

Legislative Analysis



SALES TAX EXEMPTION FOR VETERANS' ORGANIZATIONS

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<http://www.house.mi.gov/hfa>

House Bill 5913 as introduced
Sponsor: Rep. John Bizon, M.D.
Committee: Tax Policy
Complete to 9-4-18

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

SUMMARY:

House Bill 5913 would amend the General Sales Tax Act to exempt purchases made by nonprofit veterans' organizations from the tax and to increase the allowable amount of the exemption for any single item sold to an eligible nonprofit from \$5,000 to \$25,000.

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)¹ or 501(c)(4)² 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; to property that will not be used to carry out the purposes of, or raise funds for, the organization; or to a single vehicle or item of property with a sales price of more than \$5,000.

The bill would add nonprofit organizations that are federally exempt under section 501(c)(19)—namely, veterans' organizations and their auxiliaries³—to the list of organizations exempt under section 4q from the tax.

The bill would also increase the maximum sales price of a single vehicle or item of property eligible for the exemption from \$5,000 to \$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/charitable-organizations/exemption-requirements-section-501c3-organizations>

² See <https://www.irs.gov/charities-non-profits/other-non-profits/social-welfare-organizations>

³ See <https://www.irs.gov/charities-non-profits/other-non-profits/veterans-organizations>