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**SFA****BILL ANALYSIS**

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House Bill 4741 (as passed by the House)  
Sponsor: Representative David Galloway  
House Committee: Transportation  
Senate Committee: Economic Development, International Trade and Regulatory Affairs

Date Completed: 5-20-98

### **CONTENT**

The bill would amend the Michigan Vehicle Code to require a motor vehicle rental company, as a part of the rental contract at the time a motor vehicle was rented in this State, to collect a transaction fee equal to 2% of the gross receipts per motor vehicle if the rental were for 31 days or less. If the motor vehicle were rented for more than one consecutive period within a 31-day period, the 2% transaction fee would have to be collected only once during that period. ("Motor vehicle" would mean a private passenger motor vehicle designed to transport 15 or fewer passengers, truck, or semitrailer that was rented or offered for rental without a driver and that was part of a fleet of five or more motor vehicles used primarily for rental purposes, but excluding trucks and semitrailers used to transport commercial freight.)

The transaction fee would have to be computed before the assessment of any applicable sales or use taxes and would not be considered part of the rental receipts for purposes of the General Sales Tax Act or the Use Tax Act. A motor vehicle would be rented in this State only if physical possession of the motor vehicle were delivered to the renter.

Further, the transaction fee would have to be included on the rental contract and collected according to the terms of the rental contract. The transaction fee would have to be retained by the rental company pursuant to the bill. Each rental company collecting and retaining transaction fees could first reimburse itself from the funds retained for the total amount of title fees and registration or ad valorem taxes paid to the State. A rental company could not reimburse itself for title fees and registration or ad valorem taxes unless the respective amounts had been paid in full to the State before any reimbursement.

The bill would require that by February 15th of each year, a rental company file a report with the Secretary of State on a form prescribed by him or her stating the total amount of title fees and registration or ad valorem taxes paid by the rental company in the previous year. The amount, if any, by which the transaction fees collected under the bill exceeded the amount of title fees and registration or ad valorem taxes paid to the State would have to be remitted by the rental company to the State for deposit in the Michigan Transportation Fund.

A person who violated the bill's provision by knowingly and willfully making a false statement or material misrepresentation to the Secretary of State would be guilty of a misdemeanor, punishable by up to 90 days imprisonment, a fine of up to \$500 per occurrence, or both.

In addition, if a person reserved the rental of a motor vehicle with a rental company for a specific time and date and obtained a confirmation number for a qualified guaranteed rental reservation, the

rental company would have to rent that vehicle or a vehicle of upgraded value to the person at that time and date.

Proposed MCL 257.831

Legislative Analyst: N. Nagata

**FISCAL IMPACT**

The bill would have an indeterminate fiscal impact. The amount of revenue generated for the Michigan Transportation Fund would depend upon the receipts collected in excess of the fees and taxes paid to the State by motor vehicle rental companies. Further, there would be an increase in administrative and audit costs for the enforcement of this provision.

Fiscal Analyst: E. Limbs  
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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.