



Senate Fiscal Agency  
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BILL ANALYSIS

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Senate Bill 1255 (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, for the purpose of a charitable auction held by certain not-for-profit taxpayers with a tax-exempt status, "gross proceeds" would mean the fair market value of the auction item. (The tax is levied on people making sales at retail in Michigan at a rate of 6% of their gross proceeds.)

The change would apply to charitable auctions held by taxpayers with tax-exempt status under Section 4q(1)(a) or 4q(1)(b) of the Act. Those sections refer to organizations exempt from the Federal income tax under Sections 501(c)(3) and 501(c)(4) of the Internal Revenue Code; and health welfare, educational, cultural arts, charitable, or benevolent organizations not operated for profit that were issued an exemption ruling letter (before July 1998) from the Department of Treasury to purchase items exempt from tax. (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**

The bill would reduce sales tax revenue by an estimated \$2.0 million annually. Given the constitutional and statutory earmarking of sales tax revenue, this loss in sales tax revenue would reduce School Aid Fund revenue by \$1.4 million and revenue sharing to local units by \$0.5 million.

Date Completed: 9-22-04

Fiscal Analyst: Jay Wortley