Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bills 754 and 755 (as reported without amendment)
Sponsor: Senator Joe Hune (S.B. 754)
Senator Dave Hildenbrand (S.B. 755)
Committee: Finance

CONTENT

Senate Bills 754 and 755 would amend the Use Tax Act and the General Sales Tax Act, respectively, to accelerate the schedule that phases out tax on the value of a motor vehicle or recreational vehicle (RV) traded in for a new or used vehicle or RV.

The Acts impose a tax of 6% on the purchase price or sales price of nonexempt personal property and services. Except as provided for the trade-in value of a motor vehicle or RV (or a titled watercraft), "purchase price" and "sales price" include credit for any trade-in.

Beginning December 15, 2013, subject to the phase-in schedule described below, "purchase price" and "sales price" do not include credit for the agreed-upon value of a motor vehicle or RV used as part payment of the purchase price of a new or used motor vehicle or RV bought from a dealer licensed under the Michigan Vehicle Code.

Beginning December 15, 2013, the agreed-upon value of a motor vehicle or RV used as part payment is limited to $2,000 or the actual agreed-upon value of the vehicle or RV, whichever is lower. The dollar amount is scheduled to increase each January 1 by $500 until the year in which the limit exceeds $14,000 (i.e., 2039), when there will be no limit on the agreed-upon value excluded from taxation.

Under the bills, the dollar amount would remain $2,000 through 2014, and would increase to $5,000 on January 1, 2015. On January 1, 2016, and each subsequent January 1, the dollar amount would increase by $1,000 until the year in which it exceeded $14,000 (i.e., 2025), when there would be no limit on the agreed-upon value.

MCL 205.92 (S.B. 754)
205.51 (S.B. 755)

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bills would reduce State and local unit revenue through FY 2037-38. In FY 2014-15, the bills would reduce State revenue by approximately $23.9 million, including a $19.5 million reduction to the School Aid Fund, a $1.2 million reduction to the Comprehensive Transportation Fund, and a $3.2 million reduction to the General Fund; and would lower local unit revenue by $2.7 million through reduced constitutional revenue sharing payments. Total State and local unit revenue losses would increase to $32.5 million in FY 2015-16 and $38.4 million in FY 2016-17. After FY 2024-25, the revenue losses relative to current law would begin declining, reaching zero in FY 2038-39.

Date Completed: 2-13-14

Fiscal Analyst: David Zin