

STATE OF MICHIGAN



JOHN ENGLER, Governor

**DEPARTMENT OF TREASURY**

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**REVENUE ADMINISTRATIVE BULLETIN 1997 - 1**

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**SALES AND USE TAX EXEMPTION FOR COMMERCIAL RADIO  
AND TELEVISION BROADCASTERS**

(Replaces Revenue Administrative Bulletin 1989-65)

**RAB-97-1.** The purpose of this Bulletin is to clarify the sales and use tax exemption available to commercial radio and television broadcasters [MCL 205.54a(i); MSA 7.525 and MCL 205.94(o); MSA 7.555(4o)]. This bulletin also reclassifies some items listed as taxable on Revenue Administrative Bulletin 89-65.

Public Acts 519 and 459 of 1988 amended the Sales and Use Tax Acts to provide for the following exemptions from sales and use tax:

1. A specific exemption is given for certain tangible personal property purchased by persons licensed to operate commercial radio and television stations. The exemption is available when the property is used in the origination or integration of the various sources of program material for commercial radio or television transmission. Property used in the receiving of programs for integration is not included in this exemption. Any property involved in the origination or integration qualifies for this exemption. No other uses of tangible personal property qualify for exemption from tax.
2. The exemption specifically excludes a vehicle licensed and titled for use on public highways. Equipment which is an integral part of a vehicle licensed and titled for use on public highways is excluded from this exemption, even if it is used in the origination or integration of the various sources of program material for commercial radio or television transmission. If the equipment is bought or sold with the vehicle, it is considered an integral part of the vehicle and would not qualify for the exemption. However, equipment which is purchased separately from the vehicle and later placed in the vehicle does not automatically qualify for the exemption. Only equipment which is readily removable from the vehicle and used in the origination or integration of the various sources of program material for commercial radio or television transmission may qualify for the exemption.
3. The exemption also excludes property used in transmitting to or receiving from an artificial satellite. Under this exclusion, such property is subject to tax, even if used in the origination or integration of the various sources of program material for commercial radio and television transmission.

### **Typical Tax Exempt Items**

The following items are usually not subject to tax if they are used in the origination or integration of various sources of program material for commercial radio or television transmission. However, to be exempt these items may not be part of real property or an integral part of a vehicle.

- Tapes, recordings and film
- Tape editing equipment
- Film processing, editing and previewing equipment
- Film cameras and projectors
- TV cameras and associated equipment
- Microphones
- Turntables and playback equipment
- Broadcast tape recorder systems, compact disks, audio cartridge decks, R-dat
- Audio tape recorders, edit controllers, mixers
- Routing/switching equipment
- Master digital clock
- Automated logging (traffic/scheduling)system
- Audio and video cartridge machines
- Monitoring and switching equipment
- Computer and weather graphic equipment
- Studio consoles and production interconnecting amplifiers
- Teleprompters, teletypewriters, wire service
- Character generators, animation devices and frame synchronizers
- Image storage equipment (still store) and associated disc drivers
- Digital audio and video effect equipment (paint box)
- Optical laser (video) equipment
- Remote broadcast equipment
- Audio news gathering equipment
- Electronic news gathering and electronic film production equipment
- Processing amplifiers
- EQ amplifiers
- Telephone lines/service between remote broadcast and permanent studio
- Production lighting systems including studio lighting boards and fixtures
- Production materials - props, script materials, sets
- Racks and cabinets to house equipment if not real property or an integral part of a vehicle

### **Typical Taxable Items**

The following items are subject to tax if they are not used in the origination or integration of various sources of program material for commercial radio or television transmission. Any items which are a part of real property or an integral part of a vehicle are also subject to tax.

- Main and auxiliary transmitters
- Transmitter cooling system, control console and power switching equipment
- Transmitter automation and emergency equipment
- Transmitter remote control equipment
- Antennas and supporting towers
- Antenna deicing systems
- Satellite receiving and sending equipment
- Radio ground systems

Tower elevators and lighting equipment  
Tower guy line snubbing systems  
Tower strobe light systems  
Transmission lines and line pressurizing equipment  
Field test measuring equipment  
Modulation, frequency and phase monitors  
Radio limiting amplifiers  
Bridging and distribution amplifiers  
Phase correcting equipment (monochrome and color)  
Visual and aural monitoring equipment  
Multi-channel sound systems (stereo generators and monitoring equipment-transmission area)  
Racks and cabinets to house equipment (if real property or an integral part of a vehicle)  
Two-way radio/paging systems  
Mobile and cellular telephones  
Telephone lines/service  
Intercom systems  
Vehicles licensed and titled for use on public highways  
(production equipment contained in vehicle may be exempt if it is not an integral part of a vehicle and it is used in the origination or integration of various sources of program material for commercial radio or television transmission)

### **Typical Multiple Use Items**

A multiple use item is taxable unless the taxable use can be identified and separated from the exempt use. Once the taxable and exempt use is identified, an allocation, by use, may be computed utilizing any method that is equitable and practical. One method that may be considered is percentage of use. Utilizing this method, the time utilized in a taxable manner is divided by the total time in which the equipment is used.

The resulting percentage will represent the amount of time an item is used in taxable activities. Other means of allocating the taxable and exempt usage of the equipment are allowed if they are equitable. Any equipment that has both taxable and exempt uses and is used in the origination and integration of the various sources of program material and not real property or an integral component of a vehicle may be allocated. Below are some areas in which this method may be applicable:

1. Test equipment, maintenance equipment, and replacement parts. The exempt use of these items must be allocated for operations involving the originating or integration of programming. These items must be allocated as a taxable use when they are consumed in relation to the transmitter, tower or satellite equipment.
2. Microwave and related equipment. The communication link between the studio and the transmitter involving these items must be allocated as taxable. However, consumption between the studio and an off-site source gathering point involving the origination of a broadcast is exempt, if the equipment is not an integral part of a vehicle titled for use on the public highway. An off-site gathering point may be a remote van that is gathering news for a live broadcast. While the van, which is titled for use on public highway is taxable, the communication link between the van and the studio is exempt if the equipment is not an integral part of the van.
3. Audio/video processing equipment. Consumption of this equipment in transmitting activities is taxable, while pre-transmission use involving program origination and integration is exempt.

4. Audio limiting and bridging/distribution amplifiers. Exempt allocation of this equipment must involve integrating sources of program material. The remaining uses of this equipment must be allocated as taxable.
5. Computers / Software. Any exempt allocation of computer equipment or software must be consumed in program origination or integration. All other uses must be allocated as taxable.
6. Power is not subject to tax when used to operate exempt equipment. This may include the power used to operate audio or video processing equipment performing program origination and integration activities.

Any questions regarding the amendments to the commercial radio and television exemption section of the Sales and Use Tax Act may be directed to:

Michigan Department of Treasury  
Sales, Use, and Withholding Tax Division  
Treasury Building  
Lansing, Michigan 48922  
Telephone (517) 373-3190