



House Office Building, 9 South
Lansing, Michigan 48909
Phone: 517/373-6466

LEASED VEHICLE LICENSE PLATES

House Bill 4969 as introduced First Analysis (2-1-00)

Sponsor: Rep. Mike Kowall
Committee: Transportation

THE APPARENT PROBLEM:

When a person leases a motor vehicle it is necessary to make application for a vehicle registration tab. Although the lease for a vehicle customarily runs two years, a driver's vehicle registration tab is effective for a period of one year. In order for the lease period and the vehicle registration period to correspond, some have suggested that the law should be changed to allow those who lease vehicles to purchase a multi-year registration, so that in effect, the registration follows the life of the lease.

THE CONTENT OF THE BILL:

House Bill 4969 would amend the Michigan Vehicle Code to allow the secretary of state, upon request, to issue a vehicle registration for more than one registration period, and in that instance, the registration tax would be prorated according to the taxes and expiration dates provided for under the act. The bill also states that if a registration is purchased in this manner, an annual tax increase provided for under the act could not be assessed during the remainder of the period that the registration was purchased. Further, House Bill 4969 also specifies that the expiration date for a multi-year registration that is issued for a leased vehicle would be the date the lease expires, but it could not be for a period longer than 24 months. If the bill were enacted, it would take effect on April 1, 2001.

MCL 257.226 and 257.801i

FISCAL IMPLICATIONS:

The House Fiscal Agency notes that depending on participation levels, this registration system could result in a spike in state revenue to the Michigan Transportation Fund (MTF) during the first year of implementation, since under the proposed system owners would pay the entire two-year registration fee when the vehicle is leased. A corresponding decrease in deposits to the MTF would occur in the second year of the registration cycle. Over the two years, however,

it is expected that the net state fiscal impact would be zero.

The House Fiscal Agency also notes that under the bill, any individual participating in the new registration cycle would be protected from a mid-cycle increase in the registration tax assessed under the vehicle code, but notes that registration taxes under the code have not increased since the switch from the weight-based system to the ad-valorem system in 1983. However, in the event that such a tax increase were enacted, there might be a small decrease in deposits to the MTF as some individuals would not have to pay the tax increase until expiration of their two-year registration. (1-2-00)

ARGUMENTS:

For:

This legislation helps to make the vehicle registration process more user friendly. It is a more efficient use of time for both the personnel in the Office of the Secretary of State, and for citizens purchasing their vehicle registration to have the option of a multi-year registration. In that way, the license tab for the vehicle follows the life of the vehicle's lease. What's more, the two-year tab could be transferred to another vehicle if necessary, following the same rules now in effect for single-year registrations.

Against:

This bill limits a multi-year registration to 24-months to accommodate the customary two-year vehicle lease. However, three- and four-year vehicle leases are increasing in frequency. If the multi-year registration tab is to follow the life of a vehicle's lease, then three- and four-year registration tabs also should be an option.

Response:

The Office of the Secretary of State proposes the two-year limit as a trial program, in order to test the efficacy of the multi-year registration tab option. Of concern is the new program's effect on law enforcement personnel, as they become accustomed to working with

House Bill 4969 (2-1-00)

tabs of different colors, each color corresponding to a different multi-year option. Longer registration periods may be offered to those who lease vehicles for three- or four-years if the two-year option works well for customers and law enforcement agencies.

POSITIONS:

The Office of the Secretary of State supports the bill.
(1-25-00)

Analyst: J. Hunault

■ 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.