



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL



ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986

Senate Bill 265 (as introduced 3-14-13)
Sponsor: Senator Rick Jones
Committee: Transportation

Date Completed: 4-9-13

CONTENT

The bill would amend the Michigan Vehicle Code to provide an exception for company test vehicles with regard to the vehicle registration tax charged by a Regional Transit Authority.

The Code allows a Regional Transit Authority created under the Regional Transit Authority Act to charge a tax on vehicle registrations issued to residents of a public transit region, with the approval of the voters in the region. The bill would exclude company test vehicles from this tax.

The bill would define "company test vehicle" as a vehicle that is owned by a manufacturer, and is one or both of the following:

- Part of a product testing program as defined by the U.S. Department of Treasury under Treasury Regulation 1.132-5(N) (2001).
- 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.

(Under Treasury Regulation 1.132-5(N), product testing: 1) is an ordinary and necessary business expense of the employer; 2) is necessarily performed off of the employer's business premises, by employees, because of business reasons; 3) involves a product that the employer furnishes to an employee for purposes of testing and evaluation, for no longer than necessary to test and evaluate the product's performance, and that must be returned to the employer upon completion of the testing and evaluation; 4) is subject to employer-imposed limits on the employee's use of the product that significantly reduce the value of any personal benefit to the employee; 5) must be for a reasonable period in relation to the product being tested; and 6) requires an employee to submit detailed testing and evaluation reports to the employer.)

MCL 257.801j

BACKGROUND

The Regional Transit Authority Act, enacted by Public Act 387 of 2012, created the Regional Transit Authority for a public transit region, which is an area of the State that consists of a "qualified region". A qualified region includes a qualified county (the county with the largest population of the State) and the three contiguous counties with the largest populations, i.e.,

Wayne County and Macomb, Oakland, and Washtenaw Counties. A county that is not included in the region may petition the Authority to join it.

The Authority is required to adopt a public transit plan for the region, and is authorized to operate a rapid rolling transit system (bus services) within the region. With the unanimous approval of its board, the Authority may acquire a public transportation provider, and may acquire, construct, or operate passenger rail service. The Authority may raise revenue by various methods listed in the Act, which include issuing bonds; levying an assessment within the public transit region, with approval of the voters in the region; and collecting a motor vehicle registration tax under the Michigan Vehicle Code.

Public Act 498 of 2012 added Section 801j to the Vehicle Code to provide for this tax, which is in addition to the registration tax otherwise required under the Code. If approved by the voters in the public transit region, the Authority may charge up to \$1.20 for each \$1,000 of a vehicle's list price. The Authority may use the tax only for comprehensive transportation purposes as defined in the State Constitution.

If the tax is approved, the Secretary of State must collect it on all vehicles registered to residents of the public transit region and credit the tax to the Authority, minus necessary collection expenses.

Legislative Analyst: Glenn Steffens

FISCAL IMPACT

State: The bill would have no fiscal impact on the State.

Local: 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 Regional Transit Authority (RTA), the exact number of the total 37,300 vehicles that are actually registered within the RTA 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 RTA will be \$30 annually (25 times the additional fee of \$1.20) per vehicle. Under the proposed exemption, assuming all 37,300 test vehicles are currently registered within the RTA, 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 RTA; thus, the potential loss in revenue to the RTA would be something less than the estimated \$1.1 million.

Fiscal Analyst: Joe Carrasco

S1314\S265sa

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.