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SFA**BILL ANALYSIS**

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Senate Bill 1370 (as enrolled)
House Bill 6002 (as enrolled)
Sponsor: Senator Joanne G. Emmons (Senate Bill 1370)
Representative Clark Bisbee (House Bill 6002)
Senate Committee: Finance
House Committee: Tax Policy

PUBLIC ACT 511 of 2002
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Date Completed: 1-8-03

CONTENT

Senate Bill 1370 amended the Use Tax Act to allow the organizing entity of a "qualified athletic event" that sells corporate sponsor contracts for the event, to apply the use tax only to the amount charged for the rental of taxable tangible personal property or taxable services. House Bill 6002 amended the Sales Tax Act to allow the organizing entity of a qualified athletic event that sells corporate sponsor contracts that include both taxable tangible personal property and nontaxable services, to apply the sales tax only to the amount charged for the sale of taxable tangible personal property. These provisions apply only if the Department of Treasury has given written approval to the organizing entity's allocation of the tax. The provisions will be repealed on January 1, 2007.

Under the bills, "qualified athletic event" means either a professional sporting competition in which individuals officially representing at least two countries or nations compete, or a professional football competition in which teams compete in a postseason event to determine a league champion.

Both bills require the organizing entity, at least 180 days before entering into the first corporate sponsor contract, to give written notice to the Department of the entity's intent to enter into corporate sponsor contracts. Under Senate Bill 1370, the entity also must give the Department an itemized schedule of the taxable personal property and taxable services that will be provided under each contract. House Bill 6002 requires the entity to give the Department an itemized schedule of the taxable tangible personal property and nontaxable services that will be provided under each contract.

The bills require the organizing entity to be exempt or wholly owned by an exempt entity under Section 501(c)(6) of the Internal Revenue Code. (Section 501(c)(6) provides a Federal income tax exemption for business leagues, chambers of commerce, real estate boards, boards of trades, and professional football leagues, not organized for profit and whose net earnings do not in any part inure to the benefit of any private shareholder or individual.)

Senate Bill 1370 also amended the definition of "person" under the Use Tax Act, which levies the use tax on every person in the State for the privilege of using, storing, or consuming tangible personal property in Michigan. The bill added a limited liability company to the definition of "person", which also includes an individual, firm, partnership, and other entities listed in the Act. In addition, the Act imposes the tax for the privilege of using, storing, or consuming a vehicle, off-road vehicle, aircraft, snowmobile, or watercraft in this State. The bill included "manufactured housing" in this provision, and deleted references to mobile homes.

MCL 205.92 et al.

BACKGROUND

The 2004 Ryder Cup is scheduled to be held at the Oakland Hills Country Club in Bloomfield Hills. The 2006 Super Bowl is scheduled to be held at Ford Field in Detroit.

Legislative Analyst: George Towne

FISCAL IMPACT

The bills will have no fiscal impact on State or local government.

Fiscal Analyst: Jay Wortley

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.