



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS



Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bill 107 (as reported without amendment)
Sponsor: Senator Tupac A. Hunter
Committee: Finance

CONTENT

The bill would amend the General Sales Tax Act to revise the exemption for the sale of personal property to a nonprofit, charitable organization, by extending the exemption to property used to raise funds or obtain resources for the organization's operation.

Under the Act, the sale of tangible personal property is exempt from the sales tax if it is not for resale and the sale is to a nonprofit organization exempt from Federal income tax under Section 501(c)(3) or 501(c)(4) of the Internal Revenue Code, or a nonprofit health, welfare, educational, cultural arts, charitable, or benevolent organization that was issued an exemption ruling letter to purchase items exempt from tax before July 17, 1998.

The exemption does not apply to sales of personal property or vehicles that are not used primarily to carry out the purposes of the organization. The bill would add, "or to raise funds or obtain resources necessary to carry out the purposes of the organization".

The Act states that the tangible personal property is exempt only to the extent that it is used to carry out the purposes of the organization. Under the bill, the property would be exempt only to that extent or to the extent that it was used to raise funds or obtain resources necessary to carry out the organization's purposes.

MCL 205.54q

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would reduce General Fund and School Aid Fund revenue by an unknown amount. The current exemption for sales to nonprofit organizations is estimated to reduce sales tax revenue by approximately \$166.8 million in FY 2010-11. Many of the sales that would be affected by the language of the bill are likely already exempt because property such as computers, vehicles, and stationary can serve multiple functions. If the bill increased the impact of the exemption by 5%, it would reduce revenue by approximately \$8.3 million.

The bill would not affect local unit revenue or expenditure.

Date Completed: 10-26-11

Fiscal Analyst: David Zin