

# Legislative Analysis



## MICHIGAN VEHICLE CODE – VEHICLE REGISTRATION TAXES

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**House Bill 4630 (Substitute H-6)**  
**Sponsor: Rep. Michael D. McCready**  
**Committee: Transportation and Infrastructure**

**Complete to 5-14-14**

### **A SUMMARY OF HOUSE BILL 4630 (H-6) AS PASSED BY THE HOUSE 5-8-14**

House Bill 4630 (H-6) would amend several sections of the Michigan Vehicle Code dealing with motor vehicle registrations, including Section 801, the section which establishes registration taxes for most Michigan motor vehicles including passenger cars, light trucks, large commercial trucks, trailers, as well as a number of special registration categories.

#### **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. Registration taxes, including vehicle title fees, generated \$942.7 million in transportation revenue in FY 2012-13.

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.

Vehicle registration taxes can be considered more of a "retail" tax as compared to the motor fuel taxes. They are collected primarily at 131 Secretary of State branch offices, as well as online or by mail. Section 205 of the Michigan Vehicle Code requires at least one branch office in each county, as well as branch offices within certain cities, and a branch office in the state Capitol complex.

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: 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.

For a description of registration taxes under current law, see [Vehicle Registration Taxes](#), June 10, 2013, on the House Fiscal Agency website.

## **DETAILED ANALYSIS:**

Our analysis is divided into seven primary sections, corresponding to the sections of the Michigan Vehicle Code that would be amended in House Bill 4630 (H-6):

Section 801 – Vehicle Registration Taxes  
Section 802 – Special Vehicle Registration Fees  
Section 803 – Dealer Registration Plates  
Section 803b – Amateur Radio/Personalized Registration Plates  
Section 803e – Special Veterans Registration Plates  
Section 806 – Application for Vehicle Title Fees  
Section 809 – Transfer of Vehicle Registration

In addition, our analysis includes a discussion of the bill's repealers, tie-bars, and effective date, and major differences from previous versions of the bill.

### **Amendments to Section 801:**

Among other things, House Bill 4630 (H-6) would amend Section 801 of the Michigan Vehicle Code – a section which includes seven subsections and, within Subsection (1), thirteen subdivisions. Our detailed analysis below describes the various provisions of Section 801 in current law, and the changes to Section 801 proposed in House Bill 4630 (H-6). Except as otherwise noted, the section/subsection/subdivision references below are as shown in current law.

#### **Section 801(1)(a) – Pre-1984 Cars, Vans, Light Trucks**

Under current law, the registration tax for most cars, vans, and light trucks, 1983 model year and older, is based on the vehicle's empty weight. This subdivision currently provides a schedule of 16 separate weight/tax bands, ranging from a tax of \$29.00 for vehicles less than 3,000 pounds, to \$95.00 for vehicles up to 10,000 pounds. Department records indicate that as of April 2014 there were 71,529 vehicles registered under this category.

House Bill 4630 (H-6) would strike this subdivision and move provisions dealing with pre-1984 vehicles into the Section 801(1)(m), the subdivision, as renumbered in the bill, establishing an ad valorem tax schedule for passenger cars and light trucks. Within that ad valorem tax subdivision, the bill would create a two-tiered tax schedule for pre-1984 vehicles weighing 8,000 pounds or less: \$50.00 for vehicles weighing up to 4,000 pounds, and \$75.00 for vehicles weighing 4,001 pounds to 8,000 pounds.

The bill would also strike current language that directs the department to annually revise the Section 801(1)(a) rates. The current language is an anachronism and has not been implemented by the department.

### **Section 801(1)(b) – Trailer Coaches**

This subdivision currently establishes a tax rate for trailer coaches by simply referencing the tax schedule for trailers in subdivision (l). House Bill 4630 (H-6) would retain this subdivision, renumbered as Section 801(1)(a), but would limit its application to trailer coaches that weigh 8,000 pounds or more.

