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BILL



ANALYSIS

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House Bill 4115 (Substitute S-1 as reported)  
Sponsor: Representative Eric Leutheuser  
House Committee: Tax Policy  
Senate Committee: Finance

### **CONTENT**

The bill would amend the General Sales Tax Act to exempt from the sales tax the first \$10,000 of tangible personal property in a calendar year sold for fund-raising purposes by a school, church, hospital, parent cooperative preschool, or nonprofit organization that had a tax-exempt status under Section 4q of the Act and that had aggregate sales at retail in the calendar year of less than \$25,000.

Currently, the exemption applies to the sale of tangible personal property for fund-raising purposes by a school, church, hospital, parent cooperative preschool, or nonprofit organization that has a tax-exempt status under Section 4q and that has aggregate sales at retail in the calendar year of less than \$5,000. (Under Section 4q, the sale of tangible personal property to specific types of entities is not subject to the sales tax.)

MCL 205.54o

Legislative Analyst: Drew Krogulecki

### **FISCAL IMPACT**

The bill would reduce sales tax revenue to the School Aid Fund, General Fund, and constitutional revenue sharing to local units of government by an unknown amount that would depend on the number of taxpayers affected and the total amount of sales. For taxpayers that are exempt under the \$5,000 exemption in current law, the bill would double the value of exempt sales, but the bill would have no impact on those firms unless their sales were to increase above \$5,000.

The bill also would increase the number of taxpayers that may claim the exemption, by raising the limit from \$5,000 to \$25,000. These entities, with sales of between \$5,000 and \$25,000, would be able to claim an exemption on up to \$10,000 of sales. More than 250,000 nonprofit organizations file a Form 990 with the Federal government. Assuming that 3.5% of those taxpayers have activity in Michigan suggests that the bill would affect as many as 9,000 organizations--a figure fairly similar to the more than 8,500 registered charities in Michigan. If 20% of those entities would be affected by the bill, and realized the full \$10,000 exemption, the bill would reduce sales tax revenue by approximately \$1.0 million per year.

Approximately 73% of sales tax revenue is distributed to the School Aid Fund, while another 10% is directed to constitutional revenue sharing received by local units of government. Almost all of the remaining revenue is received by the General Fund.

Date Completed: 5-10-18

Fiscal Analyst: David Zin