



Senate Fiscal Agency
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Senate Bills 126 and 127 (as introduced 2-9-11)
Sponsor: Senator Dave Robertson
Committee: Finance

Date Completed: 3-2-11

CONTENT

Senate Bills 126 and 127 would amend the Use Tax Act and the General Sales Tax Act, respectively, to exclude from taxation the value of a trade-in on a new or used motor vehicle or titled watercraft.

The Use Tax Act and the General Sales Tax Act impose a tax of 6% on the purchase price or sales price of nonexempt personal property and services. The Acts' definitions of "purchase price" and "sales price" include credit for any trade-in.

Under the bills, "purchase price" and "sales price" would not include 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 a new or used titled watercraft, if the agreed-upon value were separately stated on the invoice, bill of sale, or similar document given to the purchaser.

"New motor vehicle" would mean that term as defined in the Michigan Vehicle Code (a motor vehicle that is not and has not been a demonstrator, executive or manufacturer's vehicle, or leased vehicle, or a used or second-hand vehicle).

MCL 205.92 (S.B. 126)
205.51 (S.B. 127)

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would reduce State sales and use tax revenue by approximately \$241.2 million in FY 2011-12, the first full year the bill would be effective. The loss would reduce revenue to the School Aid Fund by approximately \$172.3 million, the General Fund by \$23.7 million, the Comprehensive Transportation Fund by \$10.7 million, and local units of government (through constitutional revenue sharing) by \$34.5 million.

Fiscal Analyst: David Zin

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.