in good faith on information provided by a customer as

1 to the customer's place of primary use.

2 (ii) Treat the address used for a customer under a service  
3 contract or agreement in effect on August 1, 2002 as that  
4 customer's place of primary use for the remaining term of the  
5 service contract or agreement, excluding any extension or renewal  
6 of the service contract or agreement.

7 (c) Notwithstanding section 9 and subject to subsection (5),  
8 if the department chooses to create or provide a database that  
9 complies with the provisions of 4 ~~U.S.C.~~ **USC** 119, a home service  
10 provider shall use that database to determine the assignment of the  
11 customer's place of primary use to this state. If a database is not  
12 provided by the department, a home service provider may use an  
13 enhanced zip code to determine the assignment of the customer's  
14 place of primary use to this state. A home service provider that  
15 uses a database provided by the department is not liable for any  
16 tax that otherwise would be due solely as a result of an error or  
17 omission in that database. A home service provider that uses an  
18 enhanced zip code is not liable for any tax that otherwise would be  
19 due solely as a result of an assignment of a street address to  
20 another state if the home provider exercised due diligence to  
21 ensure that the appropriate street addresses are assigned to this  
22 state.

23 (d) If a customer believes that the amount of the tax levied  
24 under this act or that the home service provider's record of the  
25 customer's place of primary use is incorrect, the customer shall  
26 notify the home service provider in writing and provide all of the  
27 following information:

1           (i) The street address of the customer's place of primary use.

2           (ii) The account name and number for which the customer  
3 requests the correction.

4           (iii) A description of the error asserted by the customer.

5           (iv) Any other information that the home service provider  
6 reasonably requires to process the request.

7           (e) Not later than 60 days after the home service provider  
8 receives a request under subdivision (d) or subsection (5)(b), the  
9 home service provider shall review its record of the customer's  
10 place of primary use and the customer's enhanced zip code to  
11 determine the correct amount of the tax levied under this act. If  
12 the home service provider determines that the tax levied under this  
13 act or its record of the customer's place of primary use is  
14 incorrect, the home service provider shall correct the error and  
15 refund or credit any tax erroneously collected from the customer. A  
16 refund under this subdivision shall not exceed a period of 4 years.  
17 If the home service provider determines that the tax levied under  
18 this act and the customer's place of primary use are correct, the  
19 home service provider shall provide a written explanation of that  
20 determination to the customer. The procedures prescribed in this  
21 subdivision and in subdivision (d) are the first course of remedy  
22 available to a customer requesting a correction of the provider's  
23 record of place of primary use or a refund of taxes erroneously  
24 collected by the home service provider.

25           (2) If the department makes a final determination that the  
26 home service provider's record of a customer's place of primary use  
27 is incorrect, the home service provider shall change its records to

1 reflect that final determination. The corrected record of a  
2 customer's place of primary use shall be used to calculate the tax  
3 levied under this act prospectively, from the date of the  
4 department's final determination. The department shall not make a  
5 final determination under this subsection before the department has  
6 notified the customer that the department has found that the home  
7 service provider's record of the customer's place of primary use is  
8 incorrect and the customer has been afforded an opportunity to  
9 appeal that finding. An appeal to the department shall be conducted  
10 according to the provision of section 22 of 1941 PA 122, MCL  
11 205.22.

12 (3) Notwithstanding section 8 and subject to section 5, if the  
13 department makes a final determination under subsection (2) that a  
14 customer's place of primary use is incorrect, a home service  
15 provider is not liable for any taxes that would have been levied  
16 under this act if the customer's place of primary use had been  
17 correct.

18 (4) If charges for mobile ~~telecommunications~~ **WIRELESS** services  
19 and other billed services not subject to the tax levied under this  
20 act are aggregated with and not separately stated from charges for  
21 mobile ~~telecommunications~~ **WIRELESS** services that are subject to the  
22 tax levied under this act, the nontaxable mobile ~~telecommunications~~  
23 **WIRELESS** services and other billed services are subject to the tax  
24 levied under this act unless the home service provider can  
25 reasonably identify billings for services not subject to the tax  
26 levied under this act from its books and records kept in the  
27 regular course of business.

1           (5) If charges for mobile ~~telecommunications~~ **WIRELESS** services  
2 and other billed services not subject to the tax levied under this  
3 act are aggregated with and not separately stated from charges for  
4 mobile ~~telecommunications~~ **WIRELESS** services that are subject to the  
5 tax levied under this act, a customer may not rely upon the exempt  
6 status for those mobile ~~telecommunications~~ **WIRELESS** services and  
7 other billed services unless 1 or more of the following conditions  
8 are satisfied:

9           (a) The customer's home service provider separately states the  
10 charges for mobile ~~telecommunications~~ **WIRELESS** services that are  
11 exempt and other exempt billed services from taxable mobile  
12 ~~telecommunications~~ **WIRELESS** services.

13           (b) The home service provider elects, after receiving a  
14 written request from the customer in the form required by the home  
15 service provider, to identify the exempt mobile ~~telecommunications~~  
16 **WIRELESS** services and other exempt billed services by reference to  
17 the home service provider's books and records kept in the regular  
18 course of business.

19           (6) This section is repealed as of the date of entry of a  
20 final judgment by a court of competent jurisdiction that  
21 substantially limits or impairs the essential elements of sections  
22 116 to 126 of title 4 of the United States Code, 4 ~~U.S.C.~~ **USC** 116  
23 to 126, and that final judgment is no longer subject to appeal.

24           (7) For an air-ground radiotelephone service, the tax under  
25 this act is imposed at the location of the origination of the air-  
26 ground radiotelephone service in this state as identified by the  
27 home service provider or information received by the home service

1 provider from its servicing carrier.

