

Legislative Analysis



USE TAX ON THE DIFFERENCE

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Senate Bill 90 (Proposed H-1 Substitute)

Sponsor: Sen. Dave Robertson

House Committee: Tax Policy

Senate Committee: Finance

Complete to 12-3-13

A SUMMARY OF SENATE BILL 90 (PROPOSED H-1)

Senate Bill 90 is a companion to Senate Bill 89 and House Bill 4234, the two bills that dealt with exempting a portion of the trade-in value of motor vehicles, recreational vehicles, and watercraft from the sales tax. Those bills were enacted as Public Acts 160 and 159 of 2013.

The bill would amend the Use Tax Act (MCL 205.92) to exempt the following from the use tax:

- Beginning December 15, 2013, up to \$2,000 of the agreed-upon value of a trade-in when used as part payment of the purchase price of a *new motor vehicle, used motor vehicle, or recreational vehicle*. The agreed-upon value would have to be separately stated on the invoice, bill of sale, or similar document given to the purchaser. This would not apply to leases or rentals.
- Beginning January 1, 2015, and each January 1 thereafter, the exemption limit would be increased by an additional \$500 each year, unless the recently enacted Medicaid expansion legislation is repealed.
- Beginning in January 1 in the year in which the exemption exceeds \$14,000, and each January 1 thereafter, there would be no limitation on the agreed-upon value used as part payment.
- Beginning November 15, 2013, credit for the agreed-upon value of a titled watercraft used as part payment of the purchase price of a *new titled watercraft or used titled watercraft* from a watercraft dealer if the agreed-upon value is separately stated on the invoice, bill of sale, or similar document given to the purchaser. This does not apply to leases and rentals.

These are similar to provisions added to the General Sales Tax Act by Public Acts 159 and 160.

FISCAL IMPACT:

Senate Bill 90 is a Use Tax complement to fully implement the "Sales Tax on the Difference" legislation contained in Senate Bill 89 (2013 PA160). Because of the

interaction between the sales tax and the use tax, any sales tax not collected as a result of SB 89 would be converted to a use tax liability. As such, SB 90 extends the sales tax exemption provided in SB 89 to the use tax, and does not impose any additional fiscal impact above that already associated with SB 89.

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