

Fiscal Analysis

CTF SHARE OF MOTOR VEHICLE SALES TAX



Bill/Sponsor **SENATE BILL 399 as passed the Senate, Sen. Robert Emerson**

House Committee Appropriations

Analysis **Summary/Fiscal Impact**

SB 399 would amend Section 25 of the General Sales Tax Act to change the statutory distribution of motor vehicle-related sales tax credited to the Comprehensive Transportation Fund (CTF) for two fiscal years, FY 2003-04 and 2004-05. For those two years, the bill would reduce the sales tax earmark for the CTF from **27.9%** of 25% of the sales tax collected at 4% on motor fuels, motor vehicles, and motor vehicle-related sales, to **24.0%** of 25% of the sales tax collected at 4% on motor fuels, motor vehicles, and motor vehicle-related sales. This change would result in a reduction of approximately \$10.8 million for each of the two fiscal years (based on FY 2003-04 sales tax estimates by the Michigan Department of Treasury, Office of Revenue and Tax Analysis).

Starting with FY 2005-06, the distribution of motor-vehicle related sales tax would revert to **27.9%** of 25% of the sales tax collected at 4% on motor fuels, motor vehicles, and motor vehicle-related products.

SB 399, as passed the Senate, also directs that for FY 2003-04 the amount deposited in the CTF from the motor vehicle-related sales tax distribution would be reduced by an additional \$18.0 million. As a result, for FY 2003-04 the bill would effectively reduce the amount deposited in the CTF by a total of \$28.8 million from the amount that would have been deposited under current law (\$10.8 million plus \$18.0 million). In total, the bill would reduce the distribution of sales tax to the CTF by \$39.6 million over the two-year period.

The amounts not credited to the CTF as a result of the bill would be credited to the state General Fund.

Background/Analysis

The Comprehensive Transportation Fund (CTF) is established in Section 10b of Public Act 51 of 1951 for public transportation purposes. Most CTF funds are used to provide capital and operating support for Michigan's 75 public transit agencies. The CTF also helps support intercity bus, rail passenger, and rail freight service, as well as administration of the Michigan Department of Transportation's Bureau of Multi-modal Transportation Services.

The largest source of CTF revenue (approximately 70%) comes from a 10% share of Michigan Transportation Fund (MTF) revenue - after various statutory deductions from the MTF. This Act 51 earmark will transfer an

estimated \$162.4 million to the CTF in FY 2002-03. The other major source of CTF revenue is an earmark in General Sales Tax Act of **27.9%** of 25% of the sales tax imposed at 4% on motor fuels, motor vehicles, and motor vehicle-related products. This earmark will generate approximately \$76.5 million in FY 2002-03 for credit to the CTF.

At the end of each fiscal year, unexpended CTF revenue lapses back into the CTF fund balance, and is available for appropriation in subsequent fiscal years for public transportation purposes.

As noted above, SB 399 would amend Section 25 of the General Sales Tax Act to change the statutory distribution to the CTF for two fiscal years, FY 2003-04 and 2004-05, to **24.0%** of 25% of the sales tax collected at 4% on motor fuels, motor vehicles, and motor vehicle-related sales. This change would result in a reduction of approximately \$10.8 million for each of the two fiscal years.

SB 399, as passed the Senate, also directs that for FY 2003-04 the amount deposited in the CTF from the motor vehicle-related sales tax distribution would be reduced by an additional \$18.0 million.

The amounts not credited to the CTF as a result of the bill would be credited to the state General Fund.

Note that boilerplate section 726 of Senate Bill 265 (as passed the Senate), the FY 2003-04 state transportation budget bill, also provides for the transfer of \$16.0 million from the unreserved and unencumbered CTF closing balance at September 30, 2004 to the state General Fund. The section indicates that the \$16.0 million represents a portion of sales tax revenue deposited to the CTF. This transfer proposed in SB 265 (as passed the Senate) would be in addition to the proposed reductions in sales tax revenue credited to the CTF under SB 399, as passed the Senate.

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