

Legislative Analysis



SALES TAX EXEMPTION FOR MOTOR VEHICLE SALES

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House Bill 6764 (Substitute H-1)

Sponsor: Rep. Marc Corriveau

Committee: Tax Policy

Complete to 12-11-08

A SUMMARY OF HOUSE BILL 6764 AS REPORTED FROM COMMITTEE

The bill would amend the General Sales Tax Act (MCL 205.54ee) to exempt the sales of new and used motor vehicles by dealers during the month of January 2009.

This would only apply to a vehicle if its manufacturer attended "a qualified exhibition" in the state (understood to refer to the North American International Auto Show in Detroit).

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.

[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 if the vehicle's manufacturer attended a qualified exhibition in this state.]

The term "qualified exhibition" refers to an exhibition open to the public and satisfies the following conditions: (1) promotes, advertises, or displays the design or concept of products that are designed, manufactured, or produced, in whole or in part, in this state and are available for sale to the general public; (2) uses more than 100,000 square feet of floor space; (3) is open to the general public for at least seven consecutive days in a calendar year; (4) has a general attendance exceeding 500,000 during the entire exhibition; and (5) has more than 3,000 credentialed journalists, including international journalists, who attend the exhibition.

FISCAL IMPACT:

The fiscal impact of this bill depends on total value of sales from the specified manufacturers. HB 6764 would reduce sales tax revenue by an estimated \$72 million in FY 2008-09. This sales tax exemption would reduce School Aid Fund (SAF) revenue by an estimated \$53 million, the General Fund/General Purpose (GF/GP) revenue by an estimated \$16 million, and the Comprehensive Transportation Fund (CTF) by an estimated \$3 million. Revenue sharing payments to local units would not be directly affected in FY 2008-09.

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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.