

Legislative Analysis



SALES TAX: CTF SHARE OF AUTO-RELATED SALES

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Senate Bill 839 as passed by the Senate
Sponsor: Sen. Robert Emerson
Senate Committee: Appropriations
House Committee: Appropriations

Complete to 2-21-06

A SUMMARY OF SENATE BILL 839 AS PASSED BY THE SENATE 2-15-06

The bill would amend Section 25 of the General Sales Tax Act (MCL 205.75) regarding the allocation of proceeds from the sales tax imposed on motor fuels, on the sales of motor vehicles, and on the sales of other motor vehicle-related products. This section of the General Sales Tax Act is sometimes referred to as the "auto-related sales tax." The bill would reduce the amount of auto-related sales tax deposited to the Comprehensive Transportation Fund (CTF) by \$11.1 million for the fiscal year ending September 30, 2006, and increase the amount deposited to the state General Fund by a like amount.

BACKGROUND INFORMATION:

The Comprehensive Transportation Fund (CTF) is a state-restricted revenue fund established in Public Act 51 of 1951 for public transportation purposes. One source of CTF revenue is an earmark of the "auto-related sales tax." The General Sales Tax Act earmarks a portion of the sales tax collected at 4 percent on motor fuels, motor vehicles, and motor vehicle-related sales for credit to the CTF. This earmark was first established in Public Act 428 of 1978. For a number of years, this statutory earmark was 27.9 percent of 25 percent of the auto-related sales tax collected at 4 percent. In effect, out of every six cents of sales tax collected on motor vehicle-related sales, 27.9 percent of one cent was earmarked for the CTF.

For fiscal years 2003-04 and 2004-05 the percentage earmark was reduced to **24 percent** of 25 percent of the auto-related sales tax collected at 4 percent. This percentage reduction reduced the amount credited to the CTF by approximately \$10.7 million each fiscal year, and increased the amount credited to the state General Fund by like amounts. [An additional \$10.0 million transfer to the state General Fund was made in the 2004-05 fiscal year.] The earmark will revert to **27.9 percent** of 25 percent of the auto-related sales tax in the 2005-06 fiscal year and for subsequent fiscal years. However, the current year total state General Fund budget assumes the redirection of \$11.1 million in auto-related sales tax from the CTF. This bill would effect that redirection.

FISCAL IMPACT:

The \$11.1 million redirection of auto-related sales tax revenue was an element in enacting a balanced current year state General Fund budget. The FY 2005-06 state transportation budget, PA 158 of 2005 (SB 281), already reflects the anticipated CTF

revenue reductions. Passage of the bill will not require additional reductions to CTF-funded programs in that budget.

Additional information on CTF revenue can be found in a memo, *Comprehensive Transportation Fund Revenue Issues* on the House Fiscal Agency website at <http://www.house.mi.gov/hfa/PDFs/CTF%20analysis.pdf>

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