



## **MICHIGAN AUTOMOBILE DEALERS ASSOCIATION**

P.O. BOX 2525 • EAST LANSING, MI 48826-2525 • (517) 351-7800 • (800) 292-1923 • FAX (517) 351-3120

April 4, 2003

### ***MADA Dealer Alert:***

## **Tax-exemption procedures change on vehicle sales to Native Americans**

The State of Michigan has implemented new rules for dealers and Native Americans to follow in order for motor vehicle sales to qualify as tax exempt. The new rules apply to sales to tribal governments for an essential governmental function and, in some instances, to tribal members for personal use.

Additional tribes (not yet listed below) will enter into Tribal Agreements with the State. The Treasury Department is required to post a copy of each Tribal Agreement on its Web site within 60 days after the effective date of the Agreement. (To view the agreements, go to <http://www.michigan.gov/treasury>, select "Business," then "Native American.")

#### **Sales to tribal governments**

Sales of motor vehicles to a tribal government with a state-authorized agreement will be exempt from sales tax if the vehicle is purchased by the tribal government and used for an essential governmental function. At this time, the following tribes have agreements that allow tax-exempt motor vehicle purchases for tribal government use:

- Bay Mills Indian Community
- Hannahville Indian Community
- Little River Band of Ottawa Indians
- Little Traverse Bay Bands of Odawa
- Nottawaseppi Huron Band of Potawatomi Indians
- Pokagon Band of Potawatomi Indians and
- Sault Ste. Marie Tribe of Chippewa Indians

Dealers should check the State Web site or the Tribal Exemption Certificate (Form 3998) to verify that a tribe has a current Tribal Agreement before completing the sale without charging sales tax.

In order to complete a tax-exempt sale for the tribal entity, the dealership must collect the following documentation from the purchaser:

- Form 3998 (Tribal Certificate of Exemption for Sales and Use Tax)
- A letter of authority from the State of Michigan (authorizes the tribe to use the Tribal Certificate of Exemption)

If the dealership accepts the certificate and letter in good faith, the dealer is not required to investigate whether the motor vehicle qualifies as a vehicle that will be used for an essential governmental function. The dealer must retain copies of these documents.



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### **Sales to tribal members**

In addition to sales to tribal entities, some residential tribal members may purchase a motor vehicle for personal use without paying sales tax. In order to qualify for such a purchase, the purchaser must be an enrolled member of a federally recognized tribe that has entered into an agreement with the State of Michigan. At this time, only two tribes have agreements allowing tax-exempt sales to residential tribal members:

- Bay Mills Indian Community and
- Hannahville Indian Community

More tribes may enter into agreements with the State, and dealers should check the State Web site or the Tribal Exemption Certificate (Form 3998) to verify that a tribe has a current Tribal Agreement before completing the sale without charging sales tax.

In order to complete a tax-exempt sale to a residential tribal member, the dealership must collect and retain copies of the following from the purchaser:

- Form 3998 (Tribal Certificate of Exemption for Sales and Use Tax)
- A letter of authority from the State of Michigan (authorizes the tribal member to use the Tribal Certificate of Exemption)

If a tribal entity or residential tribal member cannot provide the letter of authority, or if the tribe is not listed on Form 3998, the dealership must charge state sales tax.

*April 4, 2003  
prepared by Edward J. Castellani, JD, CPA*