



**House
Legislative
Analysis
Section**

Washington Square Building, Suite 1025
Lansing, Michigan 48909
Phone: 517/373-6466

ABANDONED VEHICLES: USE TAX EXEMPTION

House Bill 4617 as enrolled
Second Analysis (8-10-89)

Sponsor: Rep. Kirk Profit
House Committee: Taxation
Senate Committee: Finance

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THE APPARENT PROBLEM:

A) 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.)

B) Public Act 519 of 1988 exempted from the sales tax agricultural land tile (for drainage purposes) and portable grain bins sold to farmers. No similar amendment was made regarding the use tax, however. The two acts often contain parallel provisions and ought to in this case so that tax officials can treat all portable grain bins and agricultural tile purchased by farmers the same way.

THE CONTENT OF THE BILL:

A) 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.

An abandoned vehicle would be defined in the bill 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.

B) The bill would exempt from the use tax, beginning January 1, 1989, agricultural land tile and portable grain bins sold to farmers.

MCL 205.94

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.

For:

The bill would provide in the Use Tax Act the same exemption for agricultural land tile and portable grain bins that already appears in the General Sales Tax Act.

H.B. 4617 (8-10-89)