### **Sections 801(1)(c) and 801(1)(d) – Farm Trucks/Log Trucks/Milk Haulers**

These subdivisions in current law provide a discounted tax rate for certain agricultural vehicles (*a road tractor, modified agricultural vehicle, truck, or truck tractor owned by a farmer and used exclusively in connection with a farming operation, including hauling livestock or farm equipment for other farmers for remuneration in kind or in labor, but not for money, or used for the transportation of the farmer and the farmer's family, and not used for hire*), wood harvesters, and milk haulers. The tax rate is 74 cents per hundred pounds of empty weight. Department records indicate that as of April 2014 there were 41,043 vehicles registered under these two categories.

House Bill 4630 (H-6) would retain these subdivisions, renumbered as subdivisions Sections 801(1)(b) and 801(1)(c), but would amend them to indicate that these tax rates do not apply to vehicles that weigh less than 8,000 pounds – vehicles weighing less than 8,000 pounds would be taxed under the ad valorem tax schedule, Section 801(1)(m), as renumbered in the bill.

### **Section 801(1)(e) – Hearse or Funeral Ambulance**

Current law provides a discounted registration tax rate of \$1.17 per hundred pounds (empty weight). Department records indicate that as of April 2014 there were 322 vehicles registered under this category.

House Bill 4630 (H-6) would retain this subdivision, renumbered as Section 801(1)(d), but would amend to indicate the subdivision did not apply to vehicles that weigh less than 8,000 pounds – vehicles weighing less than 8,000 pounds would be taxed under the ad valorem tax schedule, Section 801(1)(m), as renumbered in the bill.

### **Section 801(1)(f) – Institutional Plates**

Current law provides a registration tax of \$5.00 for certain public institution, municipal, and non-public, non-profit college and university plates. House Bill 4630 (H-6) would retain this subdivision, renumbered as Section 801(1)(e), but would amend to require the vehicle be designated by proper signs showing the entity or organization operating the vehicle. The bill does not make a distinction between vehicles weighing less than 8,000 pounds.

### **Sections 801(1)(g) and 801(1)(h) – Nonprofit and Civic Organizations**

These two subdivisions currently provide for a \$10.00 registration tax for certain designated nonprofit and civic organizations. Department records indicate that as of April 2014 there were 14,614 vehicles registered under these two categories.

House Bill 4630 (H-6) would consolidate the two subdivisions into a single subdivision, Section 801(1)(f). The bill would also amend to indicate that the subdivision did not apply to vehicles that weighed less than 8,000 pounds – vehicles weighing less than 8,000 pounds would be taxed under the ad valorem tax subdivision 801(1)(m), as renumbered in the bill.

**Section 801(1)(i) – Ecclesiastical and Charitable Organizations**

This subdivision currently provides for a special registration tax rate for certain trucks owned and operated free of charge by a "bona fide" ecclesiastical or charitable corporations, the Red Cross, Boy Scouts, or Girl Scouts. The current tax rate is 65 cents per hundred pounds (empty weight). Department records indicate that as of April 2014 there were 84 vehicles registered under this category.

House Bill 4630 (H-6) would eliminate this subdivision; vehicles currently registered under this subdivision would presumably qualify for the non-profit/civic organization registration plate described above.

**Section 801(1)(j) – Certain Large Trucks**

This subdivision currently establishes a tax based on the empty weight of certain large trucks. The language is confusing and appears to be an anachronism. Department records indicate that as of April 2014 there were 2,029 vehicles registered under this category.

House Bill 4630 (H-6) would retain this subdivision, renumbered as Sections 801(1)(g) but would amend to indicate the subdivision applied to vehicles weighing 8,000 pounds or more – vehicles weighing less than 8,000 pounds would be taxed under the ad valorem tax schedule of Section 801(1)(m), as renumbered in the bill.

**Section 801(1)(k) – Large Trucks/Truck Tractor Combinations**

This subdivision currently establishes a tax schedule based on elected gross vehicle weight for trucks 8,000 pounds or less towing a trailer or any combination of vehicles, and for trucks 8,001 pounds or more, road tractors, and truck tractors. Department records indicate that as of April 2014 there were 78,468 vehicles registered under this category.

House Bill 4630 (H-6) would retain this subdivision, renumbered as Sections 801(1)(h), but would amend to clarify and simplify the schedule of empty weights for vehicles weighing up to 26,000 pounds. The bill would not substantively change the current schedule of weights/tax rates.

