



Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 168 (Substitute S-1 as reported)
Sponsor: Senator Michelle A. McManus
Committee: Finance

CONTENT

The bill would amend the General Sales Tax Act to provide that beginning January 1, 2006, through December 31, 2008, for the purpose of a charitable auction held by certain nonprofit taxpayers, "gross proceeds" would mean the winning bid price for the auction item or, at the option of the taxpayer, the fair market value of the auction item if it were less than the winning bid price. (The tax is levied on people making retail sales in Michigan at a rate of 6% of their gross proceeds.)

If the taxpayer chose to pay the tax on the fair market value of the auction item, the taxpayer would have to provide a certification of fair market value supplied by the donor on a form prescribed by the Department of Treasury.

The change would apply to charitable auctions held by taxpayers with tax-exempt status under Section 4q(1)(b) of the Act. The section refers to organizations exempt from the Federal income tax under Sections 501(c)(3) and 501(c)(4) of the Internal Revenue Code. (Under Section 4q(1) of the Act, a person subject to the sales tax may exclude from gross proceeds the sale of personal property to those organizations.)

MCL 205.51

Legislative Analyst: J.P. Finet

FISCAL IMPACT

This bill would reduce sales tax revenue by well less than \$1 million each year from FY 2005-06 through FY 2008-09. Most of this loss in revenue would have an impact on the School Aid Fund.

Date Completed: 5-23-05

Fiscal Analyst: Jay Wortley