

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

SFA**BILL ANALYSIS**

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

House Bill 6002 (Substitute S-2 as reported)
Sponsor: Representative Clark Bisbee
House Committee: Tax Policy
Senate Committee: Finance

CONTENT

The bill would amend the General Sales Tax Act to allow an exemption from the tax for nontaxable services in corporate sponsor contracts sold by the organizing entity of an international athletic event. The bill would be repealed on January 1, 2007.

Specifically, the bill would allow the organizing entity of an international athletic event, that sold corporate sponsor contracts for the event that included both taxable tangible personal property and nontaxable services, to apply the tax only to the amount charged for the taxable tangible personal property if the following criteria were met:

- The organizing entity was exempt or wholly owned by an entity exempt under Section 501(c)(6) of the Internal Revenue Code.
- At least 180 days before entering into the first corporate sponsor contract, the organizing entity gave the Department of Treasury written notice of its intent to enter into corporate sponsor contracts; and an itemized schedule of the taxable tangible personal property and nontaxable services that would be provided under each corporate sponsor contract.
- The Department had given written approval to the organizing entity's allocation of the tax among taxable tangible personal property and nontaxable services.

(Section 501(c)(6) exempts from Federal income tax business leagues, chambers of commerce, real estate boards, boards of trades, and professional football leagues not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual.)

The bill provides that "international athletic event" would mean a sporting competition in which individuals officially representing at least two counties or nations competed.

Proposed MCL 205.55b

Legislative Analyst: George Towne

FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

Date Completed: 5-30-02

Fiscal Analyst: Jay Wortley