**Section 801(1)(l) – Trailers**

Current law provides for a non-transferrable permanent trailer registration plate. The registration tax for trailers is based on empty weight. Under current law there are three empty weight tax bands: \$75.00 for trailers weighing up to 2,499 pounds; \$200.00 for trailers weighing up to 9,999 pounds; and \$300.00 for trailers 10,000 pounds and greater.

House Bill 4630 (H-6) would retain this subdivision without change, other than to renumber as Section 801(1)(i).

**Section 801(1)(m) – Passengers for Hire**

Current law provides a registration tax rate based on vehicle empty weight for commercial vehicles used in the transportation of passengers for hire. The subdivision established four rate bands from \$1.76 per hundred pounds (empty weight) for vehicles weighing 4,000 pounds and less, to \$3.35 per hundred pounds (empty weight) for vehicles weighing 10,001 pounds and greater. Department records indicate that as of April 2014 there were 520 vehicles registered under this category.

House Bill 4630 (H-6) would retain this subdivision, renumbered as Section 801(1)(j), but would amend to indicate the subdivision applied to vehicles weighing more than 8,000 pounds – vehicles weighing less than 8,000 pounds would be taxed under the ad valorem tax schedule of Section 801(1)(m) as renumbered in the bill.

**Section 801(1)(n) – Motorcycles**

House Bill 4630 (H-6) would retain this subdivision without change, other than to renumber as Section 801(1)(k).

**Section 801(1)(o) – Moving Vans**

This subdivision currently establishes a tax based on 80% of the empty weight schedule for commercial vehicles under Section 801(1)(k). Department records indicate that as of April 2014 there were 292 vehicles registered under this category.

House Bill 4630 (H-6) would retain this subdivision, renumbered as Section 801(1)(l), but would amend to indicate the subdivision applied to vehicles that weighed 8,000 pounds or more – vehicles weighing less than 8,000 pounds would be taxed under the ad valorem tax schedule of Section 801(1)(m), as renumbered in the bill.

**Section 801(1)(p) – Passenger Cars, Vans, Light Trucks**

This subdivision currently establishes the ad valorem tax schedule for most cars, vans, and light trucks. Department records indicate that as of April 2014 there were 7.1 million vehicles registered under this category.

House Bill 4630 (H-6) would retain this subdivision, renumbered as Section 801(1)(m), but would amend it to indicate that the subdivision applies to motor vehicles that weigh less than 8,000 pounds – vehicles weighing more than 8,000 pounds would be taxed under one of the weight-based tax schedules of Section 801. The bill would not change the current schedule of tax rates established under this section.

As noted above, the bill would move provisions dealing with pre-1984 vehicles into this subdivision and create a two-tiered tax schedule for pre-1984 vehicles weighing 8,000 pounds or less.

The bill would rewrite language within this subdivision that currently provides 50% discounted tax rate for certain "handicap vans" – department records indicate that as of April, 2014, 4,736 vehicles had received discounted registration plates under these provisions. The revised language would provide a 50% registration tax discount for "a

*passenger motor vehicle that has been modified with a permanently installed wheelchair lift mechanism and that is owed by an individual who uses a wheelchair or by an individual who transports a member of his or her household who uses a wheelchair and for which registration plates are issued under Section 803d."*

#### **Section 801(1)(q) – Wreckers**

Current law provides a tax rate of \$200.00 per vehicle for wreckers. The department indicates that as of April, 2014, there were 4,032 vehicles registered under this category.

House Bill 4630 (H-6) would effectively eliminate the special registration rate specific to wreckers. The bill would add a new tax category under the subdivision, renumbered as Section 801(1)(1), for commercial vehicles "not otherwise subject to tax under this subsection." The tax would be based on a schedule of empty weights: \$400.00 for vehicles from 8,001 pounds to 18,000 pounds; \$590.00 for vehicles weighing 18,001 to 26,000 pounds.

#### **Section 801(4) – Late Registration Penalty**

Current law requires the Secretary of State to collect a \$10.00 late fee if the taxes established under Section 801 are not received by the vehicle registration expiration date. Annual late fee revenue is approximately \$10.0 million. Under current law, revenue from this late fee is dedicated to the state general fund. House Bill 4630 (H-6) would redirect late fee revenue to the Michigan Transportation Fund.

