

## COA Opinion: Remanufacturing contracts are predominantly for the provision of a service and therefore revenue from these contracts are properly sourced to Michigan

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5. May 2010 By Julie Lam

On May 4, 2010, the Court of Appeals approved for publication a previously released opinion in *Midwest Bus Corp v Dep't of Treasury*, No. 288686. Plaintiff was in the business of selling bus parts and of remanufacturing buses. Plaintiff had remanufacturing contracts with various transit authorities that involved the sale and installation of bus parts in Michigan, on buses that were then shipped to destinations outside of Michigan. The Court of Appeals rejected plaintiff's argument that revenue from the remanufacturing contracts should have been sourced to the destinations as sales of tangible personal property under the single business tax act (SBTA), MCL § 208.1 *et seq.* The Court of Appeals agreed with the Court of Claims that the sale of the bus parts with respect to these contracts was merely incidental to the service of rehabilitating the buses, which was performed in Michigan. Here, the Court of Appeals determined that plaintiff was not acting simply as a retailer of bus parts, but was selling remanufacturing services that included disassembling, removing, repairing, inspecting, reconditioning, rebuilding, replacing, restoring, painting, servicing, cleaning, testing, and reassembling various components and parts of the buses. The Court of Appeals held that the remanufacturing contracts at issue, as well as similar remanufacturing contracts, are predominantly for the provision of service and properly sourced to Michigan under the SBTA where the service was actually performed.