MICHIGAN SUPREME COURT

TOMRA of North America, Inc. v. Department of Treasury, 505 Mich. 333

952 N.W.2d 45 (2020) · No. Nos. 158333 and 158335 · Decided June 16, 2020

SUMMARY

The Michigan Supreme Court held that TOMRA of North America’s container-recycling machines and repair parts qualified for Michigan’s industrial-processing tax exemptions. The Court ruled that the temporal limitation in the general definition of industrial processing does not apply to the separately enumerated industrial-processing activities. It also held that the strict-construction canon for tax exemptions was inapplicable because the relevant statutes were unambiguous, and affirmed and remanded for further proceedings.

CASE DETAILS

COURT	Michigan Supreme Court
WRITING FOR THE COURT	David F. Viviano; Bridget M. McCormack; Stephen J. Markman; Brian K. Zahra; Richard H. Bernstein; Elizabeth T. Clement; Megan K. Cavanagh
JURISDICTION	Michigan
DECIDED	June 16, 2020
DOCKET	Nos. 158333 and 158335
DISPOSITION	affirmed
PROCEDURAL POSTURE	TOMRA appealed a Court of Claims summary-disposition judgment denying industrial-processing sales- and use-tax exemptions. The Court of Appeals reversed, and the Michigan Supreme Court granted the Department of Treasury's application for leave to appeal.
STANDARD OF REVIEW	De novo review of a trial court's determination regarding a motion for summary disposition; summary disposition is proper when there is no genuine issue of material fact and the moving party is entitled to judgment as a matter of law.
PRECEDENTIAL VALUE	Published Michigan Supreme Court opinion; binding precedent in Michigan.
PARTIES	Department of Treasury v. TOMRA of North America, Inc.

TOPICS

sales and use tax · state and local tax · statutory interpretation · tax · tax court procedure

PRACTICE AREAS

state and local taxation · sales and use tax · statutory interpretation · tax exemptions · summary disposition

QUESTIONS PRESENTED

1. Whether the temporal limitation in MCL 205.54t(7)(a) and MCL 205.94o(7)(a) applies to the enumerated industrial-processing activities in MCL 205.54t(3) and MCL 205.94o(3).
2. Whether the judicial canon requiring strict construction of tax exemptions applies when the relevant exemption statutes are unambiguous.
3. Whether TOMRA's container-recycling machines and repair parts could qualify for the industrial-processing exemptions despite operating outside the general temporal period.

HOLDINGS

1. The temporal limitation in MCL 205.54t(7)(a) and MCL 205.94o(7)(a) does not apply to the specific industrial-processing activities enumerated in MCL 205.54t(3) and MCL 205.94o(3).
2. The judicial canon requiring tax exemptions to be strictly construed against the taxpayer is a canon of last resort and does not apply when the statute is unambiguous.
3. TOMRA's sales of container-recycling machines and repair parts were not categorically excluded from the industrial-processing exemptions merely because the machines operated outside the temporal period in the general definition.

KEY QUOTATIONS

> *"Under the proper interpretive standards, we hold that the temporal limitation in MCL 205.54t(7)(a) and MCL 205.94o(7)(a) does not apply to the activities listed in MCL 205.54t(3) and MCL 205.94o(3), respectively."* (opinion at 3)

> *"We take this opportunity to clarify that because the canon requiring strict construction of tax exemptions does not help reveal the semantic content of a statute, it is a canon of last resort."* (opinion at 7)

> *"Subsection (7)(a) and Subsection (3) are discrete inquiries—Subsection (7)(a) does not establish a threshold requirement for an exemption as long as Subsection (3) applies."* (opinion at 11)

> *"As to those activities, then, Subsection (3) controls and the time frame in Subsection (7)(a) is inapplicable."* (opinion at 15)

FACTUAL BACKGROUND

TOMRA sells and leases reverse-vending machines that sort bottles and cans collected for recycling, and it sells repair parts for those machines. TOMRA claimed that the machines and parts qualified for the industrial-processing exemptions under Michigan's General Sales Tax Act and Use Tax Act. The machines facilitated collection and sorting of recyclable materials before the materials entered the period described by the statutes' general temporal definition of industrial processing.