2 (8) ALL OF THE FOLLOWING APPLY IN THE CASE OF A BUNDLED  
3 TRANSACTION THAT INCLUDES TELECOMMUNICATIONS SERVICE, ANCILLARY  
4 SERVICE, INTERNET ACCESS, OR AUDIO OR VIDEO PROGRAMMING:

5 (A) IF THE PURCHASE PRICE IS ATTRIBUTABLE TO PRODUCTS THAT ARE  
6 TAXABLE AND PRODUCTS THAT ARE NONTAXABLE, THE PORTION OF THE  
7 PURCHASE PRICE ATTRIBUTABLE TO THE NONTAXABLE PRODUCTS MAY BE  
8 SUBJECT TO TAX UNLESS THE PROVIDER CAN IDENTIFY BY REASONABLE AND  
9 VERIFIABLE STANDARDS THAT PORTION FROM ITS BOOKS AND RECORDS KEPT  
10 IN THE REGULAR COURSE OF BUSINESS FOR OTHER PURPOSES, INCLUDING,  
11 BUT NOT LIMITED TO, NONTAX PURPOSES.

12 (B) IF THE PURCHASE PRICE IS ATTRIBUTABLE TO PRODUCTS THAT ARE  
13 SUBJECT TO TAX AT DIFFERENT TAX RATES, THE TOTAL PURCHASE PRICE MAY  
14 BE TREATED AS ATTRIBUTABLE TO THE PRODUCTS SUBJECT TO TAX AT THE  
15 HIGHEST TAX RATE UNLESS THE PROVIDER CAN IDENTIFY BY REASONABLE AND  
16 VERIFIABLE STANDARDS THE PORTION OF THE PURCHASE PRICE ATTRIBUTABLE  
17 TO THE PRODUCTS SUBJECT TO TAX AT THE LOWER RATE FROM ITS BOOKS AND  
18 RECORDS KEPT IN THE REGULAR COURSE OF BUSINESS FOR OTHER PURPOSES,  
19 INCLUDING, BUT NOT LIMITED TO, NONTAX PURPOSES.

20 (C) THE PROVISIONS OF THIS SUBSECTION SHALL APPLY UNLESS  
21 OTHERWISE PROVIDED BY FEDERAL LAW.

22 (9) ~~(8)~~—As used in this section:

23 (a) "Air-ground radiotelephone service" means that term as  
24 defined in 47 ~~C.F.R.~~—CFR part 22.

25 (b) "Commercial mobile radio service" means that term as  
26 defined in 47 ~~C.F.R.~~—CFR 20.3.

27 (c) "Charge", "charges", or "charge for mobile

1 ~~telecommunications~~ **WIRELESS** services" means any charge for, or  
2 associated with, the provision of commercial mobile radio service,  
3 or any charge for, or associated with, a service provided as an  
4 adjunct to a commercial mobile radio service, that is billed to a  
5 customer by or for the customer's home service provider regardless  
6 of whether individual transmissions originate or terminate within  
7 the licensed service area of the home service provider.

8 (d) "Customer" means 1 of the following, but does not include  
9 a reseller or a serving carrier:

10 (i) The person who contracts with the home service provider for  
11 mobile ~~telecommunications~~ **WIRELESS** services.

12 (ii) If the end user of mobile ~~telecommunications~~ **WIRELESS**  
13 services is not the contracting party, then the end user of the  
14 mobile ~~telecommunications~~ **WIRELESS** service. This subparagraph  
15 applies only for the purpose of determining the place of primary  
16 use.

17 (e) "Enhanced zip code" means a United States postal zip code  
18 of 9 or more digits.

19 (f) "Home service provider" means the facilities-based carrier  
20 or reseller that enters into a contract with a customer for mobile  
21 ~~telecommunications~~ **WIRELESS** services.

22 (g) "Licensed service area" means the geographic area in which  
23 a home service provider is authorized by law or contract to provide  
24 commercial mobile radio services to its customers.

25 (h) "Mobile ~~telecommunications~~ **WIRELESS** services" means  
26 ~~commercial mobile radio services that originate and terminate in~~  
27 ~~the same state or originate in 1 state and terminate in another~~

1 ~~state. Mobile telecommunications services do not include prepaid~~  
2 ~~mobile telecommunications services or air-ground radiotelephone~~  
3 ~~service.~~ **A TELECOMMUNICATIONS SERVICE THAT IS TRANSMITTED,**  
4 **CONVEYED, OR ROUTED, REGARDLESS OF THE TECHNOLOGY USED, WHEREBY THE**  
5 **ORIGINATION OR TERMINATION POINTS OF THE TRANSMISSION, CONVEYANCE,**  
6 **OR ROUTING ARE NOT FIXED, INCLUDING, BUT NOT LIMITED TO,**  
7 **TELECOMMUNICATIONS SERVICES THAT ARE PROVIDED BY A COMMERCIAL**  
8 **MOBILE RADIO SERVICE PROVIDER.**

9 (i) "Place of primary use" means the residential street  
10 address or the primary business street address within the licensed  
11 service area of the home service provider at which a customer  
12 primarily uses mobile ~~telecommunications~~ **WIRELESS** services. **FOR**  
13 **MOBILE WIRELESS SERVICES, PLACE OF PRIMARY USE SHALL BE WITHIN THE**  
14 **LICENSED SERVICE AREA OF THE HOME SERVICE PROVIDER.**

