

Legislative Analysis



DISTRIBUTION OF SALES TAX REVENUE

Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 6322 as introduced
Sponsor: Rep. Matt Maddock
Committee: Appropriations
Complete to 11-6-20

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

SUMMARY:

House Bill 6322 would amend the General Sales Tax Act to change the distribution of sales tax revenue. Specifically, the bill would amend provisions that currently direct not less than 27.9% of 25% of the sales tax collected at 4% on sales of motor vehicles, motor fuels, and motor vehicle parts and accessories to the Comprehensive Transportation Fund (CTF). This earmark is sometimes referred to as the “auto-related sales tax.”

The estimated FY 2020-21 auto-related sales tax earmark, under current law, was \$87.0 million. The bill would reduce the amount of auto-related sales tax credited to the CTF by \$18.0 million for the 2020-21 fiscal year only. It would instead direct \$18.0 million to the Transportation Administration Collection Fund (TACF).

The TACF is a state restricted fund created in section 810b of the Michigan Vehicle Code that is dedicated primarily to payment of expenses incurred by the Department of State in administering and enforcing the vehicle registration sections of the Michigan Vehicle Code.¹

House Bill 6322 is a budget implementation bill; it is necessary to implement appropriation provisions in the enacted FY 2020-21 budget act.²

MCL 205.75

FISCAL IMPACT:

The bill would not have a direct fiscal impact on state revenues or expenditures. It would effectively shift \$18.0 million in state revenue from one state restricted fund, the CTF, to another, the TACF.

The CTF is a state restricted fund created in section 10b of 1951 PA 51 (“Act 51”). Historically, approximately 25% of CTF revenue comes from the auto-related sales tax earmark, with the balance coming from a statutory earmark of Michigan Transportation Fund (MTF) revenue.

CTF revenue is restricted for public transportation purposes and is appropriated in the state transportation budget for various public transportation programs in accordance with section 10e of Act 51. CTF-funded programs include targeted transit programs (e.g., transportation-to-work, specialized services), intercity bus, rail passenger, and rail freight programs, as well as

¹ <http://legislature.mi.gov/doc.aspx?mcl-257-810b>

² 2020 PA 166 (HB 5396): <http://legislature.mi.gov/doc.aspx?2020-HB-5396>

funding for the public transportation administrative and planning functions of the Michigan Department of Transportation (MDOT).

However, the largest share of CTF revenue is appropriated for operating and capital assistance to the state's 81 public transit agencies. State operating assistance to local transit agencies represents approximately 55% of FY 2020-21 CTF-funded appropriations. The total CTF appropriation for both state operating assistance and transit capital combined represents approximately 67% of FY 2020-21 CTF-funded appropriations.

The redirection of \$18.0 million of the auto-related sales tax earmark would not require a reduction in FY 2020-21 CTF-funded line item appropriations. The \$18.0 million fund shift is already reflected in the enacted budget.

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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.