

Legislative Analysis



SALES TAX: CTF SHARE OF AUTO-RELATED SALES

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House Bill 5502

Sponsor: Rep. Chris Kolb

Committee: Tax Policy

Complete to 1-19-06

A SUMMARY OF HOUSE BILL 5502 AS INTRODUCED 12-13-05

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." Essentially, the bill would extend the distribution percentage in place for the 2003-04 and 2004-05 fiscal years for two additional fiscal years, until the end of the 2006-07 fiscal year.

BACKGROUND INFORMATION:

Under current law, the General Sales Tax Act earmarks 24 percent of 25 percent of the sales tax collected at 4 percent on motor fuels, motor vehicles, and motor vehicle-related sales for credit to the Comprehensive Transportation Fund (CTF) for public transportation purposes. In effect, out of every six cents of sales tax collected on motor vehicle-related sales, 24 percent of one cent is currently earmarked for the CTF. The current statutory earmark to the CTF is effective only through the 2004-05 fiscal year. Without this bill, as of the 2005-06 fiscal year the earmark would return to **27.9 percent** of 25 percent of the auto-related sales tax collected at 4 percent, which was the percentage in effect prior to the 2003-04 fiscal year. House Bill 5502 would instead maintain the lower distribution percentage for two additional fiscal years.

FISCAL IMPACT:

At **27.9 percent** of 25 percent of the auto-related sales tax collected at 4 percent, the distribution to the CTF would be approximately \$77 million. At **24 percent** of 25 percent of the auto-related sales tax collected at 4 percent, the distribution to the CTF would be approximately \$66 million, a difference of \$11 million. The FY 2005-06 state transportation budget, PA 158 of 2005 (SB 281), already reflects the anticipated CTF revenue reduction. The amounts not credited to the CTF as a result of the bill would be credited to the state General Fund.

Additional information on the CTF and fiscal impacts of the bill 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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