15 (j) "Prepaid mobile ~~telecommunications~~ **WIRELESS CALLING**  
16 service" means ~~the advance purchase of exclusive mobile~~  
17 ~~telecommunications services, which enables the origination of calls~~  
18 ~~using an access number or authorization code, whether manually or~~  
19 ~~electronically dialed, if the remaining units of service are known~~  
20 ~~by the provider of the service on a continuous basis.~~ **A**  
21 **TELECOMMUNICATIONS SERVICE THAT PROVIDES THE RIGHT TO UTILIZE**  
22 **MOBILE WIRELESS SERVICE AS WELL AS OTHER NONTELECOMMUNICATIONS**  
23 **SERVICES, INCLUDING THE DOWNLOAD OF DIGITAL PRODUCTS DELIVERED**  
24 **ELECTRONICALLY, CONTENT, AND ANCILLARY SERVICES, WHICH SHALL BE**  
25 **PAID FOR IN ADVANCE AND THAT IS SOLD IN PREDETERMINED UNITS OR**  
26 **DOLLARS THAT DECLINE WITH USE IN A KNOWN AMOUNT.**

27 (k) "Reseller" means a telecommunications services provider



1 who purchases telecommunications services from another  
2 telecommunications services provider and then resells the  
3 telecommunications services, uses the telecommunications services  
4 as a component part of a mobile ~~telecommunications~~ **WIRELESS**  
5 service, or integrates the telecommunications services into a  
6 mobile ~~telecommunications~~ **WIRELESS** service. Reseller does not  
7 include a serving carrier.

8 (l) "Serving carrier" means a facilities-based  
9 telecommunications services provider that contracts with a home  
10 service provider for mobile ~~telecommunications~~ **WIRELESS** services to  
11 a customer outside of the home service provider's or reseller's  
12 licensed service area.

13 (M) **"TELECOMMUNICATIONS SERVICE" MEANS THE ELECTRONIC**  
14 **TRANSMISSION, CONVEYANCE, OR ROUTING OF VOICE, DATA, AUDIO, VIDEO,**  
15 **OR ANY OTHER INFORMATION OR SIGNALS TO A POINT, OR BETWEEN OR AMONG**  
16 **POINTS, INCLUDING A TRANSMISSION, CONVEYANCE, OR ROUTING IN WHICH**  
17 **COMPUTER PROCESSING APPLICATIONS ARE USED TO ACT ON THE FORM, CODE,**  
18 **OR PROTOCOL OF THE CONTENT FOR PURPOSES OF TRANSMISSION,**  
19 **CONVEYANCE, OR ROUTING WITHOUT REGARD TO WHETHER THAT SERVICE IS**  
20 **REFERRED TO AS VOICE OVER INTERNET PROTOCOL SERVICES OR IS**  
21 **CLASSIFIED BY THE FEDERAL COMMUNICATIONS COMMISSION AS ENHANCED OR**  
22 **VALUE ADDED. TELECOMMUNICATIONS SERVICE DOES NOT INCLUDE ANY OF THE**  
23 **FOLLOWING:**

24 (i) **DATA PROCESSING AND INFORMATION SERVICES THAT ALLOW DATA TO**  
25 **BE GENERATED, ACQUIRED, STORED, PROCESSED, OR RETRIEVED AND**  
26 **DELIVERED BY AN ELECTRONIC TRANSMISSION TO A PURCHASER WHERE THE**  
27 **PURCHASER'S PRIMARY PURPOSE FOR THE UNDERLYING TRANSACTION IS THE**

1 PROCESSED DATA OR INFORMATION.

2 (ii) INSTALLATION OR MAINTENANCE OF WIRING OR EQUIPMENT ON A  
3 CUSTOMER'S PREMISES.

4 (iii) TANGIBLE PERSONAL PROPERTY.

5 (iv) ADVERTISING, INCLUDING, BUT NOT LIMITED TO, DIRECTORY  
6 ADVERTISING.

7 (v) BILLING AND COLLECTION SERVICES PROVIDED TO THIRD PARTIES.

8 (vi) INTERNET ACCESS SERVICE.

9 (vii) RADIO AND TELEVISION AUDIO AND VIDEO PROGRAMMING  
10 SERVICES, INCLUDING, BUT NOT LIMITED TO, CABLE SERVICE AS DEFINED  
11 IN 47 USC 522(6) AND AUDIO AND VIDEO PROGRAMMING SERVICES DELIVERED  
12 BY COMMERCIAL MOBILE RADIO SERVICE PROVIDERS, AS DEFINED IN 47 CFR  
13 20.3, REGARDLESS OF THE MEDIUM, INCLUDING THE FURNISHING OF  
14 TRANSMISSION, CONVEYANCE, AND ROUTING OF THOSE SERVICES BY THE  
15 PROGRAMMING SERVICE PROVIDER.

16 (viii) ANCILLARY SERVICES.

17 (ix) ANSWERING SERVICES, IF THE PRIMARY PURPOSE OF THE  
18 TRANSACTION IS THE ANSWERING SERVICE RATHER THAN MESSAGE  
19 TRANSMISSION.

20 (x) DIGITAL PRODUCTS DELIVERED ELECTRONICALLY, INCLUDING, BUT  
21 NOT LIMITED TO, SOFTWARE, MUSIC, VIDEO, READING MATERIALS, OR RING  
22 TONES.

23 Sec. 3c. (1) Except for the defined telecommunications  
24 services in section 3b and subsection (3), the sale of  
25 telecommunications service sold on a call-by-call basis shall be  
26 sourced to each level of taxing jurisdiction where the call  
27 originates and terminates in that jurisdiction or each level of

1 taxing jurisdiction where the call either originates or terminates  
2 and in which the service address is also located.

