Legislative Analysis

Mitchell Bean, Director
Phone: (517) 373-8080
http://www.house.mi.gov/hfa

MICHIGAN PROMOTION ASSESSMENT ACT

House Bill 5017 (Substitute H-4)
Sponsor: Rep. Woodrow Stanley
Committee: Tourism, Outdoor Recreation and Natural Resources

Complete to 3-18-10

A SUMMARY OF HOUSE BILL 5017 AS REPORTED FROM COMMITTEE 3-9-10

The bill would place a $2.50 per day assessment on certain rental vehicle transactions in Michigan between October 1, 2010, and September 30, 2015. The assessments would go to the Michigan Promotion Fund (to be created by House Bill 5018) to fund tourism promotion and business promotion activities of the Michigan Economic Development Corporation, including the "Pure Michigan" advertising campaign.

This bill was previously reported from committee on 6-23-09 as a Substitute H-2, was subsequently referred back to committee on 1-21-10, and was reported a second time as a Substitute H-4 on 3-9-10. Differences between the H-2 and H-4 versions include:

- Under the H-4, the assessment applies to rental vehicle transactions between October 1, 2010 and September 30, 2015 (instead of October 1, 2009 and September 30, 2014).
- Under the H-4, after the Treasury Department is reimbursed for the costs of collecting the assessments, assessments would first go to repay the $20 million loan proposed by House Bill 5909, then to the Michigan Promotion Fund.
- A tie-bar was corrected from HB 5090 to HB 5909 ($20 million loan).
- The $2.50 assessment would be reduced by 50 cents, if the Promotion Fund had a year-end balance exceeding $40 million, adjusted for inflation, provided that the loan proposed in HB 5909 had been repaid. If the year-end balance exceeded $40 million for two consecutive years, the Department of Treasury could not continue to collect the assessment. Previously, the bill did not specify that this loan would have to be repaid before the 50-cent reductions or early end to the assessment could occur based on the size of the Promotion Fund's year-end balance. (Under a separate section of the bill, the next fiscal year's assessment collections would go to the General Fund, not the Promotion Fund, if the Promotion Fund's year-end balance exceeded $40 million.)

House Bill 5017 (H-4) is tie-barred to House Bill 5018 (Promotion Fund), 5088 (Use Tax collections), and 5909 ($20 million loan), meaning that it will not take effect unless those bills are enacted into law. Another use tax bill, Senate Bill 619, is also under consideration.

DETAILED SUMMARY:

House Bill 5017 (Substitute H-4)

The bill would create the "Michigan Promotion Assessment Act" placing an assessment of $2.50 per day (or portion of a day) on each "assessable transaction" (meaning the lease or rental of a vehicle designed for eight or fewer passengers for fewer than 31 days from specified facilities, whether or not the vehicle is licensed in Michigan). The assessment would apply to transactions beginning after September 30, 2010 through September 30, 2015.

<u>Covered sites</u>. The bill would apply to covered motor vehicle rentals at any of the following facilities:

- A hotel, motel, or inn.
- A commercial airport (meaning a Michigan airport with regularly-scheduled commercial flights), or within 2.5 miles of a commercial airport.
- Other transportation facility (meaning a passenger train station, motor bus terminal, or harbor).
- A convention facility (meaning a facility designed for holding conventions, meetings, exhibits, trade shows, and similar events).

<u>Covered motor vehicles</u>. The term "motor vehicle" would mean a vehicle that is or would be subject to registration and title requirements under the Michigan Vehicle Code, and that is designed and intended to be used primarily as a passenger vehicle. The term would not include road tractors, school buses, special mobile equipment, tank vehicles, truck tractors, implements of husbandry, or farm tractors, as those terms are defined in the Code. Further, as noted above, the bill would only apply to passenger vehicles designed for eight or fewer passengers.

<u>Collection method; administration</u>. The assessment would be collected at the same time and in the same manner as use and sales taxes and would be administered by the Department of Treasury under Public Act 167 of 1933, MCL 205.51 to 205.78.

<u>Assessment as tax</u>. The assessment is described as a tax levied on a person engaged in the business of rental or lease of motor vehicles. The taxpayer could add the amount of the assessment to the price of the rental transaction.

<u>Deposit of assessments less costs of collection</u>. The proceeds from collection of the assessments, less the costs of collection by the department, would be first used to repay any surplus funds loaned to the Michigan Strategic Fund under Section 2g of Public Act 105 of 1855 (MCL 21.142g)(the $20 million loan proposed in House Bill 5909). Any remaining balance would be deposited with the State Treasurer and credited to the Michigan Promotion Fund.

Possible transfer of assessments to General Fund. If the Promotion Fund's year-end balance exceeded $40 million (adjusted for inflation) in any fiscal year, assessments would be deposited into the General Fund in the next fiscal year.

Possible 50-cent reduction or early end to the assessment. If the $20 million loan proposed in House Bill 5909 was repaid, and the Promotion Fund's year-end balance exceeded $40 million (adjusted for inflation) in any fiscal year, the assessment would be reduced by 50 cents each fiscal year. If the Promotion Fund's year-end balance exceeded $40 million (adjusted for inflation) for two consecutive fiscal years, the Department of Treasury would have to stop imposing and collecting the assessment in the next fiscal year.

Exclusion for temporary replacement rental vehicles. The assessment would not apply to a motor vehicle provided to or obtained by a person as a temporary replacement while that person's vehicle was being repaired, adjusted, serviced or replaced.

FISCAL IMPACT:

The amount of revenue that would accrue from a $2.50 per day assessment on rental vehicles would depend on the volume of vehicle rentals. According to the MEDC, the rental vehicle assessment is anticipated to generate $13.0 million revenue annually.

In the event that in the future the Michigan Promotion Fund accrued a balance greater than $40.0 million at the end of a fiscal year, the General Fund could see increased revenue in the succeeding year. HB 5017 provides that under these circumstances, additional assessment collections in the next year would be deposited into the General Fund.

Legislative Analyst: Shannan Kane
Fiscal Analyst: Jim Stansell