

# Legislative Analysis



## MICHIGAN VEHICLE CODE – REGISTRATION TAXES FOR ALTERNATIVE FUEL VEHICLES

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**House Bill 4608**

**Sponsor: Rep. Mike Shirkey**

**Committee: Transportation and Infrastructure**

**Complete to 5-14-13**

### A REVISED SUMMARY OF HOUSE BILL 4608 AS INTRODUCED 4-23-13

The bill would amend two sections of the Michigan Vehicle Code: Section 226, a section dealing with motor vehicle registrations; and Section 801, the section that establishes vehicle registration tax rates. The bill would make three substantive changes to the Michigan Vehicle Code. Specifically, the bill would:

- Establish six-month registrations for motor homes.
- Provide for a reduction in registration taxes for vehicles 10 years old or older.
- Establish new registration tax rates for electric or alternative fuel vehicles.

### DETAILED ANALYSIS

***Vehicle Registrations*** – The Michigan Vehicle Code provides for the registration of motor vehicles. Section 226 includes provisions regarding the expiration of motor vehicle registrations. House Bill 4608 would amend Subsection 11 to allow the Secretary of State, upon request, to issue a 6-month registration plate for motor homes upon payment of 1/2 the registration fee under Section 801(1)(a).

It is our understanding that the tax schedule established in Section 801(1)(a) applies only to 1983 and older model year motor vehicles and that model year 1984 and new motor vehicles, including motor homes, are taxed under Section 801(1)(p).

House Bill 4608 also amends Section 801, Subsection (3) to exempt 6-month registrations from late fees.

***Vehicle Registration Taxes - Vehicles Ten Years Old and Older*** – Section 801 of the Michigan Vehicle Code establishes several schedules of motor vehicle taxes. A number of factors determine the applicable tax rate and the base on which the tax is applied: the vehicle model year, the list price of the vehicle, the weight of the vehicle, the use of the vehicle, and in some cases some characteristic of the vehicle owner.

Most passenger cars and light trucks, model year 1984 and newer, are taxed under the ad valorem tax schedule established in Section 801(1)(p). The ad valorem tax is assessed on the manufacturer's list price. The second (first renewal) registration is 90% of the original

registration; the third (second renewal) registration is 90% of the second registration; and the fourth (third renewal) and each subsequent registration is 90% of the third registration.

House Bill 4608 would amend Section 801(1)(p) to direct that for a vehicle of a model year at least 10 years prior to the year in which the registration is sought, with a list price of \$45,000 or less, the registration *fee* is 67% of the registration *fee* that would otherwise be assessed.

***Vehicle Registration Taxes*** – House Bill 4608 also establishes a new registration *fee* schedule for electric and alternative fuel vehicles. Specifically, the bill would increase the registration *fee* for vehicles powered solely or predominantly by an alternative fuel by \$75.00 for vehicles 8,000 lbs. and less, and by \$200.00 for vehicles more than 8,000 lbs. For vehicles partially powered, but not predominantly powered, by an alternative fuel, the bill would increase the registration *fee* by \$25.00 for vehicles 8,000 lbs. and less, and by \$100.00 for vehicles more than 8,000 lbs.

***Note on the terms "tax" and "fee"***

The bill changes the term "tax" to "registration fee" throughout both Section 226 and Section 801.

Article IX, Section 9 of the 1963 Constitution directs that specific *taxes* on motor vehicle registration be used exclusively for transportation purposes. The terminology in the Michigan Vehicle Code is not consistent. Section 226 currently refers to "tax" five times and "fee" or "registration fee" seven times. However, since enactment of 2003 PA 152, which established the Transportation Administration Collection Fund (TACF), there has been an attempt to use the term "tax" in reference to the constitutionally dedicated registration *taxes*, and the term "fee" to reference Department of State service *fees* that accrue to the TACF.

**FISCAL IMPACT:**

By allowing a six-month registration for motor homes, with a registration tax rate half that of the normal 12-month registration, the bill would reduce state restricted transportation revenue by an indeterminate amount. We note that the bill's reference to the Section 801(1)(a) weight-based tax schedule appears to be an anomaly; motor homes of 1984 model year and newer are taxed like cars and light trucks under the Section 801(1)(p) ad valorem tax schedule.

By establishing a registration tax rate 67% of the normal registration tax for motor vehicle model years at least 10 years prior to the year in which the registration is sought, with a list price of \$45,000 or less, the bill would reduce state restricted transportation revenue by an indeterminate amount.

By increasing the registration taxes on alternative fuel vehicles, the bill could increase state restricted transportation revenue. We do not currently have an estimate of the potential revenue increase.

According to the Michigan Department of State, House Bill 4608 would have a negative, yet indeterminate, fiscal impact on department costs. The department would have to

reprogram its information technology systems to account for the changed registration fees for vehicles that are predominately or partially powered by electricity or alternative fuels, including the collection of relevant information and calculation of registration fees.

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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.