3 (2) Except for the defined telecommunications services in  
4 section 3b and subsection (3), a sale of telecommunications  
5 services sold on a basis other than a call-by-call basis is sourced  
6 to the customer's place of primary use.

7 (3) The sale of the following telecommunications services  
8 shall be sourced to each level of taxing jurisdiction as follows:

9 (a) A sale of post-paid calling service is sourced to the  
10 origination point of the telecommunications signal as first  
11 identified by either the seller's telecommunications system, or  
12 information received by the seller from its service provider, where  
13 the system used to transport such signals is not that of the  
14 seller.

15 (b) A sale of prepaid calling service **OR PREPAID WIRELESS**  
16 **CALLING SERVICE** is sourced in accordance with section 20. However,  
17 for a sale of ~~mobile telecommunications service that is a~~ prepaid  
18 ~~telecommunications~~ **WIRELESS CALLING** service, the rule provided in  
19 section 20(1)(e) shall include as an option the location associated  
20 with the mobile telephone number.

21 ~~—— (c) A sale of a private communication service is sourced as~~  
22 ~~follows:~~

23 ~~—— (i) Service for a separate charge related to a customer channel~~  
24 ~~termination point is sourced to each level of jurisdiction in which~~  
25 ~~the customer channel termination point is located.~~

26 ~~—— (ii) Service where all customer termination points are located~~  
27 ~~entirely within 1 jurisdiction or levels of jurisdiction is sourced~~

1 ~~in the jurisdiction in which the customer channel termination~~  
2 ~~points are located.~~

3 ~~—— (iii) Service for segments of a channel between 2 customer~~  
4 ~~channel termination points located in different jurisdictions and~~  
5 ~~which segment of channel is separately charged is sourced 50% in~~  
6 ~~each level of jurisdiction in which the customer channel~~  
7 ~~termination points are located.~~

8 ~~—— (iv) Service for segments of a channel located in more than 1~~  
9 ~~jurisdiction or levels of jurisdiction and which segments are not~~  
10 ~~separately billed is sourced in each jurisdiction based on the~~  
11 ~~percentage determined by dividing the number of customer channel~~  
12 ~~termination points in the jurisdiction by the total number of~~  
13 ~~customer channel termination points.~~

14 **(C) THE SALE OF AN ANCILLARY SERVICE IS SOURCED TO THE**  
15 **CUSTOMER'S PLACE OF PRIMARY USE.**

16 (4) As used in this section:

17 (a) ~~"Air to ground radiotelephone service" means a radio~~  
18 ~~service, as that term is defined in 47 CFR part 22, in which common~~  
19 ~~carriers are authorized to offer and provide radio~~  
20 ~~telecommunications service for hire to subscribers in aircraft.~~

21 **"ANCILLARY SERVICES" MEANS SERVICES THAT ARE ASSOCIATED WITH OR**  
22 **INCIDENTAL TO THE PROVISION OF TELECOMMUNICATIONS SERVICES,**  
23 **INCLUDING, BUT NOT LIMITED TO, DETAILED TELECOMMUNICATIONS BILLING,**  
24 **DIRECTORY ASSISTANCE, VERTICAL SERVICE, AND VOICE MAIL SERVICES.**

25 (b) "Call-by-call basis" means any method of charging for  
26 telecommunications services where the price is measured by  
27 individual calls.

1           (c) ~~"Communications channel"~~ **"CHANNEL"** means a physical or  
2 virtual path of communications over which signals are transmitted  
3 between or among customer channel termination points.

4           (d) "Customer" means the person or entity that contracts with  
5 the seller of telecommunications services. If the end user of  
6 telecommunications services is not the contracting party, the end  
7 user of the telecommunications service is the customer of the  
8 telecommunications service for purposes of this section. Customer  
9 does not include a reseller of telecommunications service or for  
10 mobile ~~telecommunications~~ **WIRELESS** service of a serving carrier  
11 under an agreement to serve the customer outside the home service  
12 provider's licensed service area.

13           (e) "Customer channel termination point" means the location  
14 where the customer either inputs or receives the communications.

15           (f) "End user" means the person who utilizes the  
16 telecommunications service. In the case of an entity, "end user"  
17 means the individual who utilizes the service on behalf of the  
18 entity.

19 ~~—— (g) "Home service provider" means the facilities based carrier~~  
20 ~~or reseller that enters into a contract with a customer for mobile~~  
21 ~~telecommunications services.~~

22 ~~—— (h) "Mobile telecommunications services" means commercial~~  
23 ~~mobile radio services that originate and terminate in the same~~  
24 ~~state or originate in 1 state and terminate in another state.~~  
25 ~~Mobile telecommunications services do not include prepaid mobile~~  
26 ~~telecommunications services or air-ground radiotelephone service.~~

27           (G) ~~(i)~~ "Place of primary use" means the street address

1 representative of where the customer's use of the  
2 telecommunications service primarily occurs, which must be the  
3 residential street address or the primary business street address  
4 of the customer. For mobile ~~telecommunications~~ **WIRELESS** services,  
5 place of primary use must be within the licensed service area of  
6 the home service provider.

7       **(H)** ~~(j)~~ "Post-paid calling service" means the  
8 telecommunications service obtained by making a payment on a call-  
9 by-call basis either through the use of a credit card or payment  
10 mechanism such as a bank card, travel card, credit card, or debit  
11 card, or by charge made to a telephone number that is not  
12 associated with the origination or termination of the  
13 telecommunications service. A post-paid calling service includes a  
14 telecommunications service, **EXCEPT A PREPAID WIRELESS CALLING**  
15 **SERVICE**, that would be a prepaid calling service except it is not  
16 exclusively a telecommunications service.

