

Michigan Sales Tax Exemption for 501(c)(19) Organizations is now the Law!

With the passing of Michigan House Bill 5913, Public Act 530 of 2018 was created, providing an exemption from Michigan Sales Tax on the sale of tangible personal property to all 501(c)(19) organizations. This Act applies equally to the Legion and Auxiliary.

To qualify for the exemption, the 501(c)(19) organization must not be operated for profit, and must be exempt from Federal Income Tax. If the organization has lost its' tax exempt status, the exemption does not apply.

The exemption applies to the purchase of items used or consumed in connection with the operation of the organization, to carry out the purposes of the organization, or to raise funds necessary for the operation of the organization, as stated in your by-laws or articles of incorporation.

The exemption does not apply to any single purchase of personal property or vehicles if the purchase price exceeds \$25,000. If you make a purchase of \$25,001, sales tax must be paid on the entire amount.

The exemption also does not apply to purchases that are directly related to any for-profit business enterprise operated by the Post.

At the time of the purchase, provide the vendor or seller a fully completed and signed Michigan Treasury Form 3372. If your Post or Unit is not included in National's Group Exemption listing, you will also need to provide the merchant with a copy of your IRS Determination Letter, showing your status as a 501(c)(19) exempt organization.

Suggestions for Form 3372(Attached)

- Sect 1: Choose applicable option
- Sect 2: Choose applicable option
- Sect 3: Choose Item 13 (Other), and write the following as the explanation:
Nonprofit Internal Revenue Code Section 501(c)(19) per PA 530 of 2018.
- Sect 4: Type of Business – 17
 - Be sure to fill out and sign

What's Included...Examples

Before we begin our discussion, we'll provide you with the following definitions:

Post – The local Grass-roots American Legion organization consisting of War-era Veterans who have come together to provide mutual support for Veterans in their communities, state, and nation. (A similar definition applies to Auxiliary Units)

Post Home – A structure, such as a building and its' grounds, that the **Post** owns or leases, for the purpose of raising funds for Veterans, Veterans causes, and conducting the day to day business of the **Post**.

Examples of Purchases that Qualify as Exempt

- Purchase of Office Supplies consumed in the day to day administration of the Post, and in the operation of fundraising activities for the purpose of raising funds to benefit Veterans and Veterans causes
- Purchase of Bingo supplies. The IRS specifically excludes Bingo gaming from classification as Unrelated Business Income
- Purchase of Building Materials to repair or improve the area of the Post Home that is utilized for meetings, fundraising, and administration of the Post
- Purchase of Equipment, Office Furniture, Tables, Signage, etc. used in the area of the Post Home that is utilized for meetings, fundraising, and administration of the Post
- Cleaning and Maintenance Supplies that are used in the area of the Post Home that is utilized for meetings, fundraising, and administration of the Post
- Purchase of a vehicle, or maintenance and repairs to the same, used for the purpose of raising funds, or obtaining resources, where the purchase price does not exceed \$25,000.

Examples of Purchases that are NOT Exempt

- Any purchase related to the conduct of a for-profit business enterprise of the Post
 - Examples would include a bar or lounge, restaurant, and any other type business classified by the IRS as Unrelated Business
 - Examples would include, but are not limited to, dedicated bar & kitchen equipment, utensils, supplies, beer coolers, refrigerators, bar stools, alcoholic beverages, etc.

Michigan Sales and Use Tax Certificate of Exemption

INSTRUCTIONS: DO NOT send to the Department of Treasury. Certificate must be retained in the seller's records. This certificate is invalid unless all four sections are completed by the purchaser.

SECTION 1: TYPE OF PURCHASE

- A. One-Time Purchase
Order or Invoice Number: _____
- B. Blanket Certificate. Recurring Business Relationship
- C. Blanket Certificate
Expiration Date (maximum of four years): _____

The purchaser hereby claims exemption on the purchase of tangible personal property and selected services made from the vendor listed below. This certifies that this claim is based upon the purchaser's proposed use of the items or services, OR the status of the purchaser.

| |
|---------------------------|
| Vendor's Name and Address |
|---------------------------|

SECTION 2: ITEMS COVERED BY THIS CERTIFICATE

Check one of the following:

1. All items purchased.
2. Limited to the following items: _____

SECTION 3: BASIS FOR EXEMPTION CLAIM

Check one of the following:

