

Legislative Analysis



MICHIGAN VEHICLE CODE – REGISTRATION TAXES

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

House Bill 4630 (Substitute H-2)

Sponsor: Rep. Michael D. McCready

Committee: Transportation and Infrastructure

Complete to 6-10-13

A SUMMARY OF HOUSE BILL 4630 (H-2) AS ADOPTED 6-4-13

The bill would amend several sections of the Michigan Vehicle Code dealing with motor vehicle registrations, as well as Section 811 regarding driver's license fees.

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 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 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 (H-2) amends several sections of the Michigan Vehicle Code. The changes are described in detail as follows:

Section 20a – Historic Vehicle

The Michigan Vehicle Code defines *historic vehicle* as "a vehicle over 25 years old and used solely as a collector's item for participation in club activities, tours, parades, and

similar uses...but not for general transportation." Current law also states that "*for purposes of this section, use of the vehicle during the month of August in each year is considered an exhibition.*"

House Bill 4630 (H-2) would amend this section to indicate that "for purposes of this section, use of the vehicle during the period **beginning on the Friday before Memorial Day and ending on the Tuesday after Labor Day** in each year is considered an exhibition."

Section 802 – Special Registration Plates

Through 12 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.

House Bill 4630 (H-2) makes technical changes to several subsections of Section 802.

In addition, the bill amends two subsections which provide for partial year registrations – subdivisions (8) and (11) as they appear in current law. The bill would lower the threshold for vehicles qualifying for those partial-year plates from 24,000 pounds to 18,000 pounds.

The bill would also strike Subsection 9, a subsection that currently provides for special registration plates; it says "*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.*"

Vehicles registered under this subdivision do not 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). Under current law, these special registrations are valid for a period of up to 12 months and expire on December 31.

Under current law, all the service fees under the section are dedicated to the TACF through October 1, 2015. **House Bill 4630 (H-2)** strikes this sunset.

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 and under; 3,488 were between 8,001 pounds and 26,000 pounds; and 242 were greater than 26,000 pounds.

Section 803 – Special Plates for Manufacturers, Transporters, Dealers

Section 244 provides for special registration plates for manufacturers, transporters, and dealers. Section 803 currently provides for a \$10.00 fee for each plate.

House Bill 4630 (H-2) would increase the plate fee under this section to **\$20.00**.

Section 803a – Historic Registration Plates

As discussed above, Section 20a of the Michigan Vehicle Code defines *historic vehicle*.

The Michigan Vehicle Code currently provides for two types of historic vehicle registration plates: an historic vehicle plate issued by the Secretary of State under Section 803a; and an "authentic Michigan registration plate" issued under Section 803p.

Section 803a currently authorizes the Secretary of State to issue a registration with the designation "historic vehicle." The registration tax is \$30.00 and is valid for 10 years. Under current law, historic vehicle plates expire on April 15 in the 10th year following issuance. Historic vehicle plates are transferable with payment of an \$8.00 transfer fee under Section 809.

Section 803p currently authorizes *authentic Michigan registration plates*. The registration tax under this section currently \$35.00 and plates are effectively permanent with respect to the owner – the plate is valid until the vehicle is sold to another owner.

House Bill 4630 (H-2) would repeal Section 803p and would bring authentic registration plates into Section 803a along with historic registration plates.

House Bill 4630 (H-2) would increase the registration fee to **\$90.00** for both historic vehicle plates issued by the department and authentic registration plates, from \$30.00 and \$35.00, respectively.

Under provisions of the bill, both *historic registration plates* and *authentic Michigan registration plates* expire on April 15 in the **5th** year following issuance.

The bill would allow the *historic registration plates* to be transferred to another historic vehicle with payment of an \$8.00 transfer fee under Section 809.

In addition to the registration tax, the bill provides for a \$10.00 registration service for credit to the TACF.

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-2) would repeal Section 217a and would bring into Section 803b language authorizing amateur radio plates.

Under provisions of **House Bill 4630 (H-2)**, 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-2) would also repeal a suballocation of an earmark of certain personalized plate renewal fee revenue to the State Trunkine Fund for litter pickup and roadside cleanup. This suballocation is impractical and we do not believe is recognized in practice.

House Bill 4630 (H-2) would also repeal language in current law regarding the issuance of exact duplicate personalized plates.

Under current law, certain personalized plate service fees are dedicated to the TACF through October 1, 2015. **House Bill 4630 (H-2)** would strike this sunset.

Section 803e – Special Veterans Plates

House Bill 4630 (H-2) repeal language authorizing special World War I plates and would add language authorizing Congressional Medal of Honor plates, moved to this section from Section 217d.

Section 806(1) – 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.

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-2)** would strike the sunsets related to the authority to collect the title application fee and the dedication of the service fees to the TACF.

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.

Section 806(2) – Special Identifying Number

Section 230 of the Michigan Vehicle Code currently provides for the Secretary of State to provide a special identifying number for certain vehicles – apparently in instances where 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.

House Bill 4630 (H-2) would increase the fee under this subsection from \$10.00 to **\$100.00**. The Department of State has 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. The bill would dedicate these service fees to the TACF.

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 valid registration plates 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-2) would amend this section to indicate that, in addition to the \$8.00 transfer fee, for transfers where 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-2)** would strike this sunset.

Section 811 – Operator, Chauffeur, Minor Restricted [Driver's] Licenses

Under current law, the application fee for original operator's licenses is \$25.00 and for renewal operator's licenses, \$18.00. However, if the operator's license is expired at the time of renewal, the renewal fee is the same as the original fee, \$25.00. In effect, late renewals are subject to a \$7.00 penalty.

House Bill 4630 (H-2) would increase baseline operator's renewal fees from \$18.00 to \$25.00 – the same as original operator's licenses – and would add a separate **\$10.00** late fee for renewal applications made after the license expiration date.

The bill would exempt those on active military service from the \$10.00 late fee.

The bill would also change the distribution of revenue collected under the section. Specifically the bill directs that \$11.00 for each person examined for a renewal operations license be deposited in the *Traffic Law Enforcement Safety Fund* [TLESF] created in Section 819a.

Repealers

House Bill 4630 (H-2) 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.

- **Section 803p – Authentic Historic Plates;** included in Section 803a, as described above.

House Bill 4630 (H-2) would also repeal 1960 PA 6, described in the bill 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, if any, are currently subject to this tax.

Tie Bars

House Bill 4630 (H-2) and **House Bill 4632 (H-2)** are tie barred to each other.

Effective Date

House Bill 4630 (H-2) would take effect July 1, 2014,

FISCAL IMPACT:

We have not completed our analysis of the revenue impact associated with the changes proposed by the bill.

Fiscal Analyst: William E. Hamilton

■ 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.