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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

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Senate Bill 678 (as introduced 9-27-01)  
Sponsor: Senator Bill Bullard, Jr.  
Committee: Finance

Date Completed: 10-30-01

### **CONTENT**

The bill would amend the Use Tax Act to provide that the price tax base of a new or previously owned motor vehicle held for resale by a vehicle dealer would be the purchase price of the vehicle, multiplied by 2.5%, plus \$30. This price tax base would apply only for the months after the vehicle dealer's use of the vehicle exceeded 1,000 miles. The bill would allow the Department of Treasury, by administrative rule, to alter this formula to determine the tax base.

The bill would not apply to a motor vehicle that is exempt from the tax under Section 4(1)(c) of the Act. Section 4(1)(c) exempts from the tax 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.

Fiscal Analyst: J. Wortley

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