### **Amendments to Section 802:**

#### **Section 802 – Special Registration Plates**

Through twelve separate subsections, Section 802 currently provides for taxes and fees for several categories of "special registration plates." While Section 802 establishes the various taxes and fees for special registration plates, special registration plates are actually authorized and defined in Chapter II of the Michigan Vehicle Code – Section 201 et. seq. Some of the special registrations in Section 802 represent partial year registrations of full-year registrations established in Section 801.

House Bill 4630 (H-6) makes technical changes to several subsections of Section 802 – primarily to change language written in the passive voice to the active voice. Substantive changes to the section are described below:

#### **Partial-Year Registrations for Trucks**

House Bill 4630 (H-6) would amend two subsections, Subsections (8) and (11), which provide for partial year registrations for vehicles applying for elected gross vehicle weight registrations under Section 801(1)(h) as that subdivision is renumbered in the bill. The bill would raise the threshold for vehicles qualifying for those partial-year plates from 24,000 pounds to 26,000 pounds.

### **Special Farm Registrations**

The bill would also amend Subsection 9, a subsection which currently provides for what are known as special farm registration plates: "*an owner of a truck, truck tractor, or road tractor that is used exclusively for the purpose of gratuitously transporting farm crops or livestock bedding between the field where produced and the place of storage, feed from on-farm storage to an on-farm feeding site, or fertilizer, seed, or spray material from the farm location to the field may obtain a special registration.*"

House Bill 4630 (H-6) would retain this subsection but would amend it to indicate the subsection does not apply to a vehicle that weighs less than 8,000 pounds. According to data provided by the Department of State, as of January 2013, there were 5,358 vehicles registered under the special farm plate subdivision; of these, 1,628 were 8,000 pounds or less, 3,488 were between 8,001 pounds and 26,000 pounds; and 242 were greater than 26,000 pounds.

Vehicles registered under this subdivision do not currently pay a registration tax for credit to the Michigan Transportation Fund but instead pay a \$20.00 service fee for credit to the Transportation Administration Collection Fund (TACF).

### **TACF Service Fees**

Under Section 802(12), the service fees established under the section are dedicated to the TACF through October 1, 2015. House Bill 4630 (H-6) would strike this sunset. We note, however, that the bill does not strike the October 1, 2015 sunset date in Section 801(3).

## **Amendments to Section 803:**

### **Section 803 – Manufacturer/Dealer/Transporter Registration Plates**

Section 244 of the Michigan Vehicle Code provides for special registration plates for manufacturers, transporters, and dealers. Section 803 currently provides for a \$10.00 fee for each plate under Section 244. Department records indicate that as of April, 2014, there were 87,969 plates issued under this category.

House Bill 4630 (H-6) would amend this section to indicate that the fee for the first two special plates issued to a dealer under Section 244 would be \$100.00. We read this to mean that the fee would be \$100.00 total for the first two plates – effectively \$50.00 each. The fee for the third and each additional plate would be \$10.00.

## **Amendments to Section 803b:**

### **Section 803b – Amateur Radio/Personalized Registration Plates**

Section 217a currently provides for special amateur radio plates inscribed with official amateur radio call letters. Under current law, applicants pay the regular registration *fee* [i.e. tax, presumably under Section 801] plus a service fee of \$2.00.

House Bill 4630 (H-6) would repeal Section 217a and move that section into Section 803b, the section that currently provides for personalized registration plates. Under

provisions of House Bill 4630 (H-6), applicants for amateur radio plates would pay the same as applicants for other personalized registration plates, that is, the regular registration fee [i.e., tax, presumably under Section 801] plus a service fee of \$8.00 for the first month and \$2.00 for each additional month of the registration period.

House Bill 4630 (H-6) would also repeal a suballocation in Section 803b(3) of an earmark of certain personalized plate renewal fee revenue to the State Trunkline Fund for litter pickup and roadside cleanup. This suballocation is impractical and we do not believe is recognized in practice.

Under current law, certain personalized plate service fees are dedicated to the TACF through October 1, 2015. House Bill 4630 (H-6) would strike this sunset. We note, however, that the bill does not strike the October 1, 2015 sunset date in Section 801(3).

