



**House  
Legislative  
Analysis  
Section**

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**ABANDONED VEHICLES: USE TAX EXEMPTION**

House Bill 4617 as introduced  
First Analysis (5-25-89)

Sponsor: Rep. Kirk Profit  
Committee: Taxation

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***THE APPARENT PROBLEM:***

There have been instances reported of the use tax being levied against towing companies when the companies have applied for titles on abandoned vehicles that were to be sold for parts. Abandoned vehicles are sometimes given to towing companies by police agencies as payment for towing and storage. According to tax specialists, an abandoned vehicle can be sold as scrap, in which case no title is required and no use tax is levied. Some people believe that there should be consistent treatment of sales of abandoned vehicles by towing companies. (Police agencies can also sell vehicles at auction, in which case some of the proceeds would be used to pay the towing company.)

***THE CONTENT OF THE BILL:***

The bill would exempt from the use tax a motor vehicle acquired by a towing company from a police agency as satisfaction for towing and storage charges if the vehicle had been impounded by the police agency or determined to be an abandoned vehicle or an abandoned scrap vehicle by the police agency. The bill would define an abandoned vehicle as "a vehicle that has remained on public property or any other place open to travel by the public without the consent of the local police agency for a period of 48 hours after a police agency has affixed a written notice to the vehicle." An abandoned scrap vehicle would mean a vehicle that met the following requirements: (1) was on public property or any other place open to travel by the public; (2) was seven or more years old; (3) was apparently inoperable or extensively damaged to the extent that the cost of repairing the vehicle to make it operational and safe would exceed the fair market value of the vehicle; (4) was not currently registered under the vehicle code; and (5) was not removed within 48 hours after a police agency had affixed a written notice to the vehicle.

MCL 205.94j

***FISCAL IMPLICATIONS:***

There is no information at present.

***ARGUMENTS:***

***For:***

The bill would make consistent under the Use Tax Act the treatment of sales of abandoned vehicles by towing companies.

***POSITIONS:***

The Department of State supports the bill. (5-24-89)

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