



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS



Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bill 1125 (as introduced 2-19-08)
Sponsor: Senator Bruce Patterson
Committee: Agriculture

Date Completed: 3-5-08

CONTENT

The bill would amend the Income Tax Act to allow a taxpayer to claim a \$250 credit against the income tax for the purchase of a new, qualifying vehicle during the tax year. The credit could be taken for the 2009 tax year and each tax year before January 1, 2015.

To claim the credit, the taxpayer would have to complete a form provided by the Department of Treasury, attach proof of the purchase to the form, and file both with the taxpayer's annual return for the tax year in which the taxpayer purchased the qualifying vehicle.

If the credit for the tax year and any carryforward of the credit exceeded the taxpayer's tax liability for the tax year, the excess portion of the credit could not be refunded, but could be carried forward to offset tax liability in subsequent tax years until it was used up.

The bill would define "qualifying vehicle" as a "qualified fuel cell motor vehicle", an "advanced lean burn technology motor vehicle", a "qualified hybrid motor vehicle", or an "alternative fuel motor vehicle", as those terms are defined under Section 30B of the Internal Revenue Code.

(Section 30B defines "new qualified fuel cell motor vehicle" as a motor vehicle that is propelled by power derived from one or more cells that convert chemical energy directly into electricity by combining oxygen with hydrogen fuel that is stored on board the vehicle in any form and may or may not require reformation before use.

"New advanced lean burn technology motor vehicle" means a passenger automobile or light truck with an internal combustion engine that is designed to operate primarily using more air than is necessary for complete combustion of the fuel, incorporates direct injection, and achieves at least 125% of the 2002 model year city fuel economy.

"New qualified hybrid motor vehicle" means a motor vehicle that draws propulsion energy from onboard sources of stored energy that are both an internal combustion or heat engine using consumable fuel, and a rechargeable energy storage system.

"New qualified alternative fuel motor vehicle" means any motor vehicle that is capable of operating only on an alternative fuel (compressed natural gas, liquefied natural gas, liquefied petroleum gas, hydrogen, and any liquid of which at least 85% of the volume consists of methanol).

Each definition contains additional criteria and the definition of each term, except "new qualified alternative fuel motor vehicle", also prescribes emission level standards.)

Proposed MCL 206.278

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

This bill would reduce income tax revenue an estimated \$3.0 million beginning in FY 2009-10. In FY 2010-11 through FY 2014-15, the cost of the credit most likely would increase as the demand for these types of vehicles continues to increase. This loss in revenue would primarily affect the General Fund/General Purpose budget. It is estimated that this proposed credit would not have any meaningful positive impact on the sales of these types of vehicles because a tax credit of \$250 would represent a very small offset to the price of the vehicles, which probably average in the \$25,000 to \$35,000 price range. Therefore, this credit would be claimed by taxpayers who would have purchased one of these vehicles even without the tax credit.

Fiscal Analyst: Jay Wortley

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