

# Legislative Analysis

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## FUND-RAISING LICENSE PLATES AND TRAILER REGISTRATION TAXES

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### House Bill 6137

**Sponsor: Rep. Philip LaJoy**

**Committee: Transportation**

**Complete to 6-12-06**

### A SUMMARY OF HOUSE BILL 6137 AS INTRODUCED 6-7-06

House Bill 6137 would amend Section 811e of the Michigan Vehicle Code to provide the Secretary of State with the authority to issue an unlimited number of fund-raising registration and collector license plates. Under current law, the Secretary of State may develop not more than seven such plates at any one time. As described more fully below, the bill would also provide a means for the Secretary of State to recover initial start-up costs of designing and producing fund-raising plates. In brief, the bill would require the sponsors of a new fund-raising license plate to pay a non-refundable \$15,000 start-up fee.

The bill would also establish criteria for the development of new "Support Our Troops" fund-raising registration and collector license plates. [The bill appears to give to the Secretary of State discretion over whether or not to issue new fund-raising plates. The bill does not appear to mandate that the Secretary of State issue "Support Our Troops" plates, but only prescribes the appearance of such plates and the directs the disbursement of the donation money, should such plates be issued.]

Finally, the bill would amend Section 801(1)(l) of the Michigan Vehicle Code to clarify current language regarding permanent trailer registration.

The bill appears to be substantially the same as Senate Bill 248 and House Bill 5840, both of which were passed out of committee and are on the House calendar.

### BACKGROUND INFORMATION:

Public Act 77 of 2000 (Senate Bill 826) amended the Michigan Vehicle Code to provide the Secretary of State with the authority to develop Michigan university fund-raising and collector plates. Public Act 77 also permitted the Secretary of State to develop up to six state-sponsored fund-raising plates and matching collector plates at any one time. A subsequent amendment, Public Act 124 of 2001 (Senate Bill 602), allowed up to seven fund-raising plates. The seven fund-raising plates currently authorized under sections 811c through 811n of the Michigan Vehicle Code (MCL 257.811c to 257.811n) are Agricultural Heritage, Children's Trust Fund, Lighthouse Preservation, Veteran's Memorial, Water Quality, Wildlife Habitat, and "Proud to be American."<sup>1</sup>

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<sup>1</sup> A special plate which raises money for the Olympic education-training center was authorized in Public Act 332 of 1994 (MCL 257.811c). This plate program is not considered one of the seven plates authorized by Public Act 124 of 2001 (MCL 257.811e).

The authority for the fund-raising plate program was originally to sunset five years after the effective date of the amendatory acts which added the fund-raising plate sections. However, House Bill 4963, recently enacted as Public Act 152 of 2005 repealed the sunset provisions (Enacting Section 1) of Public Act 77 effective September 30, 2005.

## **BILL PROVISIONS**

***Provisions for Issuing Fund-Raising Plates*** - House Bill 6137 would amend Section 811e to eliminate the current seven-plate limit on the number of fund-raising plates the Secretary of State could develop at any one time. It would prohibit the Secretary of State from developing or issuing a fund-raising plate unless authorized by a public act which did all of the following:

- ◆ Identifies the purpose of the state-sponsored fund-raising plate.
- ◆ Creates a non-profit fund, or designates an existing non-profit fund to receive the money raised through the sales of the fund-raising plates or related collector plates.
- ◆ If a fund is created, names the person or entity responsible for administering the fund.

***Start-up Fees*** – Under current law (Section 811f of the Michigan Vehicle Code), a person who elects to purchase a fund-raising plate as a registration license plate pays a regular registration tax (credited to the Michigan Transportation Fund), an additional \$10.00 service fee (credited to the Transportation Administration Collection Fund [TACF] to cover the marginal costs of producing the plate), and a \$25.00 fund-raising donation. Under Section 811g, a person who also purchases a collector plate (which is not a valid registration plate) pays a \$25.00 fund-raising donation and a \$10.00 service fee.

The Department of State indicates that the \$10.00 service fees cover the marginal costs of producing these plates, but not the start-up costs associated with developing new fund-raising plates. The department indicates that these start-up costs are approximately \$15,000 per new plate issue.

House Bill 6137 would require the payment (presumably by the sponsor of a new fund-raising plate) of a non-refundable \$15,000 start-up fee to be deposited in the TACF for the cost of developing, producing, and issuing fund-raising plates. If the start-up fee were not paid within 18 months of the effective date of the public act authorizing the new fund-raising plates, the related fund-raising plate could not be created, produced, or issued.

The bill would allow the plate sponsor to redesign a fund-raising plate, with approval of the Secretary of State, not less than three years after the Secretary of State first issues a fund-raising plate. The bill would require an additional non-refundable \$2,000 payment for the costs of creating, producing, and issuing the redesigned plates.