PROCEDURAL HISTORY

After a Department of Treasury audit, TOMRA brought two actions in the Michigan Court of Claims seeking refunds of use and sales taxes paid on container-recycling machines and repair parts. The Court of Claims granted summary disposition to the Department, concluding that the machines operated before the industrial process began and therefore did not qualify for the exemptions. The Court of Appeals reversed and remanded, holding that the statutory temporal limitation did not apply to the enumerated industrial-processing activities. The Michigan Supreme Court affirmed the Court of Appeals and remanded to the Court of Claims for further proceedings.

DISPOSITION

affirmed

REMAND INSTRUCTIONS

Remanded to the Michigan Court of Claims for further proceedings consistent with the opinion, including application of the industrial-processing exemption under the Court's interpretation.

CASES CITED

- Clam Lake Township v. Department of Licensing & Regulatory Affairs, 500 Mich. 362, 372, 902 N.W.2d 293 (2017)
- Ally Financial Inc. v. State Treasurer, 502 Mich. 484, 493, 918 N.W.2d 662 (2018)
- Evanston YMCA Camp v. State Tax Commission, 369 Mich. 1, 7, 118 N.W.2d 818 (1962)
- Detroit v. Detroit Commercial College, 322 Mich. 142, 148-149, 33 N.W.2d 737 (1948)
- Detroit Young Men's Society v. Detroit, 3 Mich. 172, 179 (1854)
- Wexford Medical Group v. City of Cadillac, 474 Mich. 192, 204, 713 N.W.2d 734 (2006)
- Retirement Homes of Detroit Annual Conference of United Methodist Church, Inc. v. Sylvan Township, 416 Mich. 340, 348, 330 N.W.2d 682 (1982)
- In re Smith Estate, 343 Mich. 291, 297, 72 N.W.2d 287 (1955)
- Ally Financial Inc. v. State Treasurer, 502 Mich. 484, 491-492, 918 N.W.2d 662 (2018)
- SBC Health Midwest, Inc. v. City of Kentwood, 500 Mich. 65, 71, 894 N.W.2d 535 (2017)
- Gardner v. Department of Treasury, 498 Mich. 1, 869 N.W.2d 199 (2015)
- Stone v. Michigan, 467 Mich. 288, 651 N.W.2d 64 (2002)
- Michigan United Conservation Clubs v. Lansing Township, 423 Mich. 661, 664-665, 378 N.W.2d 737 (1985)
- City of Ann Arbor v. University Cellar, Inc., 401 Mich. 279, 288-289, 258 N.W.2d 1 (1977)
- Webb Academy v. Grand Rapids, 209 Mich. 523, 536, 177 N.W. 290 (1920)
- Detroit Home & Day School v. Detroit, 76 Mich. 521, 525, 43 N.W. 593 (1889)

- Schaub v. Seyler, 504 Mich. 987, 991 (2019)
- Madugula v. Taub, 496 Mich. 685, 696, 853 N.W.2d 75 (2014)
- Mayor of Lansing v. Public Service Commission, 470 Mich. 154, 164-166, 680 N.W.2d 840 (2004)
- Detroit Edison Co. v. Department of Treasury, 498 Mich. 28, 869 N.W.2d 810 (2015)
- Nowell v. Titan Insurance Co., 466 Mich. 478, 483, 648 N.W.2d 157 (2002)
- People v. Seewald, 499 Mich. 111, 123, 879 N.W.2d 237 (2016)
- Jones v. Enertel, Inc., 467 Mich. 266, 270, 650 N.W.2d 334 (2002)
- Gebhardt v. O'Rourke, 444 Mich. 535, 542-543, 510 N.W.2d 900 (1994)
- RadLAX Gateway Hotel, LLC v. Amalgamated Bank, 566 U.S. 639, 645, 132 S. Ct. 2065, 182 L. Ed. 2d 967 (2012)
- Miller v. Allstate Insurance Co., 481 Mich. 601, 613, 751 N.W.2d 463 (2008)
- TOMRA of North America, Inc. v. Department of Treasury, 325 Mich. App. 289, 301-303, 926 N.W.2d 259 (2018)