

Legislative Analysis



"SALES TAX ON THE DIFFERENCE"

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House Bill 5696 (reported without amendment)

Sponsor: Rep. Andrea LaFontaine

Committee: Tax Policy

Complete to 8-28-12

A REVISED SUMMARY OF HOUSE BILL 5696 AS REPORTED FROM COMMITTEE

The bill would amend the General Sales Tax, generally speaking, so that sales tax would be charged on the difference between the price of a new or used motor vehicle or a new or used titled watercraft and the agreed-upon value of any trade-in.

Specifically, the bills would exclude from sales taxes the agreed-upon value of a motor vehicle or titled watercraft used as part payment of the purchase price of a new or used titled watercraft or a new or used motor vehicle, if the agreed-upon value is separately stated on the invoice, bill of sale, or similar document given to the purchaser.

Under the bill, the agreed-upon value of a motor vehicle used as part payment would be limited as follows:

- In 2012, \$7,500
- In 2013, \$10,000
- In 2014, \$12,500
- In 2015 and subsequent years, no limitation

MCL 205.51

FISCAL IMPACT:

The first full year fiscal impact would be an estimated reduction of sales tax revenue of \$174 million. As the trade-in-value approaches no limit, the fiscal impact would increase to approximately \$220 million on an annual basis. This fiscal impact would affect the School Aid Fund, the GF/GP, constitutional revenue sharing, and the Comprehensive Transportation Fund.

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