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Common Sales and Use Tax Exemptions and Requirements

501(c)(3) and 501(c)(4) Organizations - 501(c)(3) and 501(c)(4) organizations must provide proof that they are exempt under these codes by the Internal Revenue Service. In addition to this they must provide a certificate of exemption stating that the property will be used or consumed in carrying out the operations of the organization. Revenue Administrative Bulletin [1995-3](#) and [2002-15](#) has more information on this topic.

Wholesalers claiming an exemption should provide a written statement that they are purchasing for "resale at wholesale". Sale tax licenses are not issued to wholesalers.

Retailers - Retailers purchasing for resale should provide a signed exemption certificate provided in [Revenue Administrative Bulletin 2002-15](#) stating that the purchase is for resale. Their sales tax license number must be included on the exemption claim. However, a seller should not accept the sales tax license number alone as a claim of exemption. The department does not issue tax-exempt numbers. The exemption certificate can be obtained in [Revenue Administrative Bulletin 2002-15](#).

Industrial Processors - An industrial processing exemption is allowed for property which is used or consumed in transforming, altering, or modifying tangible personal property by changing the form, composition, or character of the property for ultimate sale at retail or for sale to another processor for further processing and ultimate sale at retail. The industrial processing exemption does not include property which is or becomes affixed to real estate, office supplies, administrative office equipment, or vehicles licensed for public highway use, except when the vehicle is used to mix and agitate materials added at the plant or job site in the concrete manufacturing process. Industrial processing also does not include the receipt or storage of raw materials extracted by the user or consumer or the preparation of food or beverages by a retailer for retail sale. The exemption certificate can be obtained in [Revenue Administrative Bulletin 2002-15](#).

Churches - Sales to organized churches or houses of religious worship are exempt from sales tax. These exempt sales must not involve property used in commercial enterprises. Vans or buses may be purchased exempt if the manufacturer's rated seating capacity is 10 or more and it is used primarily for transportation of persons for religious purposes. Churches may not purchase any other type of vehicle exempt. Anyone who is directly engaged in the business of constructing, altering, repairing, or improving real estate for a church or a house of religious worship is liable for the sales tax on the inventory value of the materials affixed to the property, even if the church purchases the materials. [Revenue Administrative Bulletin 1995-3](#) and [2002-15](#) has more information on this topic.

Hospitals - Sales to hospitals are exempt from sales tax when the organization is not operated for profit. The income or benefit from the operation must not inure to any individual or private shareholder, directly or indirectly. [Revenue Administrative Bulletin 1995-3](#) and [2002-15](#) has more information on this topic.

Schools - Sales to schools and parent cooperative preschools are exempt from sales tax when the organization is not operated for profit. The income or benefit from the operation must not inure to any individual or private shareholder, directly or indirectly. PTA, PTO, and all other groups and organizations must qualify separately for exemption when making purchases for their organizations. Sales to teachers are subject to tax. [Revenue Administrative Bulletin 1995-3](#) and [2002-15](#) has more information on this topic.

Government - Sales to the United States government, the State of Michigan and its political subdivisions, departments and institutions are not subject to tax, if the sales are ordered on the government form or purchase order and are paid for directly to the seller by warrant on government funds. Sales to the American Red Cross, and its chapters and branches are exempt. All sales to other states or countries are subject to Michigan sales tax. Sales to employees of the government for their own use are subject to tax. [Revenue Administrative Bulletin 2002-15](#) provides the exemption certificate.

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