



Senate Fiscal Agency
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BILL



ANALYSIS

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House Bill 5913 (Substitute H-1 as reported without amendment)
Sponsor: Representative John Bizon, M.D.
House Committee: Tax Policy
Senate Committee: Finance

CONTENT

The bill would amend the General Sales Tax Act to exempt from the sales tax an organization not operated for profit and exempt from Federal income tax under Section 501(c)(19) of the Internal Revenue Code, and modify the allowable exemption for property purchased for fund-raising.

MCL 205.54q

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, and likely minimal, amount that would depend on the number of taxpayers affected and the total amount of each firm's sales affected by the bill. The Internal Revenue Service reports approximately 654 Michigan 501(c)(19) firms filing a return ending in 2017, and 258 of the returns reported income on their 990 form, with an average income of approximately \$232,000.

Because these firms could derive income from sources other than sales, it is unknown how many would have sales in excess of either \$5,000 (the exemption those firms currently face), or \$25,000 (the exemption amount proposed under the bill). The maximum impact of the bill could be estimated by assuming all of the firms were able to claim the full exemption increase allowed under the bill. Under that assumption, the maximum impact of the bill would be approximately \$310,000. If the estimated maximum impact were expanded to include all 501(c)(19) firms, regardless of whether or not they reported income, the maximum revenue reduction would be approximately \$800,000.

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: 12-13-18

Fiscal Analyst: David Zin