

Legislative Analysis



MICHIGAN VEHICLE CODE – VEHICLE REGISTRATION TAXES

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House Bill 4630 (Substitute H-4)
Sponsor: Rep. Michael D. McCready
Committee: Transportation and Infrastructure

Complete to 5-5-14

A SUMMARY OF HOUSE BILL 4630 (SUBSTITUTE H-4 AS ADOPTED BY COMMITTEE ON 4-29-14)

The bill 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 trucks, trailers, and a number of special registration categories.

The committee had previously adopted (6-4-13) an H-2 substitute for House Bill 4630. The H-2 substitute amended several sections of the Michigan Vehicle Code dealing with vehicle registrations, other than Section 801. At the same time, the committee adopted an H-2 substitute for House Bill 4632, a bill dealing exclusively with Section 801. The two bills were tied barred to each other.

House Bill 4630 (H-4), adopted April 29, 2014, breaks the tie-bar to House Bill 4632 and also incorporates amendments to Section 801.

Our analysis will describe the amendments proposed in House Bill 4630 (H-4) and will also identify how the H-4 substitute differs from the H-2 substitutes for House Bill 4630 and House Bill 4632, as previously adopted.

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. For a description of registration taxes under current law, see the House Fiscal Agency paper on Registration Taxes at the HFA website: <http://www.house.mi.gov/hfa/home.asp>

DETAILED ANALYSIS:

House Bill 4630 (H-4) Amendments to Section 801:

Among other things, **House Bill 4630 (H-4)** 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 proposed changes to Section 801 proposed in House Bill 4630 (H-4). 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. The 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 for vehicles up to 10,000 pounds.

House Bill 4630 (H-4) would strike this subdivision and move provisions dealing with pre-1984 vehicles into Section 801(1)(n) [according to the subdivision numbering in the bill]. Within that 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 4,000 pounds and less \$75.00 for vehicles weighing 4,000 pounds to 8,000 pounds.

The bill also strikes 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 creates a tax rate for trailer coaches by simply referencing the tax schedule for trailers in subdivision (1). **House Bill 4630 (H-4)** would retain this subdivision, renumbered as Section 801(1)(a), but would limit its application to a trailer coach that weighs 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.

House Bill 4630 (H-4) would retain these subdivisions, renumbered as Sections 801(1)(b) and 801(1)(c), but would amend to indicate the subdivisions did not apply to vehicle that weighed less than 8,000 pounds – vehicles weighing less than 8,000 pounds would be taxed under the ad valorem tax schedule of Section 801(1)(n), as renumbered.

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 January 2013 there were 309 vehicles registered under this category. **House Bill 4630 (H-4)** would retain this subdivision, renumbered as Section 801(1)(d), but would amend it to indicate the subdivision did not apply to vehicle that weighed less than 8,000 pounds – vehicles weighing less than 8,000 pounds would be taxed under the ad valorem tax schedule of Section 801(1)(n), as renumbered.

Section 801(1)(f) – Institutional Plates

Current law provides a registration tax rate of \$5.00 for certain public institution, municipal, and non-public, non-profit college and university plates. **House Bill 4630 (H-4)** would retain this subdivision, renumbered as Section 801(1)(e), but would amend it to indicate the subdivision did not apply to vehicle that weighed less than 8,000 pounds – vehicles weighing less than 8,000 pounds would be taxed under the ad valorem tax schedule of Section 801(1)(n), as renumbered.

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. **House Bill 4630 (H-4)** would retain these subdivisions, renumbered as Sections 801(1)(f) and 801(1)(g), but would amend to indicate the subdivisions did not apply to vehicle that weighed less than 8,000 pounds – vehicles weighing less than 8,000 pounds would be taxed under the ad valorem tax schedule of Section 801(1)(n), as renumbered.

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 January 2013 there were 94 vehicles registered under this category. **House Bill 4630 (H-4)** would strike this subdivision.

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. There were 2,503 vehicles registered under this subdivision as of January 2013. **House Bill 4630 (H-4)** would retain this subdivision, renumbered as Sections 801(1)(h) 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)(n), as renumbered.

