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BILL ANALYSIS

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Senate Bills 1372 and 1373 (as introduced 8-9-06)
Sponsor: Senator Shirley Johnson
Committee: Appropriations

Date Completed: 9-13-06

CONTENT

Senate Bill 1372 would amend the General Sales Tax Act and Senate Bill 1373 would amend the Use Tax Act, to allow the organizing entity of a "qualified athletic event" to be exempt from the sales and use taxes on taxable items that are included as part of the corporate sponsor contracts it sells for the event. Under these bills, a "qualified athletic event" would be limited to a professional golfers' association postseason tournament that occurs before January 1, 2009, which would apply to the Professional Golf Association's (PGA) 2008 Championship Tournament to be held at the Oakland Hills Country Club, in Bloomfield Hills, Michigan. In order to qualify for these sales and use tax exemptions, the organizing entity would have to meet the following requirements:

-- Be 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, give the Department of Treasury a written notice of its intent to enter into corporate sponsor contracts and an itemized schedule of the tangible personal property and services that would be provided under each corporate sponsor contract.
-- Have written approval from the Department of Treasury.

MCL 205.55b (S.B. 1372)
205.96a (S.B. 1373)

BACKGROUND

Organizing entities sell corporate sponsor contracts to help finance major athletic events. To help sell these contracts, the sponsoring entity includes packages containing products and services. For example, corporate sponsorships sold by the PGA of America could include a package of goods and services that provide such items as golf balls, shirts, hats, and mugs, along with tickets to the event, permission to advertise at the event, and space in a hospitality tent. Under current law, because the PGA of America will be selling these items to the corporate sponsors as part of a corporate sponsorship contract, the sales or use tax must be collected on the taxable items included in these corporate sponsorship packages. The same exemptions were provided to the National Football League for the corporate sponsor contracts it sold for Super Bowl XL held in Detroit in 2006.

FISCAL IMPACT

Based on preliminary information, it is estimated that these bills would reduce sales and use tax revenue by less than $1.0 million, which would have small negative impacts on the General Fund, School Aid Fund, and revenue sharing.

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