17       **(I)** ~~(k)~~ "Prepaid calling service" means the right to access  
18 exclusively telecommunications services, which must be paid for in  
19 advance and that enables the origination of calls using an access  
20 number or authorization code, whether manually or electronically  
21 dialed, and that is sold in predetermined units or dollars of which  
22 the number declines with use in a known amount.

23       **(J) "PREPAID WIRELESS CALLING SERVICE" MEANS A**  
24 **TELECOMMUNICATIONS SERVICE THAT PROVIDES THE RIGHT TO UTILIZE**  
25 **MOBILE WIRELESS SERVICE AS WELL AS OTHER NONTELECOMMUNICATIONS**  
26 **SERVICES, INCLUDING THE DOWNLOAD OF DIGITAL PRODUCTS DELIVERED**  
27 **ELECTRONICALLY, CONTENT, AND ANCILLARY SERVICES, WHICH SHALL BE**

1 PAID FOR IN ADVANCE AND THAT IS SOLD IN PREDETERMINED UNITS OR  
2 DOLLARS THAT DECLINE WITH USE IN A KNOWN AMOUNT.

3 (K) ~~(I)~~—"Private communication service" means a  
4 telecommunications service that entitles the customer to exclusive  
5 or priority use of a communications channel or group of channels  
6 between or among termination points, regardless of the manner in  
7 which the channel or channels are connected, and includes switching  
8 capacity, extension lines, stations, and any other associated  
9 services that are provided in connection with the use of such  
10 channel or channels.

11 (I) ~~(m)~~—"Service address" means the following:

12 (i) The location of the telecommunications equipment to which a  
13 customer's call is charged and from which the call originates or  
14 terminates, regardless of where the call is billed or paid.

15 (ii) If the location in subparagraph (i) is not known, service  
16 address means the origination point of the signal of the  
17 telecommunications services first identified by either the seller's  
18 telecommunications system or in information received by the seller  
19 from its service provider, where the system used to transport the  
20 signals is not that of the seller.

21 (iii) If the location in subparagraphs (i) and (ii) is not known,  
22 the service address means the location of the customer's place of  
23 primary use.

24 (M) "TELECOMMUNICATIONS SERVICE" MEANS THE ELECTRONIC  
25 TRANSMISSION, CONVEYANCE, OR ROUTING OF VOICE, DATA, AUDIO, VIDEO,  
26 OR ANY OTHER INFORMATION OR SIGNALS TO A POINT, OR BETWEEN OR AMONG  
27 POINTS, INCLUDING A TRANSMISSION, CONVEYANCE, OR ROUTING IN WHICH

1 COMPUTER PROCESSING APPLICATIONS ARE USED TO ACT ON THE FORM, CODE,  
2 OR PROTOCOL OF THE CONTENT FOR PURPOSES OF TRANSMISSION,  
3 CONVEYANCE, OR ROUTING WITHOUT REGARD TO WHETHER THE SERVICE IS  
4 REFERRED TO AS VOICE OVER INTERNET PROTOCOL SERVICES OR IS  
5 CLASSIFIED BY THE FEDERAL COMMUNICATIONS COMMISSION AS ENHANCED OR  
6 VALUE ADDED. TELECOMMUNICATIONS SERVICE DOES NOT INCLUDE ANY OF THE  
7 FOLLOWING:

8 (i) DATA PROCESSING AND INFORMATION SERVICES THAT ALLOW DATA TO  
9 BE GENERATED, ACQUIRED, STORED, PROCESSED, OR RETRIEVED AND  
10 DELIVERED BY AN ELECTRONIC TRANSMISSION TO A PURCHASER IF THE  
11 PURCHASER'S PRIMARY PURPOSE FOR THE UNDERLYING TRANSACTION IS THE  
12 PROCESSED DATA OR INFORMATION.

13 (ii) INSTALLATION OR MAINTENANCE OF WIRING OR EQUIPMENT ON A  
14 CUSTOMER'S PREMISES.

15 (iii) TANGIBLE PERSONAL PROPERTY.

16 (iv) ADVERTISING, INCLUDING, BUT NOT LIMITED TO, DIRECTORY  
17 ADVERTISING.

18 (v) BILLING AND COLLECTION SERVICES PROVIDED TO THIRD PARTIES.

19 (vi) INTERNET ACCESS SERVICE.

20 (vii) RADIO AND TELEVISION AUDIO AND VIDEO PROGRAMMING  
21 SERVICES, INCLUDING, BUT NOT LIMITED TO, CABLE SERVICE AS DEFINED  
22 IN 47 USC 522(6) AND AUDIO AND VIDEO PROGRAMMING SERVICES DELIVERED  
23 BY COMMERCIAL MOBILE RADIO SERVICE PROVIDERS, AS DEFINED IN 47 CFR  
24 20.3, REGARDLESS OF THE MEDIUM, INCLUDING THE FURNISHING OF  
25 TRANSMISSION, CONVEYANCE, AND ROUTING OF THOSE SERVICES BY THE  
26 PROGRAMMING SERVICE PROVIDER.

27 (viii) ANCILLARY SERVICES.



1           (ix) ANSWERING SERVICES, IF THE PRIMARY PURPOSE OF THE  
2 TRANSACTION IS THE ANSWERING SERVICE RATHER THAN MESSAGE  
3 TRANSMISSION.

4           (x) DIGITAL PRODUCTS DELIVERED ELECTRONICALLY, INCLUDING, BUT  
5 NOT LIMITED TO, SOFTWARE, MUSIC, VIDEO, READING MATERIALS, OR RING  
6 TONES.