Section 801(1)(k) – Large Trucks

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. **House Bill 4630 (H-4)** would retain this subdivision, renumbered as Sections 801(1)(i) but would amend to indicate the subdivision applies to "each truck weighing 8,000 pounds or more, road tractor, or truck tractor, except as provided in Section 801(1)(h)." It is not clear how this change would apply to truck-trailer combinations where the truck pulling unit was less than 8,000 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 weigh tax bands from \$75.00 for trailers weighing up to 2,499 empty weight, to \$300.00 for trailers 10,000 pounds and greater. **House Bill 4630 (H-4)** would retain this subdivision without change, other than to renumber as Section 801(1)(j).

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 January 2013 there were 724 vehicles registered under this category.

House Bill 4630 (H-4) would retain this subdivision, renumbered as Section 801(1)(k), 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)(n), as renumbered.

Section 801(1)(n) – Motorcycles

House Bill 4630 (H-4) would retain this subdivision without change, other than to renumber as Section 801(1)(l).

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). There were 326 vehicles registered under this subdivision as of January 2013.

House Bill 4630 (H-4) would retain this subdivision, renumbered as Section 801(1)(m), but would amend to indicate 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 schedule of Section 801(1)(n), as renumbered.

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. **House Bill 4630 (H-4)** would retain this subdivision, renumbered as Section 801(1)(n), but would amend to indicate the subdivision applies to a motor vehicle that weighs 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. In addition, 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 retain provisions of current law that provide a 50% discounted tax rate for vans owned by an individual who uses a wheelchair or by an individual who transports a member of his or her household who uses a wheelchair. The bill would amend to limit application of the discounted rate to vans weighing less than 8,000 pounds

Section 801(1)(q) – Wreckers

Current law provides a tax rate of \$200.00 per vehicle for wreckers. There were 4,736 vehicles registered under this subdivision as of January 2013.

House Bill 4630 (H-4) would retain this subdivision, renumbered as Sections 801(1)(o), but would amend to indicate the subdivision applies to a wrecker that weighs more than 8,000 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-4)** would redirect late fee revenue to the Michigan Transportation Fund.

House Bill 4630 (H-4) 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-4) makes technical changes to several subsections of Section 802. Substantive changes to the section are described below:

Partial-Year Registrations for Trucks

The bill 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)(i) as that subdivision would be renumbered in the bill. The bill would lower the threshold for vehicles qualifying for those partial-year plates from 24,000 pounds to 18,000 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 for *"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 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).

House Bill 4630 (H-4) would retain this subsection but would amend 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 and under, 3,488 were between 8,001 pounds and 26,000 pounds; and 242 were greater than 26,000 pounds.

TACF Service Fees

Under current law, Section 802(12), the service fees established under the section are dedicated to the TACF through October 1, 2015. **House Bill 4630 (H-4)** would strike this sunset. We note, however, that the bill does not strike the October 1, 2015 sunset date in Section 801(3).

Other Sections Amended by House Bill 4630 (H-4):

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-4) would repeal Section 217a and would bring into Section 803b language authorizing amateur radio plates.

Under provisions of **House Bill 4630 (H-4)**, applicants for amateur radio plates would pay the same as applicants for other personalized registration plates, i.e. 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-4) would also repeal a suballocation 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.

House Bill 4630 (H-4) would retain language in current law regarding the issuance of exact duplicate personalized plates. [This is different from the H-2 substitute.]

Under current law, certain personalized plate service fees are dedicated to the TACF through October 1, 2015. **House Bill 4630 (H-4)** would strike this sunset. We note, however, that the bill does not strike the October 1, 2015 sunset date in Section 801(3).

Section 803e – Special Veterans Plates

House Bill 4630 (H-4) strike 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-4)** 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 increase 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, 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. [This is different from the H-2 substitute.] 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.

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-4) 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-4)** 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-4) 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**

The H-4 substitute does not include the repealer that had been in the H-2 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."

Tie Bars

House Bill 4630 (H-4) no longer includes the tie-bar to House Bill 4632.

Effective Date

House Bill 4630 (H-4) would take effect July 1, 2014,

Other Differences between the H-4 Substitute and the H-2 Substitute:

The following sections of the Michigan Vehicle Code, which were included in the proposed amendments of House Bill 4630 (H-2) are not included in the H-4 substitute:

Section 20a – Historic Vehicle Definition

Section 803 – Special Plates for Manufacturers, Transporters, Dealers

Section 803a – Historic Registration Plates

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

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.