

Legislative Analysis



MICHIGAN VEHICLE CODE REGISTRATION TAX RATES

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House Bill 4577

Sponsor: Rep. Hoon-Yung Hopgood

Committee: Transportation

Complete to 4-11-07

A SUMMARY OF HOUSE BILL 4577 AS INTRODUCED 4-5-2007

House Bill 4577 would amend Section 801(1)(p) of the Michigan Vehicle Code (1949 PA 300) to increase the tax rates for registrations based on vehicle list price. The bill would increase these registration taxes by 50 percent. The schedule of current tax rates and proposed increases is shown on Page 3.

The bill would also direct the Department of State to adjust the tax rates beginning January 1, 2009, by an amount determined by the State Treasurer to reflect the cumulative annual percentage change in the Detroit Consumer Price Index (CPI), rounded to the next higher number.

MCL 257.801

FISCAL IMPACT:

Revenue from registration taxes established in Section 801 of the Michigan Vehicle Code is dedicated to transportation in Article IX, Section 9 of the 1963 Michigan Constitution.

Section 10 of Public Act 51 of 1951 creates the Michigan Transportation Fund as the collection and distribution fund for this constitutionally dedicated revenue. Vehicle registration taxes are credited to the Michigan Transportation Fund (MTF), along with revenue from motor fuel taxes, and distributed in accordance with the provisions of Public Act 51 of 1951 to other state transportation funds and program accounts and to local road agencies (county road commissions and cities and villages).

Vehicle registration taxes generated \$867.6 million in FY 2005-06 for credit to the MTF; however, only part of that revenue was from the ad valorem registration taxes. Some of the revenue was generated by truck, trailer, and commercial vehicle registration taxes based on weight. The bill would not change the tax rates for those weight-based taxes.

We estimate that ad-valorem registration taxes currently represent approximately \$550 million of total registration taxes. Increasing tax rates by 50% would generate an additional \$275 million in tax revenue. This estimate was computed by applying the 50% tax rate increase to the estimate of total current ad valorem tax revenue. We did not attempt to compute the impact of tying future tax rates to the Detroit CPI.

We note that vehicle list prices tend to increase over time, resulting in increased tax revenues. Baseline registration tax revenue increased by an average annual rate of 4.5% from FY 1998-99 through FY 2002-03. Increasing the rate based on Detroit CPI to a rising tax base would compound this impact.

The estimates also assume that the rate increases would be effective for the full calendar year December 31, 2008. The actual additional revenue in the first year of implementation would depend on the effective date of the enacted bill.

Under current law, the additional revenue generated from these tax changes would be distributed to the Michigan Transportation Fund, the Comprehensive Transportation Fund, the State Trunkline Fund, and to county, city, and village road agencies as follows:

Ad Valorem Registration Tax revenue	
Revenue based on FY 2005-06	\$550,000,000
Proposed Increase	50.00%
Total Additional MTF Revenue	\$275,000,000

To the Comprehensive Transportation Fund	
Percent per Public Act 51 of 1951	10.00%
Distribution	\$27,500,000
Net MTF Balance	<u>\$247,500,000</u>

To the State Trunkline Fund	
Percent per Public Act 51 of 1951	39.10%
Distribution	\$96,772,500

To County Road Commissions	
Percent per Public Act 51 of 1951	39.10%
Distribution	\$96,772,500

To Cities and Villages	
Percent per Public Act 51 of 1951	21.80%
Distribution	\$53,955,000

Current and Proposed Tax Rates

Section 801(1) (p)

List Price	Current Tax	Proposed Tax
\$ 0 - \$ 6,000.00.....	\$ 30.00	45.00
More than \$ 6,000.00 - \$ 7,000.00.....	\$ 33.00	47.00
More than \$ 7,000.00 - \$ 8,000.00.....	\$ 38.00	57.00
More than \$ 8,000.00 - \$ 9,000.00.....	\$ 43.00	65.00
More than \$ 9,000.00 - \$ 10,000.00.....	\$ 48.00	72.00
More than \$ 10,000.00 - \$ 11,000.00.....	\$ 53.00	80.00
More than \$ 11,000.00 - \$ 12,000.00.....	\$ 58.00	87.00
More than \$ 12,000.00 - \$ 13,000.00.....	\$ 63.00	95.00
More than \$ 13,000.00 - \$ 14,000.00.....	\$ 68.00	102.00
More than \$ 14,000.00 - \$ 15,000.00.....	\$ 73.00	110.00
More than \$ 15,000.00 - \$ 16,000.00.....	\$ 78.00	117.00
More than \$ 16,000.00 - \$ 17,000.00.....	\$ 83.00	125.00
More than \$ 17,000.00 - \$ 18,000.00.....	\$ 88.00	132.00
More than \$ 18,000.00 - \$ 19,000.00.....	\$ 93.00	140.00
More than \$ 19,000.00 - \$ 20,000.00.....	\$ 98.00	147.00
More than \$ 20,000.00 - \$ 21,000.00.....	\$ 103.00	155.00
More than \$ 21,000.00 - \$ 22,000.00.....	\$ 108.00	162.00
More than \$ 22,000.00 - \$ 23,000.00.....	\$ 113.00	170.00
More than \$ 23,000.00 - \$ 24,000.00.....	\$ 118.00	177.00
More than \$ 24,000.00 - \$ 25,000.00.....	\$ 123.00	185.00
More than \$ 25,000.00 - \$ 26,000.00.....	\$ 128.00	192.00
More than \$ 26,000.00 - \$ 27,000.00.....	\$ 133.00	200.00
More than \$ 27,000.00 - \$ 28,000.00.....	\$ 138.00	207.00
More than \$ 28,000.00 - \$ 29,000.00.....	\$ 143.00	215.00
More than \$ 29,000.00 - \$ 30,000.00.....	\$ 148.00	222.00

More than \$30,000.00, the tax of ~~\$148.00~~ **\$222.00** is increased by ~~\$5.00~~ **\$8.00** for each \$1,000.00 increment or fraction of a \$1,000.00 increment over \$30,000.00.

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.