

Legislative Analysis



SALES TAX EXEMPTION FOR VETERANS' ORGANIZATIONS

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House Bill 5913 (proposed H-1 substitute)
Sponsor: Rep. John Bizon, M.D.
Committee: Tax Policy
Complete to 9-24-18

Analysis available at
<http://www.legislature.mi.gov>

SUMMARY:

House Bill 5913 would amend the General Sales Tax Act to exempt from the sales tax purchases made by nonprofit veterans' organizations.

Section 4q of the act currently exempts from the tax the sale of tangible personal property to a nonprofit organization that is exempt from federal income tax under section 501(c)(3) or 501(c)(4) of the Internal Revenue Code. (Nonprofit organizations with an exemption ruling letter issued by the Department of Treasury before the effective date of section 4q are also exempt.) However, these exemptions do not apply to: property that is sold for resale; property that will not be used to carry out the purposes of, or raise funds for, the organization; or vehicles or property purchased for fund-raising purposes with a sales price that exceeds \$5,000.

The bill would exempt sales to nonprofit organizations that are federally exempt under section 501(c)(19) of the Internal Revenue Code—namely, veterans' organizations and their auxiliaries.¹ The bill would also change the allowable exemption for property purchased for fund-raising from \$5,000 to the applicable cap on the exemption for fund-raising sales by a nonprofit organization, established under section 4o of the act.² For a 501(c)(19) organization, this cap is currently \$25,000.

The bill would take effect 90 days after being enacted.

MCL 205.54q

FISCAL IMPACT:

As written, House Bill 5913 would reduce sales tax revenue by an unknown, but likely small, amount. Approximately 73% of sales tax revenue is constitutionally earmarked to the School Aid Fund, and an additional 10% is earmarked to constitutional revenue sharing. The majority of any remaining sales tax revenue accrues to the general fund.

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.

¹ See <https://www.irs.gov/charities-non-profits/other-non-profits/veterans-organizations>

² This cap was recently increased. See <http://www.legislature.mi.gov/documents/2017-2018/billanalysis/House/pdf/2017-HLA-4115-155ED176.pdf>