

## TAXING "ON THE DIFFERENCE"

**House Bill 4279**

**Sponsor: Rep. Gary Woronchak**

**House Bill 4281**

**Sponsor: Rep. Jerry Vander Roest**

**Committee: Tax Policy**

**Complete to 2-27-01**

### A SUMMARY OF HOUSE BILLS 4279 AND 4281 AS INTRODUCED 2-15-01

The bills would provide that in cases where a motor vehicle, aircraft, self-propelled piece of heavy machinery or equipment, recreational vehicle, or titled watercraft was used as part payment of the purchase price of another such product (that is, as a "trade-in"), sales or use tax would be applied to the difference between the agreed-upon value of the trade-in and the full retail price of the product being purchased. House Bill 4279 would amend the General Sales Tax Act (MCL 205.51 et al.). House Bill 4281 would amend the Use Tax Act (MCL 205.92 et al.).

Further, each bill would also provide for cases not involving "trade-ins." Under the bills, if a person sold one of the specified products (of the kind typically traded in) to a new dealer, to a used or secondhand dealer, or to a private individual, but the transaction did not include the purchase of another such product, the person could get a certificate to present when making an eligible purchase, with the result that the tax would be applied to the difference between the price listed on the certificate and the full retail price of the product. The certificate would have to be used within 90 days of the date on the certificate.

The bills would require that the purchaser of one of the listed products (a dealer or individual) in a non-trade-in situation provide the seller a certificate, signed by each party, specifying: the year, make, model, and identification number of the product; the name and address of each party; the price paid for the product; and the date of the purchase. The certificate would also have to include a statement indicating that if the seller purchased another specified product within 90 days, the certificate could be presented to reduce the tax (as described earlier). If the purchaser were a new or secondhand dealer, the certificate would also have to contain the dealer's license number. If the purchaser was not a dealer, the certificate would only have to be provided at the seller's request, and would have to contain both signatures. The Department of Treasury would be required to prescribe and distribute certificates. The certificates to be used by individuals (i.e., non-dealers) would have to be available at all offices of the secretary of state. The certificate would be considered a return for the purposes of the revenue act, including penalties.

If a person subject to either tax made a sale and received a certificate (i.e., a new motor vehicle or recreational vehicle dealer selling a vehicle), he or she would be required to forward the

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certificate with any tax liability to the Department of Treasury (if the prior sale occurred within 90 days of the sale, as required).

The bills would define the term "recreational vehicle" to refer to a trailer coach, conventional travel trailer, park trailer, fifth-wheel travel trailer, folding camping trailer, truck camper, motor home, van camper, van conversion, or multi-use vehicle.

Analyst: C. Couch

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