Legislative Analysis

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SALES AND USE TAX TREATMENT
FOR SPECIFIED SPORTING EVENTS

House Bills 6386 and 6387
Sponsor: Rep. Shelley Goodman Taub
Committee: Tax Policy

Complete to 11-27-06

A SUMMARY OF HOUSE BILLS 6386 AND 6387 AS INTRODUCED 8-30-06

The General Sales and Use Tax Acts (MCL 205.55b and 205.96a) exempt the sale of taxable personal property or services sold by organizing entities of certain qualified athletic events through corporate sponsorships at the events, if certain criteria are met. Under the acts, a "qualified athletic event" means (1) a professional sporting competition in which individuals officially representing at least two countries or nations compete [i.e., golf's Ryder Cup held at Oakland Hills Country Club], or (2) a professional football competition in which teams compete in a postseason event to determine a league champion [i.e., Super Bowl XL held at Ford Field in 2006.]

The bills would add that a "qualified athletic event" also includes (1) a Professional Golfers' Association event (i.e. the 2008 PGA Championship to be held at Oakland Hills and the Buick Open annually held at Warwick Hills Golf and Country Club) and (2) a collegiate basketball competition in which teams compete in a postseason event to determine a national champion (i.e. the NCAA's Men's Basketball Final Four to be held at Ford Field in 2009).

For sales to be exempt from taxation under the acts, (1) the organizing entity must be exempt from taxation under Section 501(c)(6) of the Internal Revenue Code or be wholly owned by an exempt organization, (2) the organizing entity must provide the Department of Treasury at least 180 days advance notice of its intent to enter into corporate sponsor contracts and an itemized schedule of tangible personal property and services provided under the sponsorship contracts, and (3) the department must provide written approval to the organizing entity. The bills would reduce the time for advance notice from 180 days to 60 days.

Finally, the current provisions have a sunset date of January 1, 2007. The bills would push back that date to January 1, 2010.

FISCAL IMPACT:

The bills could result in a very modest reduction in sales and use tax revenues. To the extent that sales and use tax revenues decline, the total amount should be less than $1.0 million.

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