

EXEMPT CHURCH VEHICLES

House Bill 5709 (Substitute H-2) First Analysis (5-26-98)

Sponsor: Rep. Kirk Profit
Committee: Tax Policy

THE APPARENT PROBLEM:

Under the General Sales Tax Act sales made to a regularly organized church or house of worship are usually exempt from the tax. However, the sale to a church of a vehicle licensed for use on public highways is only exempt if the vehicle is a passenger van or bus with a seating capacity of 10 or more used primarily for transporting people for religious purposes. Prior to 1970 vehicles sold to churches or houses of worship were exempt from the sales tax, but the exemption was apparently eliminated because a number of persons with questionable religious ties were avoiding the sales tax by purchasing vehicles through "churches". In 1985, the law was changed to its current state because many churches had legitimate need for vehicles to use for church purposes, especially those churches that had large numbers of senior citizens or others who find it difficult to obtain transportation to and from church. Some believe that the current exception is still too restrictive and have suggested that the exemption should be extended to apply to all church-owned vehicles that are used for primarily for religious purposes.

THE CONTENT OF THE BILL:

House Bill 5709 would amend the General Sales Tax Act to provide that sales of vehicles used primarily for religious purposes to a regularly organized church or house of worship would be exempt from the sales tax. The requirement that the vehicle be a passenger van or bus with a seating capacity of 10 or more used primarily for transporting people would be removed.

MCL 205.54a

FISCAL IMPLICATIONS:

According to the House Fiscal Agency, the bill could decrease state revenues by \$1 to \$1.5 million per year. (5-21-98)

ARGUMENTS:

For:

The bill gives churches and other houses of religious worship the opportunity to purchase vehicles other than vans or buses without being subject to the sales tax. Churches have legitimate need for vehicles that are smaller than buses -- smaller vehicles are needed for the purpose of conveying priests, pastors, rabbis, etc. to visit members in hospitals or at their homes, or to attend burials or other events or celebrations that take place away from church property. The current law requires a pastor to use a van or bus; this is simply unreasonable and is indicative of the government's general hostility toward religion. Churches should be treated the same as other nonprofit entities; none of them are restricted to vans or buses in order to be exempt from sales tax. The exemption is limited to vehicles used primarily for religious purposes and would not lead to abuse. It is only fair to allow churches the same degree of consideration as is currently shown towards other nonprofit organizations.

Against:

The bill is unnecessary, vague, and takes money directly from the School Aid Fund and from local governments without offering any replacement. Nearly three-fourths of the sales tax collected is earmarked for the School Aid Fund; this bill would take nearly a million dollars out of the school aid fund.

Churches are already allowed an exemption for buses and vans; how many vehicles does a church need? Furthermore, how much of a hardship is it for a church to buy a car and pay sales tax on it like everyone else does? Unless churches are buying luxury cars, the sales tax shouldn't be so high as to be overly burdensome. It seems a bit excessive to assert that fair application of the sales tax amounts to religious discrimination, particularly when the current restrictions were added because a similarly open ended exemption was allegedly abused.

POSITIONS:

The Michigan Catholic Conference supports the bill.
(5-21-98)

The Michigan Education Association opposes the bill.
(5-21-98)

The Michigan Townships Association opposes the bill.
(5-21-98)

Analyst: W. Flory

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