7           Sec. 4d. (1) The following are exempt from the tax under this  
8 act:

9           (a) Sales of drugs for human use that can only be legally  
10 dispensed by prescription or food or food ingredients, except  
11 prepared food intended for immediate human consumption.

12           (b) The deposit on a returnable container for a beverage or  
13 the deposit on a carton or case that is used for returnable  
14 containers.

15           (c) Food or tangible personal property purchased under the  
16 federal food stamp program or meals **SOLD BY A PERSON EXEMPT FROM**  
17 **THE TAX UNDER THIS ACT** eligible to be purchased under the federal  
18 food stamp program.

19           (d) Fruit or vegetable seeds and fruit or vegetable plants if  
20 purchased at a place of business authorized to accept food stamps  
21 by the food and nutrition service of the United States department  
22 of agriculture or a place of business that has made a complete and  
23 proper application for authorization to accept food stamps but has  
24 been denied authorization and provides proof of denial to the  
25 department of treasury.

26           (e) Live animals purchased with the intent to be slaughtered  
27 for human consumption.

1           (2) Food or drink heated or cooled mechanically, electrically,  
2 or by other artificial means to an average temperature above 75  
3 degrees Fahrenheit or below 65 degrees Fahrenheit before sale and  
4 sold from a vending machine, except milk, nonalcoholic beverages in  
5 a sealed container, and fresh fruit, is subject to the tax under  
6 this act. The tax due under this act on the sale of food or drink  
7 from a vending machine selling both taxable items and items exempt  
8 under this subsection shall be calculated under this act after  
9 December 31, 1994 based on 1 of the following as determined by the  
10 taxpayer:

11           (a) Actual gross proceeds from sales at retail.

12           (b) Forty-five percent of proceeds from the sale of items  
13 subject to tax under this act or exempt from the tax levied under  
14 this act, other than from the sale of carbonated beverages.

15           (3) "Food and food ingredients" means substances, whether in  
16 liquid, concentrated, solid, frozen, dried, or dehydrated form,  
17 that are sold for ingestion or chewing by humans and are consumed  
18 for their taste or nutritional value. Food and food ingredients do  
19 not include alcoholic beverages and tobacco.

20           (4) "Prepared food" means the following:

21           (a) Food sold in a heated state or that is heated by the  
22 seller.

23           (b) Two or more food ingredients mixed or combined by the  
24 seller for sale as a single item.

25           (c) Food sold with eating utensils provided by the seller,  
26 including knives, forks, spoons, glasses, cups, napkins, straws, or  
27 plates, but not including a container or packaging used to

1 transport the food.

2 (5) Prepared food does not include the following:

3 (a) Food that is only cut, repackaged, or pasteurized by the  
4 seller.

5 (b) Raw eggs, fish, meat, poultry, and foods containing those  
6 raw items requiring cooking by the consumer in recommendations  
7 contained in section 3-401.11 of part 3-4 of chapter 3 of the 2001  
8 food code published by the food and drug administration of the  
9 public health service of the department of health and human  
10 services, to prevent foodborne illness.

11 (c) Food sold in an unheated state by weight or volume as a  
12 single item, without eating utensils.

13 (d) Bakery items, including bread, rolls, buns, biscuits,  
14 bagels, croissants, pastries, doughnuts, danish, cakes, tortes,  
15 pies, tarts, muffins, bars, cookies, and tortillas, sold without  
16 eating utensils.

17 (6) "Prepared food intended for immediate consumption" means  
18 prepared food.

19 Sec. 4i. (1) A seller required to collect the tax under this  
20 act shall be exempt from collecting the tax on sales of tangible  
21 personal property if the tangible personal property is part of a  
22 drop shipment and if the taxpayer complies with the requirements of  
23 subsection (3).

24 (2) As used in this section, "drop shipment" means the direct  
25 delivery of tangible personal property to a purchaser in Michigan  
26 by a person who has sold the property to another person not  
27 licensed under this act but possessing a resale or exemption

1 certificate or other written evidence of exemption authorized by  
2 another state, **OR ANY OTHER ACCEPTABLE INFORMATION EVIDENCING**  
3 **QUALIFICATION FOR A RESALE EXEMPTION**, for resale to the Michigan  
4 purchaser.

5 (3) For each transaction for which an exemption is claimed  
6 under subsection (1), the taxpayer shall provide the following  
7 information to the department annually in any reasonable form:

8 (a) The name, address, and, if readily available, the federal  
9 taxpayer identification number of the person to whom the property  
10 is sold for resale.

11 (b) The name, address, and, if readily available, the federal  
12 taxpayer identification number of the person to whom the property  
13 is shipped in Michigan.

14 (4) A person making a drop shipment is a seller.

15 Sec. 7. (1) Each person storing, using, or consuming in this  
16 state tangible personal property or services is liable for the tax  
17 levied under this act, and that liability shall not be extinguished  
18 until the tax levied under this act has been paid to the  
19 department.

20 (2) A person who acquires tangible personal property or  
21 services for any tax-exempt use who subsequently converts the  
22 tangible personal property or service to a taxable use, including  
23 an interim taxable use, is liable for the tax levied under this  
24 act. If tangible personal property or services are converted to a  
25 taxable use, the tax levied under this act shall be imposed without  
26 regard to any subsequent tax-exempt use. The payment to the  
27 department of the tax, interest, and any penalty assessed by the

1 department relieves the seller, who sold the property or services  
2 with regard to the storing, use, or consumption on which the tax  
3 was paid from the payment of the amount of the tax that he or she  
4 may be required under this act to collect from the purchaser.

