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BILL ANALYSIS

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Senate Bills 253 and 285
Sponsor: Senator Dale L. Shugars
Committee: Finance

Date Completed: 8-14-95

SUMMARY OF SENATE BILL 253 as introduced 2-8-95 and SENATE BILL 285 as introduced 2-16-95:

Senate Bill 253 would amend the General Sales Tax Act and Senate Bill 285 would amend the Use Tax Act to provide that the sales or use tax on the purchase of a motor vehicle, aircraft, self-propelled piece of heavy machinery or equipment, recreational vehicle, or titled watercraft would be applied to the difference between the full retail price of the vehicle and the agreed-upon value of a motor vehicle, aircraft, self-propelled piece of heavy machinery or equipment, recreational vehicle, or titled watercraft used as partial payment of the purchase price.

(Note: For purposes of this summary only, the following references to "vehicle" include a motor vehicle, aircraft, self-propelled piece of heavy machinery or equipment, recreational vehicle, or titled watercraft.)

The bills provide that upon purchase of a vehicle by a new dealer or a used or secondhand dealer, that was not part of a transaction in which the dealer also sold a vehicle and provided the statement specifying the amount credited the buyer for a trade-in as required by the Michigan Vehicle Code, the dealer would have to provide the owner of the vehicle with a certificate, signed by each party, specifying all of the following: the year, make, model, and identification number of the vehicle; the name and address of each party; the dealer's license number; the price paid for the vehicle; the date of purchase; and a statement indicating that the seller could present the certificate when purchasing another vehicle within 90 days after the date specified on the certificate from a person licensed under the Act. (Senate Bill 253 refers to a certificate "to reduce the gross proceeds upon which the taxpayer is taxed and may reimburse himself or herself".)

A person receiving a certificate upon the sale of his or her vehicle to a new dealer or a used or secondhand dealer could present the certificate to a person subject to tax under the Act, upon purchasing another vehicle within 90 days after the date on the certificate. Senate Bill 253 specifies that a certificate presented at a retail sale would reduce the gross proceeds of the retail sale for which the certificate was presented, and reduce the basis on which the seller could reimburse himself or herself by adding any tax levied by the Act on the retail sale to the sale price. Senate Bill 285 specifies that a certificate presented at a sale would reduce the tax on the vehicle for which the certificate was presented. Under either bill, except as provided in the bills, a certificate issued under these provisions would not be transferable.

A person subject to tax under the Act who, upon making a sale at retail, received from the purchaser a completed certificate that showed the sale of the vehicle by the purchaser to a new dealer or a used or secondhand dealer within 90 days before the retail sale, would have to note the date of the retail sale upon the certificate and forward the certificate with any tax liability.

Upon the purchase from a private individual of a used or secondhand device by an individual who was not a new dealer, or a used or secondhand dealer and upon the request of the seller, both parties to the transaction would have to sign a certificate to be provided by the seller specifying all of the following: the year, make, model, and identification number of the vehicle; the name and address of each party; the price paid for the vehicle; the date of purchase; and a statement indicating that when purchasing another vehicle within 90 days after the date specified on the certificate, from a person licensed and subject to tax under this Act, the seller of the used vehicle could present the certificate to the taxpayer (the purchaser).

A person who received a certificate upon the sale of his or her vehicle to another individual could present the certificate to a person subject to tax under the Act upon purchasing another vehicle within 90 days after the date of sale of the used vehicle specified on the certificate. Senate Bill 253 provides that a certificate presented at a retail sale would reduce the gross proceeds of the retail sale for which the certificate was presented and reduce the basis on which the seller could reimburse himself or herself by adding any tax levied on the retail sale to the sale price. Senate Bill 285 states that a certificate presented at a sale would reduce the tax on the vehicle for which the certificate was presented. Under either bill, except as provided in the bills, a certificate issued under these provisions would not be transferable.

The Department of Treasury would have to prescribe and distribute certificates; certificates would have to be available at all offices of the Secretary of State.

Under the bills, "recreational vehicle" would include a trailer coach, conventional travel trailer, park trailer, fifth-wheel travel trailer, folding camping trailer, truck camper, motor home, van camper, van conversion, or multiuse vehicle.

MCL 205.51 et al. (S.B. 253)
205.92 et al. (S.B. 285)

Legislative Analyst: G. Towne

FISCAL IMPACT (Preliminary)

These bills would reduce sales and use tax revenue by an estimated $145 million in FY 1995-96. Of this amount, sales tax revenue would be reduced by an estimated $137 million and use tax revenue would be reduced by $8 million. These reductions in sales and use tax revenue would affect several areas of the State budget as summarized in the following table. School Aid Fund revenue would be reduced by an estimated $103 million, revenue sharing payments would be decreased by about $14 million, Comprehensive Transportation Fund (CTF) revenue would be reduced by $6 million, and General Fund/General Purpose (GF/GP) revenue would be decreased by an estimated $22 million. Approximately 95% of the estimated loss in revenue would result from car and truck transactions, and the remaining 5% from transactions involving motorcycles, recreational vehicles, watercraft, aircraft, and heavy equipment. The actual loss in revenue that would occur under the provisions of these bills could vary greatly from year-to-year due to the volatile nature of motor vehicle sales.

Estimated Sales and Use Tax Reduction Under
S.B. 253 and S.B. 285 in FY 1995-96
(millions)

Fund	Sales Tax	Use Tax	Total
School Aid Fund	$100	$3	$103
Revenue Sharing	14	--	14
Comprehensive Transportation	6	--	6
General Fund/General Purpose	17	5	22
TOTAL	$137	$8	$145

Fiscal Analyst: J. Wortley

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.