1. For Lease. Enter Use Tax Registration Number: _____
2. For Resale at Retail. Enter Sales Tax License Number: _____

The following exemptions DO NOT require the purchaser to provide a number:

3. Agricultural Production. Enter percentage: _____%
4. Church, Government Entity, Nonprofit School, or Nonprofit Hospital (Circle type of organization).
5. Contractor (must provide *Michigan Sales and Use Tax Contractor Eligibility Statement* (Form 3520)).
6. For Resale at Wholesale.
7. Industrial Processing. Enter percentage: _____%
8. Nonprofit Internal Revenue Code Section 501(c)(3) or 501(c)(4) Exempt Organization.
9. Nonprofit Organization with an authorized letter issued by the Michigan Department of Treasury prior to June 1994.
10. Rolling Stock purchased by an Interstate Motor Carrier.
11. Qualified Data Center
12. Direct Pay - Authorized to pay use tax on qualified transactions directly to the State of Michigan under Account Number _____.
13. Other (explain): _____

SECTION 4: CERTIFICATION

I declare, under penalty of perjury, that the information on this certificate is true, that I have consulted the statutes, administrative rules and other sources of law applicable to my exemption, and that I have exercised reasonable care in assuring that my claim of exemption is valid under Michigan law. In the event this claim is disallowed, I accept full responsibility for the payment of tax, penalty and any accrued interest, including, if necessary, reimbursement to the vendor for tax and accrued interest.

| | | | |
|---|--|--|--|
| Business Name | | Type of Business (see codes on page 2) | |
| Business Address | | City, State, ZIP Code | |
| Business Telephone Number (include area code) | | Name (Print or Type) | |
| Signature and Title | | Date Signed | |

Instructions for completing *Michigan Sales and Use Tax Certificate of Exemption (Form 3372)*

Purchasers may use this form to claim exemption from Michigan sales and use tax on qualified transactions. It is the Purchaser's responsibility to ensure the eligibility of the exemption being claimed. All claims are subject to audit. Non-qualified transactions are subject to tax, statutory penalty and interest.

Sellers are required to maintain records, paper or electronic, of completed exemption certificates for a period of four years. Michigan does not issue "tax exempt numbers" and a seller may not rely on a number for substitution of an exemption certificate. Other documentation that sellers in the State of Michigan may accept are the Uniform Sales and Use Tax Certificate approved by the Multistate Tax Commission, the Streamlined Sales and Use Tax Agreement Certificate of Exemption, the same information in another format from the purchaser, or resale or exemption certificates or other written evidence of exemption authorized by another state or country.

SECTION 1:

Place a check in the box that describes how you will use this certificate.

- A) Choose "One-Time Purchase" and include the invoice number this certificate covers.
- B) Choose "Blanket Certificate" if there is a "recurring business relationship." This exists when a period of not more than 12 months elapses between sales transactions between the seller and purchaser.
- C) Choose "Blanket Certificate" and enter the expiration date (maximum four years) when there is a period of more than 12 months between sales transactions.

Print the vendor's name and address in the area provided.

SECTION 2:

Place a check in the box for "All items purchased" or choose "Limited to" and list the items that are covered by the exemption claim.

SECTION 3:

Place a check in the box that applies and provide the additional information requested for that exemption. The exemptions listed are the most common. If the exemption you are claiming is not listed use "Other" and enter the qualifying exemption.

SECTION 4:

Use the number that describes your business or explain any other business type not provided.

| | | | |
|----|-------------------|----|-----------------------------------|
| 01 | Accommodations | 10 | Utilities |
| 02 | Agricultural | 11 | Wholesale |
| 03 | Construction | 12 | Advertising, newspaper |
| 04 | Manufacturing | 13 | Non-Profit Hospital |
| 05 | Government | 14 | Non-Profit Educational |
| 06 | Rental or leasing | 15 | Non-Profit 501(c)(3) or 501(c)(4) |
| 07 | Retail | 16 | Qualified Data Center |
| 08 | Church | 17 | Other |
| 09 | Transportation | | |

Print the name of the business, address, city, state and ZIP code. Sign and provide your title (i.e. owner, president, treasurer, etc.). Provide your printed name and date the certificate.

THE COMPLETED CERTIFICATE MUST BE RETAINED IN YOUR RECORDS IN THE EVENT OF AN AUDIT.

DO NOT SEND THIS EXEMPTION CERTIFICATE TO THE DEPARTMENT OF TREASURY.