5 (3) BEGINNING JANUARY 1, 2009, EXCEPT AS LIMITED BY SUBSECTION  
6 (4), A CONSUMER IS RELIEVED FROM LIABILITY, INCLUDING LIABILITY FOR  
7 TAX, PENALTY, AND INTEREST, FOR HAVING FAILED TO PAY THE CORRECT  
8 AMOUNT OF TAX IMPOSED UNDER THIS ACT IN THE FOLLOWING  
9 CIRCUMSTANCES:

10 (A) THE CONSUMER'S SELLER OR THE SELLER'S CERTIFIED SERVICE  
11 PROVIDER, AS DEFINED IN THE STREAMLINED SALES AND USE TAX  
12 ADMINISTRATION ACT, 2004 PA 174, MCL 205.801 TO 205.833, RELIED ON  
13 ERRONEOUS DATA CONTAINED IN THE TAXABILITY MATRIX.

14 (B) THE CONSUMER RELIED ON ERRONEOUS DATA CONTAINED IN THE  
15 TAXABILITY MATRIX.

16 (4) LIABILITY RELIEF UNDER SUBSECTION (3) IS LIMITED TO THE  
17 ERRONEOUS CLASSIFICATION IN THE TAXABILITY MATRIX OF TERMS INCLUDED  
18 IN THE STREAMLINED SALES AND USE TAX AGREEMENT'S LIBRARY OF  
19 DEFINITIONS AS TAXABLE OR EXEMPT, INCLUDED IN SALES PRICE, EXCLUDED  
20 FROM SALES PRICE, OR EXCLUDED FROM THE DEFINITION.

21 (5) AS USED IN THIS SECTION:

22 (A) "PENALTY" MEANS AN AMOUNT IMPOSED FOR NONCOMPLIANCE THAT  
23 IS NOT FRAUDULENT, WILLFUL, OR INTENTIONAL AND THAT IS IN ADDITION  
24 TO THE CORRECT AMOUNT OF TAX IMPOSED UNDER THIS ACT AND IN ADDITION  
25 TO INTEREST.

26 (B) "TAXABILITY MATRIX" MEANS THE TAXABILITY MATRIX PUBLISHED  
27 BY THE DEPARTMENT PURSUANT TO THE STREAMLINED SALES AND USE TAX

1 **ADMINISTRATION ACT, 2004 PA 174, MCL 205.801 TO 205.833.**

2       Sec. 13. (1) A purchaser of direct mail other than a holder of  
3 a direct pay permit under section 8 shall provide to the seller at  
4 the time of purchase either a ~~direct mail~~ **AN EXEMPTION** form as  
5 prescribed by the department or information indicating the taxing  
6 jurisdictions to which the direct mail is delivered to recipients.

7       (2) Upon receipt of the ~~direct mail~~ **EXEMPTION** form, the seller  
8 is relieved of all obligation to collect, pay, or remit the  
9 applicable tax and the purchaser is then obligated to pay the  
10 applicable tax on a direct pay basis.

11       (3) A ~~direct mail~~ **AN EXEMPTION** form remains in effect for all  
12 subsequent sales of direct mail by the seller to the purchaser  
13 until revoked in writing.

14       (4) Upon receipt of information from the purchaser indicating  
15 the taxing jurisdictions to which the direct mail is delivered to  
16 recipients, the seller shall collect the tax according to that  
17 delivery information. In the absence of bad faith, the seller is  
18 relieved of any further obligation to collect the tax if the seller  
19 collected the tax using the delivery information provided by the  
20 purchaser.

21       (5) If the purchaser does not have a direct pay permit and  
22 does not provide the seller with a ~~direct mail~~ **AN EXEMPTION** form or  
23 delivery information as required in subsection (1), the seller  
24 shall collect the tax in the same manner as provided in section 19.  
25 Nothing in this subsection limits a purchaser's obligation for the  
26 tax under this act.

27       (6) A purchaser who provides the seller with documentation of

1 a direct pay permit is not required to provide a ~~direct mail~~ **AN**  
2 **EXEMPTION** form or delivery information.

3       Sec. 14a. (1) A person in the business of selling tangible  
4 personal property and liable for any tax under this act shall keep  
5 accurate and complete beginning and annual inventory and purchase  
6 records of additions to inventory, complete daily sales records,  
7 receipts, invoices, bills of lading, and all pertinent documents in  
8 a form the department requires. If an exemption from use tax is  
9 claimed by a person because the sale is for resale at retail, a  
10 record shall be kept of the sales tax license number if the person  
11 has a sales tax license. These records shall be retained for a  
12 period of 4 years after the tax imposed under this act to which the  
13 records apply is due or as otherwise provided by law.

14       (2) If the department considers it necessary, the department  
15 may require a person, by notice served upon that person, to make a  
16 return, render under oath certain statements, or keep certain  
17 records the department considers sufficient to show whether or not  
18 that person is liable for the tax under this act.

19       (3) A person knowingly making a sale of tangible personal  
20 property for the purpose of resale at retail to another person not  
21 licensed under this act is liable for the tax imposed under this  
22 act unless the transaction is exempt under the provisions of  
23 section 4i.

24       (4) If a taxpayer fails to file a return or to maintain or  
25 preserve proper records as prescribed in this section, or the  
26 department has reason to believe that any records maintained or  
27 returns filed are inaccurate or incomplete and that additional

1 taxes are due, the department may assess the amount of the tax due  
2 from the taxpayer based on information that is available or that  
3 may become available to the department. That assessment is  
4 considered prima facie correct for the purpose of this act and the  
5 burden of proof of refuting the assessment is upon the taxpayer.

