

Legislative Analysis



MICHIGAN VEHICLE CODE – REGISTRATION TAXES

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House Bill 4630

Sponsor: Rep. Michael McCready

Committee: Transportation and Infrastructure

Complete to 5-8-13

A SUMMARY OF HOUSE BILL 4630 AS INTRODUCED 4-25-13

The bill would amend several sections of the Michigan Vehicle Code dealing with motor vehicle registrations, including Section 801, which establishes vehicle registration tax rates.

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, established in the Michigan Vehicle Code (Public Act 300 of 1949), generated \$905.4 million in transportation revenue in FY 2011-12.

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 on-line 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 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.

DETAILED ANALYSIS:

House Bill 4630 amends several sections of the Michigan Vehicle Code. The changes are described in detail as follows:

Section 801(1)(p) – Registration of Cars and Light Trucks

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 subsection lists various tax amounts applicable to different manufacturer's list price "bands." Under current law, the initial band is for vehicles with a list price from \$0 to \$6,000, with the applicable tax of \$30.00. The subsection then shows vehicle list prices in \$1,000 bands up to the \$29,000 to \$30,000 band, and related registration taxes for each band. For a vehicle with a list price greater than \$30,000, the maximum listed tax of \$148.00 is increased by \$5.00 for each \$1,000 the list price exceeds \$30,000.

Under current law, 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.

As a result, the actual tax paid in the fourth and subsequent years is 73% of the tax required at the initial registration.

See **Figure 1** for an example of how these provisions are applied.

Figure 1

Passenger Registration Taxes under Section 801(1)(p)

Example of the impact of annual reduction in first-year registration tax

First-year tax	\$103	Tax for a vehicle in the \$20,000 to \$21,000 tax category
2 nd year registration	\$93	90% of first year
3 rd year registration	\$83	90% of second year
4 th year registration	\$75	90% of third year (73% of original tax)
Total Tax Paid	\$354	

The registration tax for this vehicle would remain at \$75 for the life of the vehicle.

House Bill 4630 would not amend the tax rates or tax list price bands in Section 801(1)(p). The bill would change the current three-year reduction in tax paid. Rather than the three year, 90% annual reduction in the tax rate, the bill would provide a single 85% reduction in the tax rate.

Figure 2, which follows, provides an example of how the new provisions would be applied.

Figure 2

Passenger Registration Taxes under Section 801(1)(p)

Example of the impact of House Bill 4630 85% reduction in first-year registration tax

First-year tax	\$103	Tax for a vehicle in the \$20,000 to \$21,000 tax category
2 nd year registration	\$88	85% of first year
3 rd year registration	\$88	85% of first year
4 th year registration	<u>\$88</u>	85% of first year
Total Tax Paid	\$367	

The registration tax for this vehicle would remain at \$88 for the life of the vehicle.

Section 801e – Registration of Mopeds

The changes to this section appear to be merely technical in nature.

Section 803 – Special Registration \$10.00 Fee

The bill includes, but does not amend, this section dealing with special plates needed by a manufacturer, transporter, or dealer.

Section 803a – Historic Registration Plates

The changes to this section appear to be merely technical in nature.

Section 803b – Personalized Registration Plates

The changes to this section appear to be merely technical in nature.

Section 803p – Historic Registration Plates

The changes to this section appear to be merely technical in nature.

Section 809 – Transfer of Registration

The changes to this section appear to be merely technical in nature.

FISCAL IMPACT:

By amending Section 801(1)(p) and changing the current four-year, 90% annual reduction in the ad valorem registration tax rates, to a single 85% tax reduction, House Bill 4630 would marginally increase transportation revenue. For example: Over the first four registrations, the tax associated with the vehicle in Figure 1 (current law) would be \$354. Over four years, the tax associated with the vehicle in Figure 2, reflecting the provision of House Bill 4630, would be \$367, an increase of \$13, or 3.6%.

We do not currently have an estimate of the total revenue impact associated with the proposed changes to the ad valorem tax schedules.

In addition to the revenue impact associated with the bill, House Bill 4630 would have an indeterminate impact on the Department of State costs to the extent that the department

would have to reprogram its information technology systems to account for the changed registration fee for second and subsequent registrations.

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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.