



**House
Legislative
Analysis
Section**

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SBT: AUTO FLOOR PLAN INTEREST

Senate Bill 397 (Substitute H-2)
Addendum to SFA analysis of 8-30-89
(11-30-89)

Sponsor: Sen. Norman D. Shinkle
Senate Committee: Finance
House Committee: Taxation

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***ADDENDUM TO SENATE FISCAL
AGENCY ANALYSIS OF SENATE BILL
397 of 8-3-89***

The House Taxation Committee adopted a Substitute H-2, which differs from the Senate-passed version of Senate Bill 397 only in that it contains technical amendments recommended by the Department of Treasury and one other amendment elaborating on the definition of "floor plan interest." The bill says that payments or credits made to or on behalf of an SBT taxpayer (i.e., an automobile dealership) by a manufacturer, distributor, or supplier of inventory (i.e., an automobile manufacturer) to defray any part of the taxpayer's floor plan interest would not be included in the taxpayer's tax base. (Ordinarily, interest paid is included in the tax base.) "Floor plan interest" is defined as interest paid to finance any part of the taxpayer's purchase of automobile inventory from a manufacturer, distributor, or supplier. The House version goes on to say: "However, amounts attributable to any invoiced items used to provide more favorable floor plan interest to a taxpayer (i.e., a Michigan dealer) than to a person who is not a taxpayer (i.e., an out-of-state auto dealer) shall be considered interest paid by a manufacturer, distributor, or supplier." (Interest paid by an automobile manufacturer would be added to its SBT tax base.)

FISCAL IMPLICATIONS:

The Department of Treasury has estimated the loss of revenue in the bill at \$5 million per year. (11-29-89) It should be noted that representatives of auto dealers have disputed that estimate as too high.

POSITIONS:

The Michigan Automobile Dealers Association supports the bill. (11-29-89)

A representative of the Ford Motor Company has said the company is neutral on the bill until it has determined the effect of the amendment regarding "invoiced items." (11-29-89)

The Department of Treasury strongly opposes the bill. (11-29-89)

S.B. 397 (11-30-89)