



**House  
Legislative  
Analysis  
Section**

House Office Building, 9 South  
Lansing, Michigan 48909  
Phone: 517/373-6466

**EXEMPT GIFT OF VEHICLE BY  
NONPROFIT FROM USE TAX**

**House Bill 4308 as introduced  
First Analysis (4-19-01)**

**Sponsor: Rep. Patricia Birkholz  
Committee: Tax Policy**

***THE APPARENT PROBLEM:***

The transfer of vehicles between private parties (for example, the sale of a used car) is subject to the six percent use tax. There are exceptions, notably when close family members are involved. The act says that the tax is to be based on a vehicle's retail dollar value at the time of acquisition (following Department of Treasury rules) and it is to be collected by the secretary of state before the transfer of the vehicle.

Nonprofit organizations sometimes solicit donations of cars, put them in good working order, and then provide them to persons in need. In Holland, Good Samaritan Ministries has formed a nonprofit called CarLink, Inc., which provides cars to families involved in welfare-to-work programs. A representative of that organization has testified to the importance of reliable transportation to low-income families attempting to become self-sufficient: to get to work, to get to medical appointments, to participate in children's school activities, etc. Reportedly, CarLink's goal for this year is to provide 46 cars in the Holland area to people who meet their eligibility criteria. When a car is transferred to an eligible family, however, they need to register the vehicle and pay the six percent use tax. On a car with a value of \$1,200 (said to be the average in the CarLink program), this amounts to \$72. While not a large amount for many families, it can be burdensome for families living at and below the poverty level when added to all the other costs of owning and operating a vehicle. Legislation has been introduced that would exempt such vehicle transfers from the use tax.

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

The bill would amend the Use Tax Act to exempt from the tax the transfer of a motor vehicle without consideration from a tax-exempt organization to an individual if that individual met the organization's eligibility requirements. The bill would apply to transfers made by organizations exempt under Section 501(c)(3) of the federal Internal Revenue Code. The exemption would not apply to a transfer made to a for-profit entity.

MCL 205.94w

***FISCAL IMPLICATIONS:***

The House Fiscal Agency reports that, although the necessary data are incomplete, it can be estimated that there would be a loss of use tax revenue of \$1 million or less. The HFA says that assuming the revenue loss was \$1 million, this would decrease General Fund revenues by \$0.67 million and the School Aid Fund by \$0.33 million. (4-18-01)

***ARGUMENTS:***

***For:***

The aim of the bill is to offer a helping hand to programs operated by nonprofit organizations that provide donated vehicles to families in need of reliable transportation. The use tax exemption will make a huge difference to those families, say proponents, while having little impact on state revenues. Information from one such organization, CarLink, Inc. of Holland, sponsored by Good Samaritan Ministries, stresses the importance of reliable transportation in sustaining employment, affordable housing, and healthy community connections. The organization's goal is to help families become self-sufficient.

***POSITIONS:***

A representative of Good Samaritan Ministries of Holland testified in support of the bill. (4-18-01)

The Department of Treasury is opposed to the bill. (4-18-01)

Analyst: C. Couch

■ 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.