

Legislative Analysis



"SALES TAX ON THE DIFFERENCE"

Mitchell Bean, Director
Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 4138

Sponsor: Rep. Paul Scott

Committee: Tax Policy

Complete to 6-2-11

A REVISED SUMMARY OF HOUSE BILL 4138 AS INTRODUCED 1-26-11

The bill would amend the General Sales Tax so that sales tax would be charged, generally speaking, on the difference between price of certain new or used vehicles and the agreed-upon value of any trade-in. This would apply to a new or used motor vehicle or trailer coach, a new or used titled watercraft, a new or used snowmobile, and a new or used piece of heavy earth moving equipment.

Specifically, the bills would exclude from sales taxes the agreed-upon value of one of the items listed above when used as part of the payment of the purchase price, if the agreed-upon value is separately stated on the invoice, bill of sale, or similar document given to the purchaser. The bill would amend the act's definition of "sales price." Currently, the act specifically includes a credit for any trade-in in the sales price of a product, thus making such a credit subject to sales tax.

(The term "heavy earth moving equipment" would refer to industrial construction equipment that meets all of the following criteria: (1) is self-propelled; (2) weighs 10,000 pounds or more; and (3) is designed and principally intended to move, transport, or reconfigure dirt, earth, soil, or other construction material at a construction site.)

MCL 205.51

FISCAL IMPACT:

House Bill 4138 would reduce FY 2011-12 (full year basis) sales tax revenue by an estimated \$190 million. This bill would not apply to leased vehicles, which primarily involve the use tax. The fiscal impact or reduction in revenue by fund would be as follows: the School Aid Fund by \$139.4 million, the General Fund/General Purpose by \$22.8 million, constitutional revenue sharing by \$19.0 million and the Comprehensive Transportation fund by \$8.8 million.

Legislative Analyst: Chris Couch
Fiscal Analyst: Rebecca Ross

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