
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 (Substitute S-1 as reported)
Sponsor: Senator Bill Bullard, Jr.
Committee: Finance

CONTENT

The bill would amend 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 would be the purchase price of the car or truck, multiplied by 2.5%, plus \$30 per month, beginning with the month the dealer used the car or truck in a nonexempt manner.

The bill would not apply to a car or truck that is exempt from the tax under Section 4(1)(c) of the Act (which exempts property purchased for resale, demonstration purposes, or lending or leasing to a public or parochial school offering a course in automobile driving).

Currently, 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.

MCL 205.93

Legislative Analyst: G. 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 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 would implement current practice, this bill would have no State or local government fiscal impact.

Date Completed: 11-7-01

Fiscal Analyst: J. Wortley