### **Amendments to Section 803e:**

#### **Section 803e – Special Veterans Plates**

House Bill 4630 (H-6) strikes language authorizing special World War I plates and would add language authorizing Congressional Medal of Honor plates, moved to this section from Section 217d.

### **Amendments to Section 806:**

#### **Section 806 – Application for Title Fees**

Section 806(1) currently provides for a \$10.00 application for title fee, plus a \$3.00 service fee. An additional \$5.00 service fee is required for expedited service requests. Revenue from the \$10.00 application fee is credited to the Michigan Transportation Fund; the \$3.00 service fee and \$5.00 expedited service fee are credited to TACF.

Authorization to collect the \$10.00 title application fee, and the dedication of service fee revenue to the TACF, are currently authorized through October 1, 2015. House Bill 4630 (H-6) would strike the sunsets related to the authority to collect the title application fee and the dedication of the service fees to the TACF. We note, however, that the bill does not strike the October 1, 2015 sunset date in Section 801(3).

The bill would also strike the current December 31, 2015, sunset for the \$1.50 tire disposal surcharge for credit to the Scrap Tire Fund.

The bill does not change the fee under Section 806(2) related to the application for a Special Identifying Number title, as authorized under Section 230 of the Michigan Vehicle Code. Section 230 apparently deals with instances in which the Vehicle Identification Number (VIN) has been destroyed or is missing. Section 806(2) currently provides for a \$10.00 fee for special identifying number applications. The Department of State had indicated that inspections and site visits needed to satisfy the provisions of this subsection cost substantially more than is provided through the current \$10.00 fee.



## Amendments to Section 809:

### Section 809 – Transfer of Registration

Section 226 of the Michigan Vehicle Code indicates that the vehicle registration expires on the owner's birthday. When a vehicle owner purchases a new car, the owner may elect to simply transfer a valid registration plate from an old vehicle to the newly purchased vehicle. At the time of transfer the owner would not pay the registration tax under Section 801, but would pay only an \$8.00 transfer fee as provided under Section 809. The owner would not pay the registration tax rates applicable to the new vehicle until the registration is renewed on the owner's next birthday.

House Bill 4630 (H-6) would amend this section to indicate that, in addition to the \$8.00 transfer fee, for transfers in which the new vehicle 12-month registration *fee* [i.e. tax] was greater than the 12-month registration *fee* [i.e. tax] of the vehicle from which the registration was transferred, the applicant would pay the difference in registration *fees* [i.e. taxes]. If the new vehicle 12-month registration *fee* [i.e. tax] were less than the 12-month registration *fee* [i.e. tax] of the vehicle from which the registration was transferred, the difference in registration *fees* [i.e. taxes] would not be refunded.

The transfer of registration fees assessed under this section are currently dedicated to the TACF through October 1, 2015. House Bill 4630 (H-6) would strike this sunset. We note, however, the bill does not strike the October 1, 2015 sunset date in Section 801(3).

## Repealers

House Bill 4630 (H-6) would repeal the following sections of the Michigan Vehicle Code:

- **Section 217a – Amateur radio plates;** included in Section 803b, as described above.
- **Section 217d – Congressional Medal of Honor plates;** included in Section 803d, as described above.

The H-6 substitute does not provide for the repeal of Section 803p, the section dealing with authentic historic registration plates, a repealer that had been in previous substitutes. In addition, the H-6 substitute does not include a repealer, which had been in a previous substitute, of 1960 PA 6, described in the act title as "an act to levy a specific tax in lieu of weight taxes for public transportation vehicles and city, intercity, and suburban buses; and to provide for the expiration of this act." It is not clear what vehicles are currently subject to 1960 PA 6.

## Tie Bars

Unlike previous substitutes, House Bill 4630 (H-6) is not tie-barred to other bills.

**Effective Date**

House Bill 4630 (H-6) would take effect July 1, 2014,

**Differences between the H-6 Substitute and Previous Versions of the Bill**

The H-6 substitute does not include amendments, proposed in previous version of the bill, to Section 20a (defines "historic vehicle"); Section 803a (provides for historic vehicle registration plates); or Section 811 (operator/chauffeur driver's licenses).

**FISCAL IMPACT:**

The analysis of the fiscal impact of this bill is in progress.

Fiscal Analyst: William E. 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.