***Sales Goals*** - The bill (Section 811h) would establish minimum sales goals for fund-raising plates. The sales requirements would be 2,000 plates in the first year and 500 plates in the second and each subsequent year. The Secretary of State could cease to issue fund-raising plates that failed to meet these goals. The bill would permit the Secretary of State to continue to renew fund-raising plates already issued and to collect the renewal fund-raising donations for those plates.

**Temporary Permits** – Section 811f currently permits the Secretary of State to issue a 60-day temporary registration permit to a person whose plates will expire before he or she receives their fund-raising plates. The bill would reduce the maximum length of such permits to 30 days.

**Collector Plates/Royalty Payments** – Section 811g currently provides for royalty payments received from commercial use of fund-raising plates to be credited to the Michigan Transportation Fund. The bill would provide for credit of such royalty fees to the TACF. The department indicates that no royalties have been earned under the current fund-raising plate program, and none are anticipated.

**Lighthouse Preservation Plates** – Under Section 811k the Secretary of State currently administers the Lighthouse Preservation Fund. The bill would transfer authority for this fund to the Department of History, Arts, and Libraries, where the program is currently housed.

**Olympic Education-Training Plates** – Section 811c currently provides for a service fee, in addition to registration taxes, of \$3.00 for the first month, and \$2.00 per month for each additional month of the registration period. The bill would repeal Section 811c and restore authority for the Olympic education-training fund-raising plates in new Section 811p. The new section eliminates the provision for monthly calculation of service fees. The service fees would be the same as those for other fund-raising and collector plates as provided under Sections 811f and 811g.

**"Support Our Troops" Plates** – The bill would add a new section, Section 811Q, to authorize the Secretary of State to determine the design of a "Support Our Troops" fund-raising registration plate, within certain criteria established in the bill. The bill would mandate that a "Support Our Troops" plate contain the emblem or logo of *Support Our Troops, Inc. of Michigan* displaying a soldier and a child, with the words "Support Our Troops" and "Michigan."

The bill also would create a "Support Our Troops Fund" within the state Treasury, and require that fund-raising donations for registration and collector plates recognizing support for our troops be transferred by the Secretary of State to the Department of Treasury for disbursement to the Support Our Troops Fund. The bill specifies that the State Treasurer could receive money or other assets from any source for deposit into the fund, and would direct investments of those funds, as well as credit to the fund any earnings from fund investments. Money in the fund at the close of the fiscal year would not lapse to the General Fund.

The bill also directs the State Treasurer to disburse money in the fund on a monthly basis to Support Our Troops, Inc., "*which shall expend money received under this section for troops and their families in accordance with its articles of incorporation.*"

Support Our Troops, Inc., would be required to provide an annual accounting of the use of the money to the State Treasurer. In addition, a vehicle owner's or lessee's application for a Support our Troops fundraising or collector plate would constitute prior written consent for the Secretary of State to provide their name and address to Support Our Troops, Inc.

Donations raised by the current state-sponsored plate programs are credited to a state fund or to a state-administered fund with one exception. Revenue from "Proud to be American" plate donations is credited to the American Red Cross and the Salvation Army, equally. If a "Support Our Troops" plate were issued, it would be the second state-sponsored fund-raising plate program with donation proceeds directed to a private entity.

#### ***Other Provisions -- Trailer Taxes***

Public Act 152 of 2003 (Senate Bill 554) amended Section 801(1)(l) of the Michigan Vehicle Code to provide for a "permanent" registration tax on pole trailers, semi-trailers, and trailer coaches according to a schedule of empty weights. Those amendments provided that trailer registration plates would expire only when the Secretary of State reissued new registration plates or when the plates were transferred (through sale to another owner). The section indicated that if the Secretary of State reissued new registration plates for all trailers, a person who had once paid a fee under the subsection would not be required to pay the fee a second time, but would be required to pay only a plate replacement service fee (\$5.00) under Section 804(2). House Bill 6137 would add the words "*Beginning October 1, 2005,*" and a reference to the tax "*as increased by 2003 PA 152*" to clarify the provision exempting persons from paying the tax under the subsection more than once.

#### **FISCAL IMPACT:**

House Bill 6137 would provide the Secretary of State with the authority to issue additional fund-raising plates beyond the current limitation of seven plates at any one time. As described more fully above, the bill would provide a means for the Secretary of State to recover initial start-up costs of designing and producing fund-raising plates.

Sixteen bills have been introduced in current session of the Michigan Legislature to establish new fund-raising plates for various charities or causes. Thirty bills to establish new fund raising plates were introduced in the previous (2003-2004) legislative session.

According to Department of State records, for the fiscal year ending September 30, 2005, there were 206,299 fund-raising plate transactions, generating \$1.2 million for the special causes and \$1.2 million for the 15 state universities.

Fiscal Analyst: William Hamilton

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.