

Legislative Analysis



ROLLING STOCK TAX EXEMPTIONS

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House Bills 5444 & 5445

Sponsor: Rep. Jud Gilbert, II

Committee: Tax Policy

Complete to 5-1-12

A SUMMARY OF HOUSE BILLS 5444 & 5445 AS INTRODUCED 2-28-12

The General Sales Tax Act exempts from taxation, the sale of rolling stock (i.e., large trucks, trailers and parts) purchased by or rented or leased to an interstate motor carrier and used in interstate commerce. The Use Tax Act similarly exempts the storage, use, or consumption of rolling stock purchased, rented, or leased by an interstate motor carrier fleet.

The bills would amend the definition of "rolling stock" as it applies to the exemptions in the two acts. The bills specify, in enacting sections, that they are curative and intended to clarify the original intent of 1999 PA 116 (for the sales tax bill) and 1996 PA 477 (for the use tax bill).

The current definition of "rolling stock is "a qualified truck, a trailer designed to be drawn behind a qualified truck, and parts affixed to" [either a truck or a trailer].

The bills would define "rolling stock" as "a qualified truck, a trailer designed to be drawn behind a qualified truck, and parts **or other tangible personal property** affixed to **and directly used in the operation of**" [either a truck or a trailer]. The bolded portions are the proposed new language.

House Bill 5444 would amend the General Sales Tax Act. (MCL 205.54r). House Bill 5445 would amend the Use Tax Act. (MCL 205.94k)

Under both acts, an "interstate motor carrier" is defined to mean a person engaged in the business of carrying persons or property—other than themselves, their employees, or their own property—for hire across state lines, and whose fleet mileage was driven at least 10 percent outside of the state in the immediately preceding tax year. A "qualified truck" means a commercial motor vehicle power unit that has two axles and a gross vehicle weight rating in excess of 10,000 pounds or a commercial motor vehicle power unit that has three or more axles.

FISCAL IMPACT:

As written, the bills would reduce sales and use tax revenue by an indeterminate, but relatively small, amount. The combined annual revenue loss is expected to be less than \$500,000.

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