

Legislative Analysis



SALES TAX EXEMPTION FOR MOTOR VEHICLE SALES

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House Bill 6764

Sponsor: Rep. Marc Corriveau

Committee: Tax Policy

Complete to 12-9-08

A SUMMARY OF HOUSE BILL 6764 AS INTRODUCED 12-4-08

The bill would amend the General Sales Tax Act so that auto dealerships could exempt the sales of new and used motor vehicles from the sales tax, beginning January 1, 2009.

Specifically, the bill says that a person subject to tax under the act (a dealership) may exclude from gross receipts used for the computation of the tax the sale of a new or used motor vehicle.

The bill would import the definition of "new motor vehicle" from the Michigan Vehicle Code, where it means a motor vehicle which is not and has not been a demonstrator, executive or manufacturer's vehicle, leased vehicle, or a used or second hand vehicle.

MCL 205.54ee

FISCAL IMPACT:

The fiscal impact of this bill, if all new and used vehicle dealer sales are exempted from the sales tax, depends on total value of sales. House Bill 6764 would reduce sales tax revenue by an estimated \$560 million in FY 2008-09. This sales tax exemption would reduce School Aid Fund (SAF) revenue by an estimated \$410 million, the General Fund/General Purpose (GF/GP) revenue by an estimated \$123 million, and the Comprehensive Transportation Fund (CTF) by an estimated \$26 million. The fiscal impact for FY 2009-10 (full year) would be an estimated reduction between \$600 and \$750 million. Revenue sharing payments to local units would not be directly affected in FY 2008-09, but under current law these payments would be reduced due to this exemption beginning in FY 2009-10.

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