6 (5) For purposes of this act, exemption certificate includes a  
7 blanket exemption certificate on a form prescribed by the  
8 department that covers all exempt transfers between the taxpayer  
9 and the buyer for a period of 4 years or for a period of less than  
10 4 years as stated on the blanket exemption certificate if that  
11 period is agreed to by the buyer and taxpayer.

12 ~~(6) This section applies when this state is a member state of~~  
13 ~~the streamlined sales and use tax agreement.~~

14 Sec. 14b. (1) If an exemption from the tax under this act is  
15 claimed, the seller shall obtain identifying information of the  
16 purchaser and the reason for claiming the exemption at the time of  
17 the purchase or at a later date. The seller shall obtain the same  
18 information for a claimed exemption regardless of the medium in  
19 which the transaction occurred.

20 (2) A seller shall use a standard format for claiming an  
21 exemption electronically as adopted by the governing board under  
22 the streamlined sales and use tax agreement.

23 (3) A purchaser is not required to provide a signature to  
24 claim an exemption under this act unless a paper exemption form is  
25 used.

26 (4) A seller shall maintain a proper record of all exempt  
27 transactions and shall provide them when requested by the



1 department.

2 (5) A seller who complies with the requirements of this  
3 section is not liable for the tax under this act if a purchaser  
4 improperly claims an exemption. A purchaser who improperly claims  
5 an exemption is liable for the tax due under this act. This  
6 subsection does not apply if a seller ~~fraudulently~~ **DOES ANY OF THE**  
7 **FOLLOWING:**

8 (A) **FRAUDULENTLY** fails to collect the tax. ~~or solicits~~

9 (B) **SOLICITS** a purchaser to make an improper claim for  
10 exemption.

11 (C) **ACCEPTS AN EXEMPTION FORM WHEN THE PURCHASER CLAIMS AN**  
12 **ENTITY-BASED EXEMPTION IF BOTH OF THE FOLLOWING OCCUR:**

13 (i) **THE SUBJECT OF THE TRANSACTION SOUGHT TO BE COVERED BY THE**  
14 **EXEMPTION FORM IS ACTUALLY RECEIVED BY THE PURCHASER AT A LOCATION**  
15 **OPERATED BY THE SELLER.**

16 (ii) **THE STATE IN WHICH THE LOCATION OPERATED BY THE SELLER IS**  
17 **LOCATED PROVIDES AN EXEMPTION FORM THAT CLEARLY AND AFFIRMATIVELY**  
18 **INDICATES THAT THE CLAIMED EXEMPTION IS NOT AVAILABLE IN THAT**  
19 **STATE.**

20 (6) **A SELLER WHO OBTAINS A FULLY COMPLETED EXEMPTION FORM OR**  
21 **CAPTURES THE RELEVANT DATA ELEMENTS AS OUTLINED IN THIS SECTION**  
22 **WITHIN 120 DAYS AFTER THE DATE OF SALE IS NOT LIABLE FOR THE TAX**  
23 **UNDER THIS ACT.**

24 (7) **IF THE SELLER HAS NOT OBTAINED AN EXEMPTION FORM OR ALL**  
25 **RELEVANT DATA ELEMENTS, THE SELLER MAY EITHER PROVE THAT THE**  
26 **TRANSACTION WAS NOT SUBJECT TO THE TAX UNDER THIS ACT BY OTHER**  
27 **MEANS OR OBTAIN A FULLY COMPLETED EXEMPTION FORM FROM THE**

1 PURCHASER, BY THE LATER OF THE FOLLOWING:

2 (A) 120 DAYS AFTER A REQUEST BY THE DEPARTMENT.

3 (B) THE DATE AN ASSESSMENT BECOMES FINAL.

4 (C) THE DENIAL OF A CLAIM FOR REFUND.

5 (D) IN THE INSTANCE OF A CREDIT AUDIT, THE ISSUANCE OF AN  
6 AUDIT DETERMINATION LETTER OR INFORMAL CONFERENCE DECISION AND  
7 ORDER OF DETERMINATION.

8 (E) THE DATE OF A FINAL ORDER OF THE COURT OF CLAIMS OR THE  
9 MICHIGAN TAX TRIBUNAL, AS APPLICABLE, WITH RESPECT TO AN  
10 ASSESSMENT, ORDER, OR DECISION OF THE DEPARTMENT.

11 (8) THE DEPARTMENT MAY, IN ITS DISCRETION, ALLOW A SELLER  
12 ADDITIONAL TIME TO COMPLY WITH SUBSECTION (7).

13 (9) A SELLER IS NOT LIABLE FOR THE TAX UNDER THIS ACT IF THE  
14 SELLER OBTAINS A BLANKET EXEMPTION FORM FOR A PURCHASER WITH WHICH  
15 THE SELLER HAS A RECURRING BUSINESS RELATIONSHIP. RENEWALS OF  
16 BLANKET EXEMPTION FORMS OR UPDATES OF EXEMPTION FORM INFORMATION OR  
17 DATA ELEMENTS ARE NOT REQUIRED IF THERE IS A RECURRING BUSINESS  
18 RELATIONSHIP BETWEEN THE SELLER AND THE PURCHASER. FOR PURPOSES OF  
19 THIS SECTION, A RECURRING BUSINESS RELATIONSHIP EXISTS WHEN A  
20 PERIOD OF NOT MORE THAN 12 MONTHS ELAPSES BETWEEN SALES  
21 TRANSACTIONS.

22 Enacting section 1. Sections 12 and 14 of the use tax act,  
23 1937 PA 94, MCL 205.102 and 205.104, are repealed.