

Legislative Analysis



TAX BENEFITS FOR DONATED AUTOS

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Senate Bill 1001 as passed by the Senate
Sponsor: Sen. Bill Hardiman

Senate Bill 1003 as passed by the Senate
Sponsor: Sen. Tom George

Senate Committee: Finance
House Committee: Tax Policy
Complete to 7-1-04

A SUMMARY OF SENATE BILLS 1001 & 1003 AS PASSED BY THE SENATE 6-30-04

Senate Bill 1001 (Use Tax Act)

The bill would amend the Use Tax Act (MCL 205.94y) to specify that the act would not apply beginning on October 1, 2005 to the storage, use, or consumption of a “qualified automobile” that is provided to a “qualified recipient” by the Family Independence Agency or a charitable organization. To be exempt from taxation, the automobile would have to be inspected by a certified mechanic, insured, and registered to a qualified recipient. The bill is tie-barred to House Bill 5653.

Senate Bill 1003 (Income Tax Act)

The bill would amend the Income Tax Act (MCL 206.269) to provide a nonrefundable credit equal to one-half of the fair market value of an automobile donated by the taxpayer to a charitable organization that intends to provide that automobile to a “qualified recipient”. The value of a passenger vehicle would be the lesser of (1) the value as determined by the charitable organization, or (2) the value as determined by an appropriate appraisal guide published by the National Automobile Dealers Association. The credit would be capped at \$50 for a single return and \$100 for a joint return, and would be available for tax years beginning after December 31, 2004, and prior to January 1, 2010. The bill is tie-barred to House Bill 5653.

BACKGROUND INFORMATION:

Both bills are tie-barred to House Bill 5653. That bill, which recently passed the Senate, would amend the General Sales Tax Act to permit a “qualified organization” that is subject to the tax to exclude from including in the “gross proceeds” that determine tax liability, the sale of an “eligible automobile” to a “qualified recipient”, beginning January 1, 2005. The final bill in the package is House Bill 5463, which provides a business that

donates an automobile with a nonrefundable single business tax credit equal to one-half of the fair market value, capped at \$100.

In addition, Senate Bills 1001 and 1003 are similar to House Bills 5426 and 5501, respectively. However, Senate Bill 1001 pushes back the effective date to 2005, and Senate Bill 1003 cuts the maximum allowable income tax credit in half.

FISCAL IMPACT:

Senate Bills 1001 and 1003 would reduce use tax and income tax revenue, on an annual basis, by an estimated \$0.5 million. Most of the revenue change would affect General Fund/General Purpose revenue, while a small amount would affect School Aid Fund revenue.

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