



Senate Fiscal Agency
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Senate Bill 265 (as reported without amendment)
Sponsor: Senator Rick Jones
Committee: Transportation

CONTENT

The bill would amend the Michigan Vehicle Code to exclude company test vehicles from the tax that the Regional Transit Authority may levy on vehicle registrations issued to residents of a public transit region, with the approval of voters in the region.

The bill would define "company test vehicle" as a vehicle that is owned by a manufacturer, and is one or both of the following: 1) part of a product testing program as defined by the U.S. Department of Treasury under Treasury Regulation 1.132-5(N) (2001), and 2) furnished by the manufacturer to an employee for the purpose of testing, evaluating product quality and performance, reporting defects, or suggesting product or production improvements as an ordinary and necessary business expense of the manufacturer.

(The Regional Transit Authority Act created the Regional Transit Authority for a public transit region that consists of Wayne, Macomb, Oakland, and Washtenaw Counties. The Authority must adopt a public transit plan for the region, and may operate bus services. The Authority may finance its activities in several ways, including the collection of a registration tax under the Vehicle Code (which is in addition to the registration tax otherwise required). If the voters in the region approve, the Authority may charge up to \$1.20 for each \$1,000 of the list price of each vehicle registered to residents of the region.)

MCL 257.801j

Legislative Analyst: Glenn Steffens

FISCAL IMPACT

The bill would have no fiscal impact on the State. The total maximum loss of revenue to the Regional Transit Authority (RTA) would be an estimated \$1,119,000, as discussed below.

According to the Department of State, the average registration fee for a test vehicle is estimated at \$125, which equates to an average list price for a vehicle of approximately \$25,000. Based on 2012 data, the number of manufactured vehicles registered as "test vehicles" across the State is an estimated 37,300. Although a large portion of these vehicles are registered in the counties within the public transit region of the RTA, the exact number of the total 37,300 vehicles that are actually registered within the region is unknown.

The additional registration fee for test vehicles, assuming voter approval, for those living within the RTA will be \$1.20 per \$1,000 of valuation. Thus, using an average list price of \$25,000, it is estimated that the average additional fee for vehicles within the region will be \$30 annually per vehicle. Under the proposed exemption, assuming all 37,300 test vehicles are registered within the region, the estimated total annual loss in revenue to the RTA for

these 37,300 vehicles would be \$1,119,000. The actual potential loss in revenue to the RTA from these test vehicles would depend on the actual number of test vehicles that ultimately register in a county within the region; thus, the potential loss in revenue to the RTA could be something less than the estimated \$1.1 million.

Date Completed: 4-17-13

Fiscal Analyst: Joe Carrasco