

Legislative Analysis



ROLLING STOCK TAX EXEMPTIONS

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House Bill 5444 (Substitute H-1)

House Bill 5445 (Substitute H-1)

Sponsor: Rep. Jud Gilbert, II

Committee: Tax Policy

Complete to 5-15-12

A SUMMARY OF HOUSE BILLS 5444 & 5445 AS REPORTED FROM COMMITTEE

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 **or to be 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.

BACKGROUND AND DISCUSSION:

According to testimony before the House Tax Policy Committee, the bills aim to clarify that certain equipment attached to a truck or trailer after it has been purchased qualify for

the sales and use tax exemptions granted to interstate "rolling stock" (generally, large trucks and trailers). Examples provided include sophisticated global positioning systems (GPS), in-cab heaters, alternate power units, and refrigeration units. These kinds of equipment, as designed for interstate carriers, are not typically available for purchase for ordinary motorists; they serve specific functions for trucking companies. While such equipment meets the "spirit" of the current exemptions, because they are affixed after a truck is purchased but prior to its being put into service, they are not specifically exempted in the General Sales Tax Act or Use Tax Act. Currently, the acts are interpreted to exempt parts that are affixed to a truck when purchased and subsequent replacement parts.

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.

POSITIONS:

The Department of Treasury indicated support for the bills. (5-2-12)

The Michigan Trucking Association testified in support of the bills. (5-2-12)

The Auto Dealers of Michigan indicated support for the bills. (5-2-12)

The Michigan Chamber of Commerce indicated support for the bills. (5-2-12)

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