

## EXEMPT CORE CHARGE FROM SALES AND USE TAXES

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**Senate Bill 991 as enacted**  
**Public Act 515 of 2016**  
**Sponsor: Sen. Dave Robertson**  
**Senate Committee: Finance**  
**House Committee: Commerce and Trade**

Analysis available at  
<http://www.legislature.mi.gov>

**House Bill 5928 as enacted**  
**Public Act 516 of 2016**  
**Sponsor: Rep. Joseph Graves**  
**Senate Committee: Committee of the Whole**  
**House Committee: Commerce and Trade**

**Complete to 7-11-18**

### SUMMARY:

The bills exempt from the sales and use taxes credit for the core charge attributable to a recycling fee, deposit, or disposal fee for a motor vehicle or recreational vehicle part or battery if the fee or deposit is stated separately on the invoice, bill of sale, or similar document given to the purchaser. Such a core charge is excluded from the definition of “sales price” (sales tax) or “purchase price” (use tax). This exemption took effect January 1, 2017.

Senate Bill 991 amends the General Sales Tax Act (MCL 205.51).

House Bill 5928 amends the Use Tax Act (MCL 205.92).

### BACKGROUND:

The following information is adapted from Michigan Department of Treasury publications:

. . . The retail sale of certain automotive parts may include an additional charge to encourage the return of those parts when they are worn out or depleted so that the parts can be recycled or remanufactured. In the automotive parts industry, the used part being returned (typically as a trade-in toward the purchase of a new part) is commonly referred to as a “core.” Therefore, this additional charge is commonly referred to as a “core charge” (although it may also be described as a “core fee” or “core price”). Typical items with a “core charge” include vehicle batteries, brake master cylinders, water pumps, alternators, and starters.<sup>1</sup>

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<sup>1</sup> [http://www.michigan.gov/documents/treasury/Tax\\_Policy\\_Newsletter\\_-\\_May\\_2016\\_524729\\_7.pdf](http://www.michigan.gov/documents/treasury/Tax_Policy_Newsletter_-_May_2016_524729_7.pdf)

A used part received by the seller as consideration for a sale at retail is considered a trade-in. . . . Sellers of automotive parts shall remit sales tax on the total sales price, which includes the value placed on the used part traded in (core) and the part sold. No refund or reduction of tax is permitted based on any payment or credit given to a customer for a part traded in (core) by the customer. It makes no difference whether the part traded in (core) is presented at the time of purchase or presented at a later time for refund or credit.<sup>2</sup>

**FISCAL IMPACT:**

Based on the Consumer Expenditure Survey for the Midwest region and Bureau of Economic Analysis data on consumer spending in Michigan, estimated expenditures on motor vehicle parts in Michigan totaled just under \$2.2 billion in 2015. Although the portion of this amount that is made up of core charges is not known, if core charges represented 10% of total purchases of motor vehicle parts, the resulting sales tax loss would be about \$13.0 million. Of this \$13.0 million, the School Aid Fund would be reduced by \$9.5 million, Constitutional revenue sharing to local units of government would decline by \$1.3 million, Comprehensive Transportation Fund revenue would decrease by about \$600,000, and the remaining \$1.6 million reduction would be borne by the General Fund.

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.

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<sup>2</sup> [http://w3.lara.state.mi.us/orr/Files/AdminCode/948\\_2010-012TY\\_AdminCode.pdf](http://w3.lara.state.mi.us/orr/Files/AdminCode/948_2010-012TY_AdminCode.pdf)

See Rule 205.15