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

BILL ANALYSIS

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

Senate Bills 1001 and 1003 (as introduced 2-18-04)
Sponsor: Senator Bill Hardiman (S.B. 1001)
Senator Tom George (S.B. 1003)
Committee: Finance

Date Completed: 5-19-04

CONTENT

Senate Bills 1001 and 1003 would amend the Use Tax Act and the Income Tax Act, respectively, to provide for tax exemptions for the use or value of an automobile donated to a "qualified recipient".

Senate Bill 1003 is tie-barred to Senate Bill 1001. The bills are described in detail below.

Senate Bill 1001

The bill would amend the Use Tax Act to provide that the use tax would not apply to storage, use, or consumption of an "eligible automobile" provided to a "qualified recipient" by the Family Independence Agency or by a "qualified organization". As defined in the bill "eligible automobile" would mean an automobile that: had been inspected by a mechanic certified under the Motor Vehicle Service and Repair Act; was insured as required under State law; and was registered to a qualified recipient.

"Qualified organization" would mean an organization that met all of the following requirements:

-- Was exempt from taxation under Section 501(c)(3) of the Internal Revenue Code.
-- Was licensed under the Charitable Organizations and Solicitations Act.
-- Administered a program to provide a qualified recipient with an eligible automobile for transportation to his or her place of employment for employment-related activities.

"Qualified recipient" would mean a person who met all of the following qualifications:

-- Received public assistance through a program created and administered under the Social Welfare Act.
-- Had a valid Michigan operator's or chauffeur's license.
-- Was financially capable of meeting any loan payment, insurance payment, or other expenditure associated with the eligible vehicle.
-- Had a demonstrated ability to maintain employment.

Also, if public transportation were not reasonably available to the qualified recipient, he or she would have to have no other reliable means by which to commute to his or her place of employment, and would use the eligible vehicle as his or her primary means of transportation to commute to and from his or her place of employment.

In addition, if the qualified recipient were currently employed for at least an average of 20 hours a week, he or she would have to need an automobile to retain his or her current employment or to accept a verified offer of employment in a position that was demonstrably superior to his or her current position. If the qualified recipient were not currently employed or were employed less than an average of 20 hours per week, he or she would have to need an automobile to accept a verified offer of employment of at least an average of 20 hours per week, which he or she could not begin without an automobile.

Senate Bill 1003

The bill would amend the Income Tax Act to would allow a taxpayer to claim a credit against the income tax, subject to the applicable limitations provided the bill, in an amount equal to 50% of the fair market value of an automobile donated by the taxpayer to a "qualified organization" that intended to provide the automobile to a "qualified recipient" for tax years beginning after December 31, 2003. The value of the passenger vehicle would be determined by the qualified organization or by the value of the automobile in the appropriate guide published by the National Automobile Association Appraisal Guide, whichever was less.

Under the bill, "qualified organization" and "qualified recipient" would mean those terms as defined in Senate Bill 1001.

For a taxpayer other than a resident estate or trust, the amount allowable as a credit under the bill for a tax year would not exceed $100, or for a husband and wife filing a joint return, $200. Should the proposed credit exceed the tax liability of the taxpayer for the tax year, the excess amount could not be refunded.

Proposed MCL 205.94y (S.B. 1001) Legislative Analyst: J.P. Finet
Proposed MCL 206.269 (S.B. 1003)

FISCAL IMPACT

Senate Bill 1001

This bill would reduce use tax revenue an estimated $0.3 million in FY 2003-04 and $0.4 million on a full-year basis beginning in FY 2004-05. This loss in use tax revenue, on a full-year basis, would reduce General Fund/General Purpose revenue by $0.3 million and School Aid Fund revenue by $0.1 million. This bill would not have any direct impact on local governments.

Senate Bill 1003

This bill would reduce income tax revenue an estimated $0.2 million in FY 2003-04 and $0.3 million on a full-year basis beginning in FY 2004-05. This loss in revenue would affect the General Fund/General Purpose budget. This bill would not have any direct impact on local governments.

Fiscal Analyst: Jay Wortley

S0304\s1001sa
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.