



**House  
Legislative  
Analysis  
Section**

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**AUTOS SOLD OVERSEAS: NO SALES TAX**

House Bill 4731 as enrolled  
Third Analysis (8-2-90)

**RECEIVED**

Sponsor: Rep. Joseph Young, Jr.  
House Committee: Taxation  
Senate Committee: Finance

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***THE APPARENT PROBLEM:***

General Motors has developed a special promotion for its Cadillac division under which a person will be able to arrange the purchase of a Cadillac at a European dealership, take delivery in the United States, and be treated to a package that includes personalized service, factory tours, and shipping overseas. The promotion includes the ability to tour the United States in the new Cadillac prior to dropping it off for overseas shipment. (Foreign luxury car manufacturers offer these kind of programs for American customers.) The legislature earlier this session enacted legislation creating a special 90-day registration for vehicles purchased through such a program. (Currently, only a 30-day registration is available for vehicles purchased in Michigan for removal to another state, and that is not considered enough time for extended tours.) Companion legislation has been proposed that would exempt vehicles that qualify for the 90-day registration from the sales tax. Such an exemption would be consistent, proponents say, with the sales tax treatment of automobiles shipped directly overseas and with the treatment of vehicles purchased in Michigan for delivery to a state that does not provide the purchaser a credit for any sales tax paid to Michigan.

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

The bill would amend the General Sales Tax Act to exempt the purchaser of a new motor vehicle purchased before January 1, 1993, if the vehicle qualifies for a special 90-day registration under the Michigan Vehicle Code and if the vehicle is purchased through a country determined by the treasury department to be providing a like or complete exemption for the purchase of a new motor vehicle to be removed from that country.

MCL 205.54a

***FISCAL IMPLICATIONS:***

There is no information at present.

***ARGUMENTS:***

***For:***

This bill, along with already enacted legislation creating a special 90-day registration, is an important component of a Cadillac promotional program developed by General Motors. Under that program, a person could arrange a Cadillac purchase in Europe, take delivery in the United States, and receive substantial financial incentives in the form of suspended sales taxes, free overseas shipping, and advantageous currency exchange rates. Included in the package will be travel information, factory tours, and a variety of special services, as well as an extended tour of the U.S. in the vehicle. House Bill 5658 would provide a sales tax exemption for vehicles with the special registration. Essentially, the bill would treat foreign

countries as states are treated. Tax specialists say the law now allows people who buy vehicles in Michigan for registration in other states to reduce the sales taxes owed here by the amount of sales/use taxes collected or imposed in those other states. (This applies to those states who have not entered into reciprocal agreements with Michigan that oblige them to provide their residents a credit for sales taxes paid in Michigan.) Residents of other countries will usually pay a value-added tax when the vehicle they have taken delivery of in Michigan is shipped home. The sales tax exemption in the bill is temporary and would be re-evaluated in a few years.

H.B. 4731 (8-2-90)