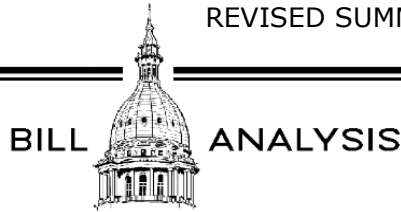




Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536



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

Senate Bill 106 (as introduced 2-17-15)
Sponsor: Senator Mike Green
Committee: Finance

Date Completed: 3-4-15

CONTENT

The bill would amend the General Sales Tax Act to provide a tax exemption for the sale of personal property by a veterans' organization for the purpose of raising funds for the benefit of an active duty service member or a veteran. The exemption would be limited to \$25,000 in aggregate sales of tangible personal property for each individual fund-raising event. The veterans' organization would have to be exempt from Federal income tax under Section 501(c)(19) of the Internal Revenue Code.

A club, association, auxiliary, or other organization affiliated with an exempt veterans' organization would not be considered a separate person for purposes of the exemption.

The bill would define "service member" as a member of the Armed Forces of the United States, a reserve branch of the U.S. Armed Forces, or the National Guard.

"Veteran" would mean any of the following:

- A person who served on active duty in the U.S. Armed Forces for a period of more than 180 days and separated from the Armed Forces in a manner other than a dishonorable discharge.
- A person discharged or released from active duty because of a service-related disability.
- A member of a reserve branch of the U.S. Armed Forces at the time he or she was ordered to active duty, who served on active duty during a period of war, or in a campaign or expedition for which a campaign badge is authorized, and was released from active duty in a manner other than a dishonorable discharge.

(Section 501(c)(19) of the Internal Revenue Code exempts from Federal income tax a post or organization of past or present members of the U.S. Armed Forces that meets the following criteria:

- It is organized in the United States or any of its possessions.
- At least 75% of the members are past or present members of the U.S. Armed Forces and substantially all of the other members are cadets or are spouses, widows, widowers, ancestors, or descendants of past or present members of the Armed Forces or of cadets.
- None of the net earnings of the post or organization benefits any private shareholder or individual.)

MCL 205.54o

Legislative Analyst: Ryan M. Bergan

FISCAL IMPACT

The bill would reduce State General Fund and School Aid Fund revenue by an unknown and likely negligible amount that would depend on the specific characteristics of affected taxpayers. The bill would reduce local unit revenue by an unknown and likely negligible amount by reducing constitutional revenue sharing.

Nationally, there are at least 220 different organizations and associations organized for the purpose of assisting veterans, of which at least 37 are Congressionally chartered and have at one time or another operated in Michigan. How many of these organizations still operate in Michigan is unknown, as is the number exempt from Federal income tax under Section 501(c)(19) of the Internal Revenue Code. The number of fund-raising events conducted by these groups also is unknown, as is the volume of sales at events. However, an event that reached the limit imposed by the bill would reduce total sales tax revenue by \$1,500, which would lower School Aid Fund revenue by approximately \$1,100 and constitutional revenue sharing by \$150. If the maximum limit per event imposed by the bill were met at each event, more than 666 events would need to be held for total revenue to be reduced by \$1.0 million.

Fiscal Analyst: David Zin

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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.