

Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

SFA**BILL ANALYSIS**

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bill 678 (as enrolled)
Sponsor: Senator Bill Bullard, Jr.
Senate Committee: Finance
House Committee: Tax Policy

PUBLIC ACT 110 of 2002

Date Completed: 12-19-02

CONTENT

The bill amended the Use Tax Act to provide that the price tax base of a new or previously owned car or truck held for resale by a dealer, that is not exempt under Section 4(1)(c), is the purchase price of the car or truck, multiplied by 2.5%, plus \$30 per month, beginning with the month the dealer uses the car or truck in a nonexempt manner.

of a dealer's maximum allowable number of tax-exempt demonstration vehicles will be taxed by applying the use tax rate to 2.5% of the value of the vehicle, plus \$30, each month the vehicle is so used. Because this bill enacts current practice, it will have no State or local government fiscal impact.

Fiscal Analyst: Jay Wortley

(Section 4(1)(c) of the Act exempts property purchased for resale, demonstration purposes, or lending or leasing to a public or parochial school offering a course in automobile driving. The exemption for demonstration purposes is based on the number of new cars and trucks a dealer sold in a year. A dealer selling 25 or fewer vehicles may exempt two vehicles; seven vehicles may be exempted by a dealer selling 26 to 100 vehicles; 20 by a dealer selling 101 to 500 vehicles; and 25 by a dealer selling over 500 vehicles.)

Under the Act, the price tax base of any vehicle, off-road vehicle, mobile home, aircraft, snowmobile, or watercraft subject to tax under the Act cannot be less than its retail dollar value at the time of acquisition, as fixed pursuant to rules promulgated by the Department of Treasury. The bill creates an exception to this provision, as discussed above.

MCL 205.93

Legislative Analyst: George Towne

FISCAL IMPACT

According to the Department of Treasury, 30 to 40 years ago the Department and motor vehicle dealers agreed that any vehicles used for demonstration purposes that are in excess

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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.