

# Legislative Analysis



## "SALES TAX ON THE DIFFERENCE"

Mary Ann Cleary, Director  
Phone: (517) 373-8080  
<http://www.house.mi.gov/hfa>

**Senate Bill 127 (Substitute S-5)**

**Sponsor: Sen. Dave Robertson**

**Senate Committee: Finance**

**House Committee: Tax Policy**

**Complete to 11-19-12**

### **A SUMMARY OF SENATE BILL 127 AS PASSED BY THE SENATE 5-16-12**

The bill would amend the General Sales Tax (at MCL 205.51) so that sales tax would be charged on the difference between the price of a new or used motor vehicle or a new or used titled watercraft and the agreed-upon value of any trade-in. The bills would apply to retail sales that take place after June 30, 2012.

Specifically, the bills would exclude from sales taxes the agreed-upon value of a motor vehicle used as part payment of the purchase price of a new or used motor vehicle or the agreed-upon value of a titled watercraft used as part payment of the purchase price of a new or used titled watercraft, if the agreed-upon value is separately stated on the invoice, bill of sale, or similar document given to the purchaser. Under the bill, the agreed-upon value of a motor vehicle used as part payment would be limited as follows:

- In 2012 (after June 30), \$2,500
- In 2013, \$5,000
- In 2014, \$7,500
- In 2015, \$10,000
- In 2016, \$12,500
- In 2017, \$15,000
- In 2018 and subsequent year, no limitation

### **FISCAL IMPACT:**

The fiscal impact primarily depends on the level of new and used vehicle sales by dealers and the number of vehicle trade-ins. On a full fiscal year basis, this bill, if accompanied by a companion use tax bill, would reduce sales and use tax revenue by an estimated \$90 million in FY 2012-13—\$59 million for the School Aid Fund, \$17 million for the General Fund/General Purpose, \$11 million for constitutional revenue sharing, and \$3 million for Comprehensive Transportation Fund. As the trade-in-value approaches no limit, the fiscal impact would increase to approximately \$225 million on an annual basis.

Legislative Analyst: Chris Couch  
Fiscal Analyst: Rebecca Ross

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