



**Michigan School Business Officials
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This presentation will discuss generally the obligations of a Michigan public school under the Michigan General Sales Tax Act, Act 167, Public Acts of Michigan, 1933, as amended (the “Act”)

The Act imposes a tax on retail sales of tangible personal property at a rate of 6% of the seller’s gross proceeds from the sale.

Under the Act retail sales *to a public school* for their own use, storage or consumption are generally exempt from sales tax and retail sales *made by a public school* are generally subject to sales tax.

However, exceptions apply for various types of sales made by public schools.

Sales NOT for Resale

Under the Act a sale of tangible personal property not for resale to a Michigan public school is exempt from the sales tax if:

1. *the income or benefit from the use of the property does not inure, in whole or in part, to an individual or private entity, directly or indirectly; and*
2. *the activities of the public school are carried on exclusively for the benefit of the public at large and are not limited to the advantage, interests, and benefits of its members or any restricted group.*

Under the above exemption the public school should inform the vendor(s) that the purchase is exempt and provide the vendor(s) with a completed “Certificate of Exemption” (Michigan Treasury Form 3372).

See [Revenue Administrative Bulletin 2021-18](#)

Sales for Resale

Under the Act a “sale at retail” or “retail sale” means a sale of tangible personal property for any purpose other than resale.

Therefore, items purchased for resale would be exempt from the sales tax. Under this exemption the public school should inform the vendor(s) that it is purchasing such items for resale and provide the vendor(s) with a completed “Certificate of Exemption” (Michigan Treasury Form 3372).

See Revenue Administrative Bulletin 2021-18

Construction Materials

With regard to the exemption applicable to a public school, a common question which arises is the treatment of construction material purchased by an outside contractor performing a construction/improvement project for the public school.

Under the Act, a “sale at retail” also includes sales of tangible personal property to contractors in their trade or business. Thus, under the Act, a contractor performing services for a public school would pay the Michigan sales tax on the material it purchases to complete the construction/improvement project. There is no exemption under the Act based on the fact the contractor is performing the construction services for a public school.

It has been suggested that a public school could save the sales tax on the purchase of construction materials for use by a contractor in a construction project by purchasing said material directly. The problem with this strategy is that technically, the material purchased by the public school is not a sale at retail and is not for use or consumption by the public school but is for use and consumption by the contractor.

See **Revenue Administrative Bulletin 2019-15**

Sales Generally

A public school must remit sales tax on all sales made at retail (i.e., not for resale).

If a public school intends to sell tangible property it is required to obtain a sales tax license from the Michigan Department of Treasury regardless of the amount of revenue it intends to generate from such sales (Michigan Treasury Form 518: Registration for Michigan Taxes).

The Act does provide public schools various exemptions from the sales tax on retail sales.

See [Revenue Administrative Bulletin 2020-25](#)

Fundraising Activity: The Act provides an exemption on the first \$10,000 of fundraising sales made by a public school if the public schools aggregate sales at retail in the calendar year are less than \$25,000.

For purposes of this exemption a “school” means each elementary, middle or high school site within a school district that represents a district attendance area. This thus allows a separate \$10,000 exemption and \$25,000 of aggregate sales threshold for each elementary, middle or high school site. It should also be noted that a club, association or other organization affiliated with a school, which does not have its own tax-exempt status, is not considered a separate entity or site for purposes of this exemption and for sales tax purposes its retail sales would be aggregated with the school site with which it is affiliated.

See **Revenue Administrative Bulletin 2020-25**

Sale of Textbooks to Students: The sale of textbooks by a public school to or for the use of students enrolled in any part of a K through 12th grade program are exempt for the sales tax.

Sale of Food: In general, all prepared food and beverages that are sold for immediate consumption are subject to sales tax. The following are various exemptions and special rules for public schools:

- Sale of food to students
- Food provided at school event
- Catered food
- Concession.

See **Revenue Administrative Bulletin 2022-4**

Fundraising Auctions.

School Store.

Raffle Tickets.

Sale or Lease of School Property:

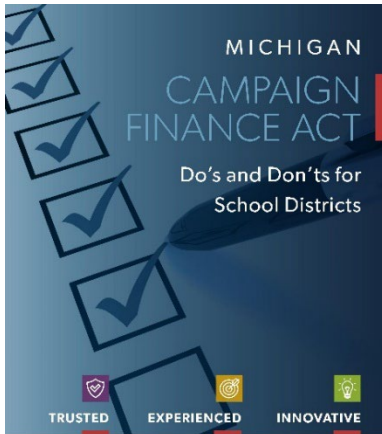
- Real Property
- Personal Property
- Lease of School Property

See Revenue Administrative Bulletin 2020-25

Sales Tax License: If a public school intends to sell or lease tangible property it is required to obtain a sales tax license from the Michigan Department of Treasury regardless of the amount of revenue it intends to generate from such sales and whether the sales are exempt.

Sales Tax Returns: Public schools with a sales tax liability must file sales tax returns and remit the sales tax to the State according to the frequency assigned by the State (i.e., monthly, quarterly or annually) which is based on the sales tax amount to be remitted.

For further information on the Sales Tax License and Returns see the Sales and Use Tax Section of the Michigan Department of Treasury website.

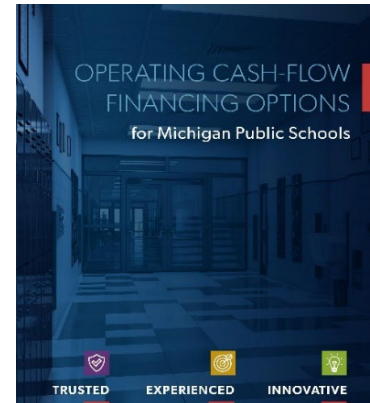


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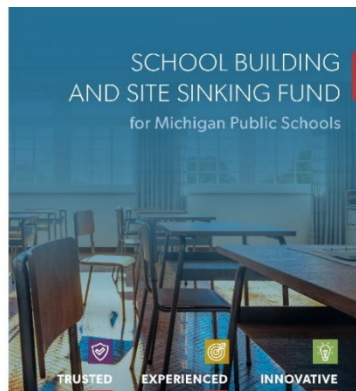


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This practice guide discusses generally the Michigan sales tax obligations of Michigan public schools under the Michigan General Sales Tax Act, Act 167, Public Acts of Michigan, 1933, as amended (MCL 207.51 et seq.). The Act imposes a tax on most retail sales of tangible personal property at a rate of 6% of the seller's gross proceeds from the sale. Under the Act retail sales to public schools for their own use, storage or consumption are generally exempt from sales tax and retail sales made by public schools are generally subject to sales tax. However, exceptions apply for various types of sales made by public schools.



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This practice guide discusses the requirements for the levy of a building and site sinking fund tax by a school district under Section 1212 of the Michigan Revised School Code (MCL 380.1212). Section 1212 provides that, with voter approval, a school district may levy a sinking fund tax to pay for certain allowable capital improvement projects and purchases which include the construction and renovation of school buildings, the purchase of real property, the repair of school buildings and the purchase of certain equipment.



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Thank you! Any Questions?

- This document is not intended to give legal advice and does not establish any attorney-client relationship. It is comprised of general information. School Districts facing specific issues should seek the assistance of an attorney.

