

# Legislative Analysis



## MOTORCYCLE ENDORSEMENT/REGISTRATION

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**House Bill 4306 (reported from committee as H-3)**

**Sponsor: Rep. Jim Tedder**

**Committee: Transportation and Infrastructure**

**Complete to 3-29-17**

Analysis available at  
<http://www.legislature.mi.gov>

*(Public Act 115 of 2017)*

### SUMMARY:

The bill would amend the Michigan Vehicle Code regarding motorcycle endorsement fees and motorcycle registration taxes as follows:

#### *Endorsement Fees*

- Increase the original motorcycle endorsement fee on an operator's or chauffeur's license from \$13.50 to \$16.00,
- Increase the renewal motorcycle endorsement fee from \$5.00 to \$7.00.
- Earmark revenue from these increases, \$2.50 of each original endorsement, and \$2.00 of each renewal endorsement, for a new Motorcycle Safety Awareness Fund created in new subsection 3.
- Create a new Motorcycle Safety Awareness Fund within the state treasury and allow the treasurer to receive money or other assets from any source for deposit into the Fund. The treasurer would direct the investment of the Fund and credit to the fund interest and earnings from Fund investments. Money in the Fund at the end of a fiscal year would remain in the fund and not lapse into the general fund. The state treasurer would be the administrator for auditing purposes.
- Require the Secretary of State to expend money from the fund for purposes of creating and maintaining a "Look Twice – Save a Life" program that produces advertisements and billboard promoting motorcycle awareness.

The Motorcycle Safety Fund, which was previously established in the Michigan Vehicle Code, receives \$10.00 from each original endorsement and \$3.00 from each renewal for motorcycle safety education programs operated by the Secretary of State. The bill does not change the amount of this earmark.

#### *Motorcycle Registration Tax*

- Increase the base motorcycle registration tax from \$23.00 to \$25.00, and increase the earmark of each "motorcycle fee" from \$3.00 to \$5.00. This earmark designates motorcycle fees to the Motorcycle Safety Fund for funding motorcycle safety education programs.

## **FISCAL IMPACT:**

### **Section 312c. (1)**

House Bill 4306 would result in an estimated increase in motorcycle endorsement fee revenue of \$250,000 annually over the roughly \$718,000 currently collected. This additional revenue would be credited to the newly created Motorcycle Safety Awareness Fund. The new fund would be authorized to collect interest and earnings from fund investments and would not lapse to the General Fund at the end of the fiscal year. Earmarks for the existing Motorcycle Safety Fund and for local government would not change therefore the bill would have no fiscal impact to the Department of State or local government.

### **Section 801(1)(n)**

House Bill 4306 would increase the current base registration tax on motorcycles from \$23.00 to \$25.00. Current law also earmarks \$3.00 of each "motorcycle fee" to the Motorcycle Safety Fund for motorcycle safety education programs. The bill would increase this earmark from \$3.00 to \$5.00. Based on 2016 motorcycle registrations of 258,265, the bill would increase Motorcycle Safety Fund revenue from the motorcycle registration tax earmark by \$516,500 (from the current \$771,468).

The bill as introduced did not increase the base motorcycle registration tax and as a result, the increase in the Motorcycle Safety Fund earmark would have reduced registration tax revenue for credit to the Michigan Transportation Fund (MTF). Because the **H-3** substitute increases the base motorcycle registration tax by \$2.00, the \$2.00 increase in the Motorcycle Safety Fund earmark does not affect MTF revenue.

In Fiscal Year 2015-16, the Motorcycle Safety Fund was credited with a total of \$1.7 million from license endorsement fees, the earmark of motorcycle registration taxes, and other vehicle transactions. The proposed increase in Motorcycle Safety Fund revenue could help ensure solvency of the fund and the motorcycle safety education training grants program.

### **Note on Motorcycle Registration Tax**

The current registration tax on motorcycles is established in Section 801(1)(n) of the Michigan Vehicle Code. This subdivision states that the registration tax for each motorcycle is \$23.00. The section also states: "Beginning January 1, 1984, the registration tax for each motorcycle is increased by \$3.00," and directs that "Beginning January 1, 1984, \$3.00 of each motorcycle fee shall be placed in a motorcycle safety fund..."

The Michigan Vehicle Code generally uses the word "registration tax" to refer to the specific vehicle registration taxes that are constitutionally dedicated to transportation and are earmarked to the MTF in statute. The word "fee" is generally used to refer to late fees, service fees, regulatory fees, or recreation passport fees that are not considered specific registration taxes and thus not constitutionally dedicated to transportation. The subdivision establishing the registration tax on motorcycles, Section 801(1)(n), uses both terms, "tax" and "fee."

This current language would appear to establish a base registration tax rate for each motorcycle of \$23.00, plus a separate \$3.00 registration tax increase, effective January 1, 1984, earmarked for the Motorcycle Safety Fund. The \$23.00 base tax plus the \$3.00 increases would total \$26.00. However, it is our understanding that the Secretary of State currently collects only \$23.00 in total for each from motorcycle registration and credits the \$3.00 Motorcycle Safety Fund earmark from the \$23.00 registration tax.

We note that Section 801(1)(n) currently directs that the registration tax on motorcycles be annually adjusted based on increase or decrease in state personal income. It is our understanding that the Department of State does not make this annual adjustment of the motorcycle registration tax.

## **BACKGROUND INFORMATION:**

Vehicle registration taxes represent one of the two major sources of constitutionally dedicated state transportation revenue—the other major source being motor fuel taxes. Revenue from registration taxes totaled \$1.0 billion in FY 2015-16. This revenue is constitutionally dedicated to transportation and is credited to the Michigan Transportation Fund (MTF) in accordance with the provisions of Public Act 51 of 1951.

Vehicle registration taxes are established in the Michigan Vehicle Code (Public Act 300 of 1949). Sections 224 and 225 of the Michigan Vehicle Code provide for the registration of motor vehicles and give authority for the vehicle registration program to the Michigan Secretary of State. Registration taxes are assessed and collected when vehicle owners obtain new registration license plates from the Secretary of State or renew registrations.

There is not a single registration tax. There are in fact a number of different registration taxes established in Section 801 of the Michigan Vehicle Code. A number of factors determine the tax rate and the base on which the tax is applied, including the vehicle model year, the list price of the vehicle, the weight of the vehicle, the use of the vehicle, and in some see the memorandum *Vehicle Registration Taxes, Fiscal Focus: Vehicle Registration Primer*, dated August 21, 2014, on the House Fiscal Agency website.

## **POSITIONS:**

- ABATE of Michigan (representing motorcyclists) testified in support of the bill. (3-21-17)
- The Office of the Secretary of State is neutral on the bill. (3-21-17)

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