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BILL ANALYSIS

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Senate Bill 1039 (as introduced 2-8-06)
Sponsor: Senator Michelle A. McManus
Committee: Finance

Date Completed: 4-18-06

CONTENT

The bill would amend the Streamlined Sales and Use Tax Revenue Equalization Act to allow a nonprofit organization that sold an item at a charitable auction to claim a tax refund of 6% of the proceeds of the item over its fair market value.

Specifically, the bill would permit a qualified person who paid a tax under the General Sales Tax Act to calculate a credit and seek a refund from the Department of Treasury equal to 6% of the proceeds of a qualified sale of an auctioned item in excess of its gross fair market value.

Under the bill, "qualified person" would mean a nonprofit organization that was exempt from Federal income tax under Section 501(c)(3) or 501(c)(4) of the Internal Revenue Code. "Qualified sale" would mean a sale made by a qualified person through a charitable auction.

A qualified person could not seek a credit or refund under the bill for any portion of a sale of an auctioned item for which sales tax had been collected from the purchaser, unless that tax were refunded to the purchaser.

A qualified person seeking a credit or refund under the bill would have to obtain and keep a certification of the item's fair market value, to be supplied by the donor of the item on a form prescribed by the Department of Treasury.

At the option of the qualified person, the credit could be applied to reduce the person's tax due under the General Sales Tax Act.

Proposed MCL 205.184

Legislative Analyst: Curtis Walker

FISCAL IMPACT

The bill would reduce sales tax revenue by less than \$1 million on a full fiscal year basis. Under the current distribution of sales tax revenue, this loss in revenue would primarily affect the School Aid Fund and the General Fund. There would be no direct impact on local units of government.

Fiscal Analyst: Jay Wortley

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