

# Legislative Analysis



## **AMEND SALES TAX ACT CTF AND GF SHARE OF MOTOR VEHICLE RELATED**

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**Senate Bill 1103 (S-2) as passed by the Senate**

**Sponsor: Sen. Shirley Johnson**

**Senate Committee: Appropriations**

**House Committee: Appropriations**

**Updated Analysis (11-19-04)**

### **SUMMARY OF SENATE BILL 1103 (S-2) AS PASSED BY THE SENATE:**

Under current law, the General Sales Tax Act earmarks 24% of 25% of the sales tax collected at 4% on motor fuels, motor vehicles, and motor vehicle related sales for credit to the Comprehensive Transportation Fund (CTF) for public transportation purposes. In effect, of every six cents of sales tax collected on motor vehicle related sales, 24% of one cent is currently earmarked for the CTF. This earmark is estimated to generate \$68.1 million in FY 2004-05 under current law (based on sales tax estimates made in the May 2004 Consensus Revenue Estimating Conference.)

SB 1103 (S-2) would amend Section 25 of the General Sales Tax Act to reduce the amount of the CTF earmark by \$10.0 million for the fiscal year ending September 30, 2005 only. The \$10.0 million would be credited instead to the state General Fund.

### **FISCAL IMPACT:**

SB 1103 (S-2) would amend Section 25 of the General Sales Tax Act to reduce the distribution of motor vehicle related sales tax to the CTF by \$10.0 million for the fiscal year ending September 30, 2005 only. The \$10.0 million would be credited instead to the state General Fund.

The FY 2004-05 state transportation budget, PA 361 of 2004 (HB 5528), already reflects this \$10.0 million reduction in CTF revenue.

The CTF is established in Section 10b of Public Act 51 of 1951 for public transportation purposes. Most CTF funds are used to provide capital and operating support for local public transit agencies. The CTF also helps support intercity bus, rail passenger, and rail freight service, as well as administration of the Michigan Department of Transportation's Bureau of Multi-modal Transportation Services.

Section 25 of the General Sales Tax Act was most recently amended by PA 139 of 2003 (SB 399) which reduced the percentage of the motor vehicle related sales tax earmarked for the CTF for two fiscal years, FY 2003-04, and 2004-05. As a result, PA 139 effectively reduced CTF revenue and increased General Fund revenue by \$10.9 million in FY 2003-04, and \$11.1 million in FY 2004-05.

*Under current law, the state sales tax is earmarked as follows:*

Of the tax collected at 2%:

100% for School Aid Fund (Constitutional)

Of the tax collected at 4%:

60% for School Aid Fund (Constitutional)

15% for Local Revenue Sharing (Constitutional)

24% of 25% of motor vehicle related to the CTF <sup>1</sup>

The balance to the state General Fund <sup>2</sup>

<sup>1</sup> Under provisions of PA 139 of 2003, the CTF's share of motor vehicle related sales tax would revert to 27.9% of the 25% balance starting with the fiscal year ending September 30, 2006.

<sup>2</sup> The Glenn Steil Revenue Sharing Act (PA 140 of 1971) earmarks an amount equal to 21.3% of the sales tax collected at 4% for [statutory] local revenue sharing, subject to appropriation. In effect, most of the sales tax revenue balance credited to the General Fund is earmarked in statute for local revenue sharing, subject to appropriation.

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